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1 Introduction to the Roosters' Starter Pack

The Roosters Starter Pack (the "Pack") has been designed to provide as much information as possible to help potential franchisees make an informed decision about a Roosters franchise. We have incorporated the Franchise Association of Southern Africa (FASA) disclosure requirements, as well as additional information Roosters considers pertinent to the decision-making process.

The Starter Pack contains information regarding the Franchise Agreement, but not the Franchise Agreement itself. When you reach the point that the complete Franchise Agreement is presented to you, read the entire agreement carefully. It is recommended that you have an attorney explain in detail the contents of the Franchise Agreement to you.

Buying a franchise is a serious undertaking and, in addition to the input discussed above, the advice of an accountant or financial advisor should be sought prior to signature of the agreements.

Roosters subscribes to the seven-day "cooling off" period as suggested by ethical franchising standards. Furthermore, we strongly encourage potential franchisees to undertake their own research regarding both franchising in general and this opportunity in order to ensure a fully informed approach.

Receipt of this Roosters Starter Pack and submission of any of the application or correspondence forms included herein does not constitute a binding contractual obligation on either party and it will only be upon payment of the deposit(s) outlined herein and subsequent signature of the application agreements that a formal relationship will be established.

For any additional information or clarity regarding any issues raised in this Pack, please contact Roosters Franchising, details of which are provided in Section 3 of the Pack.

We believe that you will find the information outlined in the Pack sufficiently comprehensive to complete your assessment of the Roosters franchise opportunity and look forward to having you join us as a Roosters' Franchisee.

THE ROOSTERS EXPERIENCE
(INSERT SOMETHING HERE – MISSION STATEMENT)

2 Franchising in General

From FASA: South Africa has a vibrant franchise sector and one just needs to consult the yearbook of the Franchise Association of Southern Africa to see that a large number of divergent business concepts, many of which have become household names in their own right, are operated under franchise. The share of the South African market held by franchising is estimated to be around 12% and growing rapidly, thus indicating enormous potential for future growth.

What is Franchising?

The biggest advantage of franchising appears to be the **reduction of risk** you will be taking for your investment. This is because franchises typically get up and running faster, and are profitable more quickly. This can be a result of better management as well as a well-known name.

According to the [Small Business Administration](#) (SBA), most small businesses fail because of weak management. It is in this area that the franchising option shines the most. When you lease a franchise, you are leasing that **managerial know-how**.

You also usually get better deals on supplies because the franchise company can purchase goods and supplies in bulk for the entire chain, and then pass that savings on to you and the other franchise units.

The often-**instant recognition** from customers is also a big plus. Customers are dealing with a "known" rather than an "unknown." For the customer, the advantages of a franchise include the comfort of knowing what you're getting. You know that the quality of the product or service at one location will be comparable to that of another location. You know what they have and you already know what you like about it.

A franchise is an agreement between the franchisor (the grantor of the franchise) and its franchisees (those who acquire a franchise), granting the franchisee the right to operate under the name of the franchise and use its trademarks, know-how, methods and procedures. Moreover, the franchisee stands to gain from initial and ongoing training and advice offered by the franchisor, as well as having access to bulk deals and group marketing campaigns.

3 Roosters – The Franchisor

The Legal Entity	Roosters (Pty) Ltd
Physical Address	8 King Street Kensington B Randburg 2125
Registered Address	As above
Postal Address	P O Box 2054 Randburg 2125
Telephone number	(011) 789-3535
Fax number	(011) 789-3538
Trading Name	Roosters
Principal Place of Business	South Africa
FASA Member	Full FASA Membership held
Directors	Arthur Squair Barry Yates
Franchise Officers	Arthur Squair Theo Fourie Henk White
Lawyers	P. Human
Accountants	JP Koortz
Bank	Standard Bank

CURRICULUM VITAE OF KEY FRANCHISE OFFICERS

Arthur J S Squair CEO

Arthur was born into the restaurant business in Scotland where his parents owned a chain of licensed restaurants called "Four Squair Inns".

In 1989 Arthur immigrated to South Africa at the request of Pick 'n Pay to run butcheries in and around Gauteng. In 1992 he moved to Woolworths and was instrumental in opening the "Central Meat Plant" a first of its kind in South Africa.

Adopting the principals learnt along the way Arthur became Director / Shareholder of Midland Meat in 1996. Before joining Roosters, Arthur was an Executive in Charge of Procurement for Tsebo / Fedics.

Barry A Yates CFO/CCO

By profession, Barry is a Chartered Accountant, holding both English and South African qualifications (FCA & CA (SA)).

He has held various financial positions in the manufacturing, retail and service sectors, beginning his work in South Africa with Price Waterhouse.

For the last fifteen years, he has been the Financial and Commercial Director for Fedics (Pty) Ltd, responsible for a group turnover of approx R800 million.

Henk White Operations and Training Manager

Henk has 21 years experience in the hospitality industry, with six of those years being with Roosters Franchising. With many years experience and various courses and a Marketing Diploma behind him, Henk's knowledge of the operational aspects of the business is key to the future strategy of BJ's.

Theo Fourie Project Planning and Development

Theo has a B Sc. (Hons) in Food Science and, with 20 years experience in the food industry, Theo brings sound business practices and professional management to Roosters. Theo has also completed his MBL (Masters in Business Leadership).

4 History and Heritage of Roosters

Where the legend begins, nobody really knows. However there are a few old wise tales, the one believed to be the truest of them all, is the one you will be told.

Now listen closely with heartfelt warmth as we take you through a burning journey of life...

Long before Rooster, there was Egg. Mother Hen couldn't have an egg of her own so decide to adopt. Finally, that magical day arrived when Mother Hen, full of pride, had her a little Egg of her own. On that very glowing evening as Mother hen stared down so lovingly at Egg she saw something different about Egg. Egg was beaming with the brightest light she had ever seen and from that moment she knew there was something special about Egg.

Wanting to confirm her believes about Egg's greatness, Mother hen took to her heels and did what chickens do best... (as you know a chicken on the run is not the most gracious sight) to meet with the Wise, Old Pearly Hen. Pearly hen was known throughout the chicken hatch for her psychic powers and wisest abilities.

Gasping and out of her wits with excitement, Mother Hen explained to Pearly the bright light she had seen and what she believes this meant "Egg is destined to be something big!"

Pearly sighed and explained as gently as possible "Mother hen, not every Egg is all it's cracked up to be".

Mother Hen left disappointed but deep down she knew Egg was going to be something very special, and she never gave up hope.

Time passed and soon it was discovered that Pearly hen was a fake and Mother hen was right. For that special Egg with the brightest, beaming light was destined to be ... ROOSTERS

The beaming light of Roosters has been shining brightly since its inception in 1972, when it began as Mr Roosters. And it's clear that Roosters is a firm favourite with South Africans and overseas visitors alike.

Roosters has a proudly South African heritage dating right back to its inception over thirty years ago. From the beginning, Roosters has been committed to providing the best in take away foods and home-meal replacements and service that South Africa has to offer – and it has exceeded any expectations!

Today, Roosters falls under the direction of the CotoCo Group of Companies. The team at Roosters has the intellectual capital, passion and determination to take Roosters Franchising (Pty) Ltd to new heights, enhancing customer satisfaction and supplier loyalty while also increasing profitability. We have established one of the most proactive marketing and development teams of its kind in the fast food industry, and add value based firmly on our catering needs with our knowledge of this diverse sector.

As a countrywide food franchise chain, all the infrastructure, support systems and logistics required for the establishment and running of a new Rooster's outlet, are tested and already in place. Roosters has strong ties with BJ's Franchising (Pty) Ltd who has established itself as a leader in fast food Franchising in South Africa.

5 Roosters Franchisee Profile and Evaluation

A Franchisee is a very special type of person. As a franchisee you will be running your own within the parameters of the Roosters brand and business format.

In operating a Roosters store, you will have a number of responsibilities including:

- Ø Creating a friendly, personalized, fun environment
- Ø High levels of service excellence
- Ø Marketing of the brand and the store
- Ø Business Management
- Ø People Management
- Ø Customer orientation and community relations

You will not only have to have the required financial resources and track record, but you will also have to possess the attributes of a business owner to successfully fulfill your role as a Roosters Franchisee.

The Ideal Franchisee

Qualifications

- Ø The franchisee should be financially sound
- Ø The franchisee should be credit worthy and have available financial resources
- Ø A formal qualification may be advantageous but it is not essential

Experience

- Ø Managerial experience and/or having been self employed is ideal
- Ø Computer literacy is a must
- Ø The franchisee should be able to pro-actively market his business and sell him/herself, the Roosters product and the Roosters experience. The Roosters franchisee must be preferably "hands on" and the store must be "owner operated".

Personal Attributes

Do you have what it takes to be a Franchisee? Here is a list of personal attributes we think the Franchisee should have. A franchisee must:

- Ø Be energetic and have a professional approach to business
- Ø Possess outstanding communication and interpersonal skills
- Ø Love working with people
- Ø Approach and deal with our customers correctly – being friendly, patient, tolerant and genuine
- Ø Be an effective manager and have excellent motivational skills
- Ø Create a personalized, fun environment for both customers and staff members alike
- Ø Share an alignment of the Roosters' values.
- Ø Have a respectable appearance and be of sound physical health
- Ø Be enthusiastic, dynamic and a self-starter with a strong will to succeed
- Ø Demonstrate entrepreneurial skills, and also show the ability to be a team player
- Ø Consider this franchise business as a long-term investment, and show commitment and loyalty to Roosters.

Roosters franchisees reflect an incredible diversity of talent and character. We recognize the importance of ongoing nurturing for the growth and ongoing success of Roosters, which is why we provide the training and upliftment of all Roosters franchisees upon recruitment and through their time at Roosters.

All Roosters franchisees are fully screened and formally tested as part of the assessment process, to ensure that they meet the required profile.

6 Obligations of the Franchisor and Franchisee

The Obligations and Commitment of Your Franchisor

In return for your financial, business and social commitment as a fully fledged franchisee to the Roosters concept, and specifically, the success of your own Roosters outlet, Roosters undertakes to:

- Ø Provide initial training in the use of the system, trademarks and management of the business to both the franchisee and their staff members
- Ø Provide the franchisee with advice and instruction when Roosters deems necessary, including, but not limited to, advice and instruction relating to operations, marketing and training. Recommendations may be made as to improve the application of the system
- Ø Regularly visit your outlet throughout the term of the relationship to ensure that your operations are being run in accordance with the general standards as applied by successful Roosters franchisees
- Ø Protect and defend the Trade Names, Trademarks and other intellectual property
- Ø Provide the franchisee with ongoing access to developments relating to:
 - Products
 - Marketing
 - Operating and general systems
 - Techniques
 - Store Design
 - Equipment enhancements

Your obligations as a Franchisee

The Franchisee warrants and undertakes that for the duration of the agreement it shall –

- Ensure that all systems are strictly and completely adhered to in the outlet
- Observe and comply with all statutes, proclamations, regulations, ordinances, by-laws and lawful requirements from time to time of any competent or lawful authority in the conduct of the business of the outlet
- Permit regular inspections of the outlet and evaluations of the Roosters products sold and services rendered in the outlet
- Operate in strict conformity with the methods, standards, corporate practices and specifications as the Franchisor may prescribe from time to time in the operating manual or otherwise in writing
- Attend all meetings of store managers of Roosters outlets called by the Franchisor
- Operate the outlet in a proper, businesslike manner
- Prepare, serve, advertise and sell to the public only such food items and other items and only at such prices as are authorized by the Franchisor
- Keep the outlet and all equipment, fixtures and fittings and promotional material, clean, tidy, hygienic and appealing and maintain the same high standard of good order, condition and repair
- Maintain a competent and conscientious staff complement
- Ensure that the highest degree of quality and service is maintained in the outlet
- Keep the outlet open during minimum hours prescribed by the Franchisor
- To complete, apply for, obtain and/or renew all or any licenses which it may require in order to carry on its business in the premises

- A complete general maintenance and/or reconditioning of the premises and/or the equipment, fixtures and fittings and/or furnishings, including interior and exterior painting and the replacement, repair and /or furnishings, at the Franchisee's cost.
- Ensure that clothing worn during business hours and in the course of business by the persons employed by the Franchisee shall at all times be subject to the approval of Roosters and comply with the system
- Lodge with the Franchisor copies of all stationery, invoice, documents and other materials bearing its name concurrently in use provided that any corporate logos and insignia will comply in all respects with the Franchisor's specifications for such marks
- Make payment of all amounts due to its trade and other creditors timeously
- Ensure that no person shall be allowed to serve in the outlet unless such person has completed the necessary training
- Comply with all obligations under any agreement relating to the use, occupation and/or tenancy of the premises and in particular not to terminate any agreement unless the Franchisor has given its prior written consent
- Not to transfer the business to any other premises without the prior written consent of the Franchisor
- Comprehensively insure the outlet, the franchise business and the system under an insurance policy, the extent of cover of which has first been approved by the Franchisor in writing.
- Authorize Roosters, by way of an Electronic transfer / Debit Order Authorisation, to debit amounts owing to them from time to time directly from the Franchisee's bank account. Such recoveries may include: Royalties / Advertising or Marketing Levies / Interest on outstanding/arrears amounts

Although every effort has been made ensure that the above lists are as comprehensive as possible, a full scrutiny of the Franchise Agreement must still be undertaken at the time when it is presented for this purpose.

7 The Franchise Agreement

The Franchise Agreement is a legal document designed to outline the contractual relationship between the Franchisor and Franchisee and, as previously mentioned, should be fully explained by an independent party, such as an attorney, with experience in this field. The Franchise Agreement is not a negotiable document and no changes will be effected to the terms, conditions or restrictions outlined therein.

The Franchise Agreement is the legal basis of your relationship with Roosters, although it must not be seen as the operational guideline for a Roosters outlet. The Operations and Procedures Manual will dictate all operational issues and is given to you once the relationship is formally established.

It is imperative that the Franchisee understands the terms, conditions and obligations laid out in this Franchise Agreement. Take time to understand the legal elements, as they apply to the contracts you will be entering into, specifically those relating to renewal, breach, termination, intellectual property and restraints. Pertinent clauses of the Franchise Agreement are outlined below to encourage an understanding of these concepts.

It is important to stress that the clauses outlined below merely offer an outline and must be read in the context of the Franchise Agreement, taking into account the appropriate cross-reference.

Intellectual property (Trademarks and system)

- D1 The FRANCHISEE accepts the provisions of this part as going to the root of the contract, and is aware that the restrictive nature of this agreement and the stringent provisions herein are designed primarily to protect the CORPORATION'S interest in, and its goodwill attaching to, its trade marks.
- D2 The trade marks themselves are assets in the CORPORATION and are not the property of nor assets in, the FRANCHISEE'S licensed business. The goodwill attaching to the trade marks themselves, belongs to the CORPORATION and not to the FRANCHISEE. However, the FRANCHISEE'S right to use the trade mark is an asset in the FRANCHISEE'S licensed business and does form part of its goodwill.
- D3 The CORPORATION'S business consists of turning to account its ownership of the trade marks firstly for its own benefit and that of its shareholders, and secondly for the benefit of the whole franchise. If a conflict develops between the interest of the FRANCHISEE and that of the franchise generally, the CORPORATION shall be entitled to act in the best interest of the franchise generally.
- D4 The FRANCHISEE acknowledges that the way in which the FRANCHISEE conducts his licensed business influences the public's image of the franchise, has a direct and/or indirect effect upon all other licensed businesses and has a direct effect upon the CORPORATION'S goodwill attaching to the trade marks and accordingly, the CORPORATION is entitled to prescribe and control every aspect of the conduct of the licensed business, including the minutiae thereof.
- D5 The FRANCHISEE is aware that the CORPORATION derives its income from royalties on FRANCHISEE'S gross turnover. The FRANCHISEE is accordingly required to devote all reasonable efforts towards maximizing both his gross turnover and his sales and/or his usage of licensed products.

- D6 Professional marketing is aware of the trade marks, the franchise and the basic products, and the FRANCHISEE'S wholehearted participation therein is fundamental to the CORPORATION'S business and to the success of the franchise generally and is also therefore beneficial to the FRANCHISEE'S licensed business.

PART I: USE OF THE PROTECTED NAME AND TRADE MARKS

I.1 GENERAL RIGHTS AND DUTIES:

Subject to the FRANCHISEE signing the prescribed user agreement, the CORPORATION hereby grants the FRANCHISEE the right, exclusive to the Corporation and its bona fide franchisees, to use the trade marks, including the protected name and may register the FRANCHISEE as a user thereof in the Trade Marks Register.

The FRANCHISEE shall use the trade marks strictly in accordance with the restrictions, terms and conditions contemplated in this Agreement and shall not, ever, use the trade marks or any names similar to the trade marks, as part of any corporate or business name save as provided herein.

The FRANCHISEE further:

I1.1 Unlawful Use:

shall not use nor permit anyone to use the trade marks [or any similar trade marks or any distinctive words contained in the trade marks or any other words sufficiently resembling them or any of them as to be liable to cause confusion] other than for the food or other products or services covered by the trade marks and other than in connection with the licensed business at the approved premises;

I1.2 Validity:

undertakes not at any time during the continuance of this Agreement or thereafter to challenge or assist others to challenge the validity of the trade marks, or the right of the CORPORATION to use or permit any person to use the trade marks, or the right of the CORPORATION to prevent any person from using the trade marks without the CORPORATION'S written consent;

I1.3 New and Discontinued marks:

shall, should the CORPORATION decide to discontinue the use of any trade mark or introduce a new trade mark, [either of which it shall be entitled at any time to do] on notice from the CORPORATION immediately cease or commence using, as the case may be, such trade mark and shall when called upon, sign any necessary user agreement, or cancellation of user agreement, and application for registration or deregistration as a user, as the case may be;

I1.4 Termination Discontinuance:

shall, upon the cancellation or termination of this Agreement, for whatever reason, forthwith discontinue the use of the protected name and the use of the trade marks. The FRANCHISEE hereby agrees that a simple statement by the CORPORATION to the Registrar, stating that this agreement is terminated, shall be sufficient to found an

application for the cancellation of the registration of the FRANCHISEE as a registered user of the trade marks.

I.2 PRESENTING THE TRADE MARKS TO THE PUBLIC:

The MASTER FRANCHISEE agrees to take every feasible opportunity to present the trade marks, to the public by means of "BJ'S" or "BJ'S FRANCHISING (PTY) LIMITED" branded menus, crockery, [where applicable], drinking straws, take away packaging, docket slips, badges on his and his staff's uniforms, paper napkins, sugar sachets and similar items.

PART J: TERMINATION OF AGREEMENT

J.1 EXPIRY DATE:

J1.1 Normal Expiry:

Notwithstanding the expiry date stipulated on A4, this agreement shall not terminate by effluxion of time on the expiry date unless either party has given the other notice in writing not less than 6 nor more than 12 months prior to such expiry date of its intention so to terminate the agreement.

Failing timely receipt of such notice, the agreement shall continue in full force for a further period of 1 year after the expiry date; provided that the CORPORATION may at any time during that year terminate the agreement upon 21 days written notice to the FRANCHISEE.

J1.2 Premises lease:

This agreement may endure for a longer period than the lease of the approved premises. It is the FRANCHISEE'S responsibility to ensure that he has the right to occupy the approved premises until the expiry of the Franchise Agreement.

J.2 COMPANY'S RIGHTS ON TERMINATION:

J.2.1 Protection of Goodwill:

The provisions of this clause are designed primarily to protect the trade marks and the CORPORATION'S goodwill therein and shall apply whether the agreement terminates on or after the expiry date or prematurely.

J.2.2 Change of image:

The FRANCHISEE shall, upon termination of this Agreement and if it remains in occupation of the approved premises, change the appearance of such business to the extent necessary to prevent such business being mistaken in appearance by members of the public for a licensed business. Without derogating from the generality to the above, the FRANCHISEE shall:

- a) permanently remove the protected name from the interior and exterior of such business and from all furniture, fittings and equipment therein and ;

b) if so required by the CORPORATION, change the exterior and the interior of such business in such ways as shall in the reasonable opinion of the CORPORATION, be necessary to achieve such changed appearance and permanently cease to use anywhere or for any purpose whatsoever any crockery [where applicable], uniforms, menu, paper serviettes, take away packaging or any other article whatever marked with the protected name or with the trade marks or any of them and shall surrender any and all such articles to the CORPORATION on demand. The CORPORATION shall realise any such branded items so surrendered, at prices which the CORPORATION considers reasonable, for the benefit of the FRANCHISEE.

c)

J.2.3 Right to remove:

If the FRANCHISEE fails to surrender to the CORPORATION the branded items on demand, the CORPORATION shall have the unfettered right to enter upon the licensed businesses without interference from the FRANCHISEE or the approved sub-franchisees, to remove there from any menu, uniform, crockery, sign, paperware, sugar sachets, condiment dispensers, drinking straws, foodstuffs and any other article, product or commodity which bears or is covered by any of the trade marks. The CORPORATION shall realise the same in accordance mutatis mutandis with the provisions of J2.2.

THE ROOSTERS COVENANT

This covenant is the binding promise that is made by all Roosters Franchisees to uphold and protect the beliefs and procedures that have made Roosters what it is, and will determine what it can become.

The Covenant covers our guiding principles for:

- Ø Our People
- Ø Our Stores
- Ø Our Marketing
- Ø Our Operations
- Ø Our Reporting Systems

Our People

1. POSITION ROOSTERS AS THE PREFERRED EMPLOYER

- ü Implement recruitment procedures that ensure attraction of skilled people who reflect the Roosters brand.
- ü Upon recruitment and throughout employment, provide planned and value-added training
- ü Retain Roosters staff members through innovative, relevant and competitive remuneration and incentive packages
- ü Enlist the support and commitment from the other disciplines to ensure a respectful, happy and financially rewarding work environment

2. DEMONSTRATE YOUR COMMITMENT TO THE ROOSTERS CREED AND CULTURE

- ü Reflect the values of Passion, Integrity, Pride and Enthusiasm in aspects of managing your Roosters Franchise.
- ü Manifest these values in the recruitment, training and retaining of all Roosters Staff members
- ü Seek and identify opportunities to consistently position and reinforce the Roosters culture

3. CREATE AND NURTURE A STRONG COMMUNICATIONS CULTURE

- ü Create an atmosphere for open and honest two-way communication with staff members
- ü Implement fair Human Resources Policies and Procedures in an environment that promotes the Roosters Way and embraces diversity
- ü Commit to implement an internal communications process that facilitates transparent communication

4. IMPLEMENT FORMALISED HUMAN RESOURCES INFORMATION AND PERSONNEL SYSTEMS

- ü Design a relevant Human Resources plan and system that encompasses manpower planning, position descriptions, organizational chart, succession planning, realistic budgeting, career development and sound industrial relations through an integrated IT database.
- ü Commit to ongoing performance management of all staff members

5. COMMIT TO YOUR OWN PERSONAL DEVELOPMENT AND THE DEVELOPMENT OF YOUR STAFF MEMBERS

- ü Invest in yourself and your staff members through training and development
- ü Use the frameworks provided by Roosters Franchising for the training and upskilling of all from recruitment onwards. Every staff member has the right to fulfill his individual potential.

Our Marketing

1. POSITION THE ROOSTERS BRAND AS ASPIRATIONAL

- ü Any new concept, menu item, or product must enhance the Roosters Experience and be congruent with the Roosters core brand.
- ü Roosters' promotions give our customers' added value, never discounts. Added value is given through side or other items – never core products.
- ü Our advertising, store design, décor and staff uniforms contribute to Roosters aspirational brand image which need to conform to the Roosters specifications
- ü Roosters' stores must always reflect the core brand values no matter where they are located.
- ü Our service levels set us apart from the competition. We strive for consistently high service levels measured regularly by customer care and mystery shopper programmes.

2. APPLY THE ROOSTERS BRAND IDENTITY

- ü Remain true to the core values of the Roosters brand to manifest our attitude, personality and heritage in ALL communication
- ü Build the Roosters brand by consistently applying the specified Roosters Corporate Identity to all visible facets of the brand. This is applicable to both internal and external communication.

3. COMMIT TO ONGOING BRAND BUILDING

Our marketing mission is to build the Roosters brand. This can only be achieved through the ongoing building of the Roosters Brand:

- ü A brand building strategy, local marketing strategy, community involvement strategy, and an internal marketing strategy with clear cut objectives will form the basis of a solid marketing plan.
- ü Build an effective network of skilled marketing resources by selecting external marketing resources who understand our vision, our brand and who are committed to building the Roosters brand.

Our Stores

1. ENHANCE THE ROOSTERS EXPERIENCE THROUGH YOUR 'COOP'

- ü Adhere to the specifications for store design, décor, accessories and equipment – they have an important role to play in creating the Roosters magic and building global brand recognition.
- ü The Roosters Experience is aided by our menu boards and menu offerings. Use the menu board concept and layout as specified.
- ü Ensure all external signage is as per specifications in the Roosters manual
- ü Keep your 'coop' in tiptop shape

Our Operations

1. MAINTAIN INDUSTRY STANDARDS

- ü Make sure that the quality around your Place, People and Product meet the set criteria we have all agree upon.
- ü Adhere to the local industry health standards and Roosters' hygiene, health and safety standards and practices.
- ü Conduct all the essential microbiological testing and product chemical and physical analyses according to Roosters agreed standards and specifications.

2. FOOD PREPARATION METHODS MUST CONFORM TO HIGH STANDARDS

- ü Follow our current procedures using the specified and approved equipment and products.

- ü Achieve the quality service standards that Roosters expects

3. FOLLOW THE CORRECT PROCEDURES FOR PRODUCT DEVELOPMENT

- ü Ensure that any new product compliments our core product and adds to the Roosters Experience.

Our Reporting Systems

- ü Keep your information systems up-to-date.
- ü Provide comprehensive monthly operational, financial and marketing reports
- ü Set realistic but challenging goals set out in your approved Business Plan.
- ü Guarantee the smooth operation and communication within Roosters by adhering to the recommended software packages to use and Back of House (BOH) operations to use.

8. Store location and Set-up

Our property team evaluates all potential sites and only upon approval of the site by an independent site evaluator in conjunction with the potentiality franchisee, is a franchise granted at that location.

Two very important considerations when choosing a site are firstly, the surrounding demographics and secondly, the catchment area. We use a combination of trade area analysis, drive time analysis and demographic research to study sites before placement of a franchise. Here it is important to stress that, while every effort is made to ensure that the site will be right to house a viable operation, naturally no guarantees or warranties can be given by Rooster's in that regard.

By taking a proactive and informed approach to site selection and network growth we will increase and improve our market coverage.

We have an experienced Store Development team that will see a new project through from blueprint to final completion on a turnkey process are the following services:

- ü Evaluating and / or Selection of Premises
- ü Lease Negotiation
- ü Drawings
- ü Interior Design
- ü Site Development
- ü Project Management

Other important issues involving premises

- Potential franchisees are strongly advised not to enter into any lease agreement for any premises without first obtaining the advice of Rooster's property experts.
- Any option entered into in respect of a potential site must be made clearly subject to the approval of the site by Rooster's;
- The term of any option entered into must be sufficient to enable Rooster's to firstly, finalise approval of the franchisee and, secondly, to complete a full assessment of the site;
- Franchisee must avoid formally negotiating the terms of any potential lease without the presence / input of our property experts;
- All and any specifications for development of the site to accommodate a Rooster's outlet may only be furnished to the prospective landlord /developer by a member of Rooster's Project Management Team; and
- Under no circumstances may a potential franchisee present himself to a prospective Landlord or developer as a representative of Rooster's, unless such representative has been formally authorised by Rooster's.

9. Training

We provide intensive training for our franchisees, which encompasses on the job training as well as theoretical training. This training will incorporate many elements. Most of which relate to the following areas as outlined in the Operations Manual that will form the basis of your day-to-day management tasks:

- General Store management;
- Store Administration;
- Personal Management and Training;
- Customer Care;
- Safety and Security;
- Marketing;
- Store Maintenance;
- Cleaning and Hygiene;
- Industrial Relations;
- Product Preparation and Presentation; and
- Raw Material management.

The training provided is extensive and sufficiently comprehensive to ensure that a new franchisee is familiar with every aspect of the business prior to opening. Furthermore, and notwithstanding that, the initial staff complement will be trained by Rooster's for period of no less than six weeks. The franchisee must have the ability to train subsequent / replacement staff at a level of efficiency sufficient to ensure the communication and maintenance of all of Rooster's standards.

It is for the reason outlined above that new franchisee should prepare themselves for an uncompromising 3 months training and make adequate provision, both social and financial, for this period.

Throughout the training phase, the franchise will be monitored for development. Any short falls / inadequacies will be addressed on an on-going basis. Development will be monitored on all aspects, from cleaning the grills to customer communication and relations.

Only once the franchisee has been certified as a fully competent in all areas will be permitted to commence operation of his own store and, even then, with the initial watchful eye of his regional Operations Support Team.

There is no doubt that the level of competence the management of an outlet exhibits is the critical success factor of any Rooster's store. We pride ourselves on the quality of our training and our ability to produce highly successful operators, when faced with commitment, dedication and hard work of a new Rooster's.

All matters considered, no store will be permitted to commence trading until such time as all affected departments and / or division within Rooster's have confirmed that they are completely satisfied that all of the Franchisor 's pre-opening requirements have been met. This confirmation must be in writing as laid down by Rooster's and signed by the franchisee as proof that they have received the applicable input.

10. Financial Elements

General Financial Obligation

Initial / Franchise Fees: R 125 000. 00

This fee includes:

- The right to use and operate under the Rooster's name and concept;
- Initial owner and staff training
- Site selection and evaluation
- Legal costs;
- Lease negotiation; and
- Initial pre-opening / launch assistance.

This fee is payable upfront and is non-refundable after signature of the franchise agreement. Any costs incurred prior to signature will be deducted from this upfront payment. This would be in the event of withdrawal prior to signature of the franchise agreement. These costs may include:

- Site feasibility studies
- Lease negotiations
- Drawing / architects fees
- Training
- Any other costs incurred and / or disbursements made in respect of this deal

Establishment Costs: Approximately R 1 200 000 to R 1 600 00

- See breakdown furnished below.
- Refer also to the sub- heading "Project Management and the Turkey Process".

Initial Working Capital: Approximately R 100 000 .00

This figure comprises:

- R 30 000 initial stock;
- Approximately R 18 000 for staff wages during training; and
- Approximately R 2000 cash float.

Total Investment: Approximately R1 200 000 to R1 600 00

Breakdown of average Total Investment:

- | | |
|---------------------------|-------------------|
| • Franchise Fee | R 125 000 |
| • Store design and set up | R 315 000 |
| • Project Management fee | R 50 000 |
| • Kitchen equipment | R 390 000 |
| • Fixtures and fittings | R 400 000 |
| • Point of sale/ computer | R <u>120 000</u> |
| | <u>R1 400 000</u> |

Minimum unencumbered cash contribution by franchisee:

(i.e. available cash before borrowed funds based on average investment)

30% (equates to R 420 000)

Ongoing Franchise Fee (Royalty): _____ **7% of the monthly net sales**

Advertising Levy: _____ **5% of the monthly net sales**

Project Management and the Turnkey Process

In a further effort to assist the franchisee through the development phase of the business, Rooster's have adopted a turkey approach. This approach includes full management at cost of R 50 000 (which is included in the estimated total establishment cost referred to above)

incorporating the following key areas:

- Store design and layout;
- Drawing of plans;
- Full costing and budget;
- On- site building management throughout construction.

In determining the final budget for the store, the project management team will obtain 3 quotes for each aspect of the store set-up. The final quotes are then confirmed by the franchisee by signature to the budget.

It is important to stress at this point that Rooster's have no objection to franchisees obtaining their own quotes from alternative contractors, subject to the ability of such contractors to meet the required standards. Notwithstanding this experience has shown that third parties not accustomed to these kinds of projects usually delay set-up and, consequently, the opening date of the store. This then has effect of incurring additional expense on the part of the franchisee that is required to cover certain fixed expenses within this time, example, and staff salaries/wages. This is usually erodes any benefit from the use of "unknown" contractors.

The turkey process is totally transparent and the franchisee is at liberty to scrutinize and compare any item at their will. The process is designed with the main objective of taking some of the pain out of the establishment of a store for the franchisee through letting the professional do what they do best.

Performance estimates

Each store will have a number of its own specific variables, which may include but not be limited to items such as loan repayment obligations, interest on borrowed funds, location and size of store, total cost of store, potential market and MOST OF ALL, the suitability of the operator.

For this reason, only once application –specific analysis has been conclude will formal projections be available. Nonetheless, subject to the potential Franchisee's commitment by way of the attached application form, the Franchisor shall disclose all information available to them in an effort to assist the Franchisee in constructing a reasonable cash flow projection, both for their own use and presentation to a financial institution.

When the time comes to produce such information, we encourage potential franchisees to make use of cash flow projection software, available both in retail outlets and from most commercial

banks. This will assist in developing and understanding of the financial impact of the various items.

11 Application and Establishment Process Checklist

<u>Step</u>	<u>Item</u>
1	Complete <u>Application Form</u> and submit with deposit. Ensure that the form is comprehensively completed to avoid unnecessary delays. The deposit will be subject to the provisions of Section 10 of this pack
2	Attend Franchisee interview as required. It is important that the Franchisee and the Managing Owner is present (if they are not one and the same). Sign Letter of Intent as required.
3	Complete "EE Test". This test must be completed by the Managing Owner(s), preferably immediately after the interview.
4.	Obtain approval of site / premises. This formal evaluation of the site should be done by experts. It is important to have this done at this point to avoid unnecessary spending if rejected.
5.	Obtain and confirm project costing. The full costing will be provided by Roosters. Once signed and accepted, no amendments will be permitted outside of those provided for in this pack and the Letter of Intent signed in terms of 2 above. The project costing is done on a totally transparent basis and all quotes are available for scrutiny at any time.
6.	Confirm / arrange availability of funds so as to avoid any delays in development. Formal confirmation of any finance must be provided in terms of point 10 below. Guidelines on preparation of a Business Plan are outlined in Section 13 of this pack.
7.	Complete and Submit "Legal Form 1", which is required for the preparation of the legal documents outlined in this pack. Care must be taken to ensure that this form is comprehensively and legibly completed, and that all attachments are submitted. What is required is: <ul style="list-style-type: none">• Copies of Identity Documents• Documentary proof of proposed shareholding if not outlined in entity's registration documents, e.g. Partnership Agreement.• Copy of Registration documents for trading entity (i.e. Founding Statement, Memorandum and Articles of Incorporation, etc.), if applicable.
8.	Peruse and obtain input on legal agreements for your understanding of the legal relationship with your franchisor.
9.	Complete and submit "Financial Form 1".
10.	Sign legal agreements. This now formalizes the relationship and gives effect to the provisions / obligations outlined in the agreements. The signing of the agreements cannot be done within 7 days of point 8 above.

11. Pay balance of deposit required (simultaneously with point 10 above).
12. Commence training (franchisee). This is a serious and full-time undertaking so the necessary time to be trained must be prioritized over other commitments.
13. Commence store development. This is a multi-phase process and the direct involvement of the franchisee is encouraged throughout the process. Ensure at this point that sufficient insurance cover is held over any materials or equipment on site and that the level of cover is sufficient to cover full establishment value prior to opening.
14. Pay balance of set-up cost per legal agreements. This will be subject to the nature and source of finance received, if any.
15. Commence training of staff – **6 weeks to opening**.
16. Submit all items for approval as per legal agreements (e.g. insurance cover, stationery etc).
17. Final payment of any amounts outstanding
18. Sign-off "Store Opening Authorisation". This confirms that all areas / divisions within Roosters are satisfied that all requirements for the opening of the store have been met to your satisfaction.
19. **Store opening and trading begins!**

12 Application and Correspondence Forms

Included in this section are:

- Application Form 1
 - Ø This form offers general information on the applicant and needs to be submitted together with payment of the applicable deposit, prior to any meetings with the franchisor.
- Financial Form 1
 - Ø Provides details of finance arranged
- Store Opening Authorisation
 - Ø Outlines issues required to be confirmed in place prior to the store being permitted to commence trading
- Legal Form 1
 - Ø Provides details required for preparation of the applicable agreements

APPLICATION FOR FRANCHISE

BJ'S FRANCHISING (PTY) LIMITED

8 KING STREET

KENSINGTON B

RANDBURG 2194

TEL: (011) 789 3535/6/7

FAX: (011) 789 3538

FULL NAMES: _____

RESIDENTIAL ADDRESS:

TELEPHONE NUMBERS:

BUSINESS: _____

HOME: _____

STRICTLY CONFIDENTIAL

PLEASE COMPLETE ALL QUESTIONS

Personal Details

Date of Birth: _____

Marital Status: _____

How Married: _____

Number of Dependents: _____

Nationality: _____

I.D. No. _____

Time at present address: _____

If less than two years – previous address:

Your Residence

Is your home: (Circle correct answer) OWNED / BONDED / RENTED

If Owned:

Name of Registered Owner: _____

If Bonded:

Name of Bond Holder _____

Bond A/C Number _____

Current Outstanding Balance R_____

Current Market Value R_____

If Rented:

Name / Address of Landlord



Details of other Fixed Property:

Description/Location	Registered Owner	Value	Bondholder	Bond A/C No.	Current Outstanding

Details of Investments held or assets owned e.g. Motor Car

Description	Current Market Value

Employment

Name and Address of current Employer:

Present Salary: R_____

Other Income:

Source:

Amount:

R_____

Details of Life Assurance Policies held:

Company	Type of Policy	Sum Assured

What money could you make available

Source of money:

Present Bankers:

Current Account

Savings Account No: _____ Amount: R_____

_____ Amount: R_____

Details of any hire purchase / lease agreement – Past and current:

Bank / Company	Account Number	Outstanding Balance

Trade References: 1. _____
 2. _____
 3. _____

Personal References: 1. _____
 2. _____
 3. _____

State whether ever insolvent: (Circle the correct answer) YES / NO

If “YES” state whether rehabilitated:

If “YES” – Date order granted: _____

What liabilities do you have other than those detailed herein:

**THE INFORMATION GIVEN ABOVE IS CORRECT AND FULLY
DISCLOSURES MY ASSETS AND LIABILITIES TO THE BEST OF MY
KNOWLEDGE AND BELIEF.**

Date: _____

Signature: _____

Financial Form 1

Financial Application

Notes: (Please read carefully before completing this form)

1. In an effort to assist Roosters Head Office in maintaining a high level of support throughout the establishment phase of a franchised store, this form is required to be submitted in all instances where application is made to a commercial bank for any form of financial assistance relating to the establishment / cost of the store.

2. Ensure that all information supplied is accurate or annotate the item as "estimate".

STORE NAME: _____

Franchisee's Registered Name:

Application made to:

Bank: _____ Branch: _____

Tel No. _____ Fax No. _____

Processing Manager / Representative:

Date Application submitted: _____

Anticipated date of response: _____

Total amount applied for: _____

Made up of:

Lease / HP R _____

Term / Finance R _____

Overdraft: R _____

Other: R _____

Security offered to / requested by the bank:

Information required to be made available by Roosters (indicate when information is required):

Please ensure that the following documentation is attached to this form:

- Copy of Business Plan submitted to the bank
- Copy of Application form for Finance (if separate from the Business Plan)

I / We undertake to furnish Roosters with a copy of the formal sanction / approval documentation from the above bank immediately it becomes available.

Signed by the Franchisee

Signature

Date

Name

FRANCHISED STORE OPENING AUTHORISATION

NOTES:

1. Stores will not be allowed to open for trading unless all Roosters Departments have signed off this form.
2. Conditional sign-off will not be accepted but comments may be made on the relevant annexure applicable to the department.
3. Bear in mind that unnecessary delays in submission of this annexure will result in the store's opening also being delayed.

DEPARTMENT	NAME	DATE	SIGNATURE
Human Resources			
Training			
I.T.			
Marketing			
Operations			
Site Development			
Property			
Purchasing			
Admin / Legal			
Regional Managing Director			

I/WE _____ BEING THE FRANCHISEE FOR
_____ STORE, CONFIRM THAT ALL THE ABOVE
DEPARTMENTS HAVE COMPLETED THE STORE PRE-OPENING PROGRAM IN
ACCORDANCE WITH THE FRANCHISE REQUIREMENTS AND THAT ALL
UNDETAKINGS / REPRESENTATIONS MADE BY THE FRANCHISOR IN THIS
REGARD HAVE BEEN DEALT WITH TO MY/ OUR ENTIRE SATISFACTION.

SIGNATURE(S)

DATE

Once all parties have signed this form, it must be returned to the Property Department for filing with the franchise agreement.

13. Essential Elements of a Business Plan

Business plan vary greatly in presentation, content and complexity, depending on the purpose for which it is being prepared. Also, some financial institutions provide specimens or, alternative, as set of application forms that, once completed, constitute a concise Business Plan. Although Rooster's endeavour to ensure that financial institutions have as much information on file as possible relating to the Rooster's franchisee opportunity, the responsibility of negotiating and securing such finance as may be required rests with the applicant franchisee and Rooster's give no warranties or undertakings in this regard.

In the final analysis, it is the content and the underlying research that should dictate the perceived quality of the business plan to the end user. For this reason, we strongly encourage potential franchisee to investigate the opportunity carefully and document all elements to provide a comprehensive analysis of the proposal.

What follows is a basic template for the construction of your Business Plan. Some areas may require further detail as dictated by size, location, demographics and the expectations of the end user. Nonetheless, it is crucial for your Business Plan to be factual, concise and with the use of terminology that will be understood by the end user.

Remember! Be conservative, yet realistic when dealing with variable elements such as expected patronage, project turnovers and average spend per customer. Also, there are no short-cuts in preparation of a business Plan and each elements must be fully researched and motivated.

Part 1– General

Applicant details

- ü Entity name
- ü Trading name
- ü Entity registration number (or in the case of sole proprietors, identity number)
- ü Contact details
 - Telephone, facsimile and cellular numbers
 - Physical and postal addresses

Brief outline of proposal

- ü Reason for preparation of business plan
- ü Objectives of business plan
- ü Brief motivation of proposal
 - Try to make the end user as prospects as you are:

Evaluation of the opportunity

Brief description of the nature of the business

Both positive and negative elements of the Rooster's franchise as you see it

- Take care to be factual
- Ensure that you fully understand the opportunity and its implications
- For example:

Consider the impact of the opportunity on your social life and that of your family.

Will the proposed training provided by Rooster's be sufficient taking cognizance of your current field of expertise?

Business risk analysis

- Itemize the risks you perceive and how these will be overcome.

Part 2- location

- ✓ Details of research /studies undertaken
 - Ø Outline the nature of the research / studies. I.e. formal or informal, professional or mature
 - § Provide the source of information
 - Ø Be concise and factual
 - Ø Remember that you may need to present proof of this investigation
- ✓ Outcome of research / studies undertaken
 - Ø Site / location analysis
 - Ø Demographic analysis
 - § Age
 - § Income grouping
 - § Percentage representing target market
 - Ø Competitor analysis
 - § Both direct and indirect competitors
 - Ø Current and future Town Planning proposals
- ✓ General motivation for site / location based on information available

Part3- Financial

- ✓ Summary of financial structure
 - Ø Break down as per Section 10 of the pack
 - Ø Indicate own cash contribution
- ✓ Full details of financial elements
 - Ø List of cost per asset / expenses
 - § Franchise fee
 - § Other fees
 - § For example, Project management fee
 - § Equipment
 - § Improvement to premises
 - § Working capital requirements
 - § Make reference to financial projection
 - Ø Outline the source of your own funds being injected, e.g. savings, proceeds, of property, additional bond over property, gift from family etc.
- ✓ Cash flow projections

- Ø Ensure that these are all-encompassing
- Ø Again, be conservative, but realistic
- Ø Ensure that your projection are reasonable in relation to the break-even analysis provided by Rooster's
- Ø DO NOT adjust figures purely for the sake of achieving the desired outcome
 - § Any information /figures furnished must be able to be justified
 - § Haphazardly improving the figures on paper will achieve nothing more than breeding discontent when these levels are not achieved in realistic
- Ø Attach as sheet reflecting assumption made so that the end user can assess various scenarios based on changes to these elements.
- Ø Cash flow packages are available through retail outlets, however, most commercial banks have these available for a nominal fee.
- Ø Obtain input/ guidance from an accountant or similar skilled person if your experience in this area is limited

- ✓ Pro-forma Balance sheet

- Ø A "snap –shot" of the financial structure of the business at a date in the future
- Ø This will reflect 2 key areas of information
 - § Assets
 - § Equipment
 - § Goodwill /intangible assets (Franchise Fee ,etc)
 - § Liabilities
 - § Owner's funds injected
 - § "Outside" borrowings
- Ø Again obtain input/guidance from an accountant or similarly skilled person if your experience in this area is limited.

Part 4 – Personal information

- ✓ Full personal details of all stakeholders

- Ø This includes owner-manager, investors/"silent" partners, individual who may be standing surety for the transaction, etc.
 - § Full names
 - § Identity number (attach copy of identity Document)
 - § Contact telephone, facsimile and cellular numbers
 - § Physical and postal addresses
 - § Marital status (attach proof, in need)
- ✓ Full financial details of stakeholders

- Ø Personal Balance Sheet
 - § These must be signed individually, in addition to any signature to the business
- Ø Personal Income and Expenditure
- Ø
- ✓ Curriculum Vitas of all parties who will be actively involved in any aspect of the operation of the business
- Ø Include a motivation as to the benefit, or lack thereof, of previous experience in the operation of this type of business
- Ø Comment on support infrastructures to bolster areas in which your expertise are lacking, for example, accountant, trained store manager, etc.

- Ø Remember...personal attributes are the cornerstone of success in the food industry and the end user may place more reliance on this area than anticipated.

Finally and notwithstanding the main emphasis on content, ensure that your Business Plan is neatly presented as this offers a first impression to the end user and sets the tone and professionalism with which the negotiations will be handled. Also, always ensure that you are in a position to answer questions raised by the end user as this will reveal whether, or not, you fully understand every element of the presentation you have made.

It is vital for you to believe in yourself, as much as in the opportunity, before you formally submit your Business Plan and proposal to any third party.

Good luck!