



FOCUSED ON LETTING FOCUSED ON YOU

DISCLOSURE DOCUMENT





DISCLOSURE PACK

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Dear Prospective Franchisee

The accompanying Disclosure Document is presented to you to assist in your evaluation of our company as a potential investment and career opportunity. While this document is based largely on information that will be of value in your decision making process, both the Franchise Agreement and the Disclosure Document are important documents and should be read thoroughly before making a final decision.

Entering our Franchise system is a serious undertaking. We also recommend that you have the Franchise Agreement explained to you by an Attorney or a qualified Franchise Consultant and that you seek accountancy and financial advice on the Franchise position as well.

While the preparation and submission of this Disclosure Document is not compulsory by law, **ONLY RENTALS** endorses the importance of assisting individuals in making proper and informed decisions. It is therefore our intention to offer as much assistance to our prospective Franchisees as possible. Pursuant to this end, a copy of the publication "Ethical Franchising" produced and endorsed by the Franchise Association (F.A.S.A.) is available for your perusal in Annexure D. We recommend that you familiarize yourself with this worthwhile insight into Ethical Franchising.

Adhering to the guidelines set forth by F.A.S.A., you, the prospective Franchisee, will receive this Disclosure Document, the Franchise Agreement and any other legally binding document at least seven days prior to being asked to sign. We will request that you sign a receipt for the Disclosure Document on the day it is presented. Afterwards, you will be permitted to formally accept our offer no earlier than eight days from the receipt of this Disclosure Document.

We welcome your interest and hope this Disclosure Document will assist you in making your evaluation of purchasing an **ONLY RENTALS** franchise, positive and at your convenience. Feel free to contact me with any questions or concerns you may have.

Best Regard,

Raal Nordin



DISCLOSURE DETAILS

1. Details of Director: Raal Nordin Managing Director

The above Managing Director is in charge of the day to day running of the business, the national marketing of franchises and all advertising and promotion campaigns. Raal has been in the property game since the late 80's. In 1997 Raal joined Trafalgar Property Services which gave him the background required into the property management industry. Raal was highly regarded at Trafalgar, as the "King of Rentals". This status prompted Realty Elk to headhunt Raal, and after a short period with Realty Elk, Just Letting was created.

Just Letting grew to 80 franchises in just 8 short years and was known as the market leader in residential letting. The brand was sold off by Raal in 2007 with the vision of creating a more focused and specialized chain that places an emphasis on service levels.

2. Directors Statement

Provided in **Annexure A** is a formal Directors Statement, executed by Raal Nordin in his capacity as CEO and Hermie Vorster in his capacity as CFO. The statement attests to the 'sound' financial position of the Company. It further refers to the Company's ability to pay all of its bills, and other obligations in a timely manner. Further, this position is valid since inception.

3. Market Research

Raal has done an intensive market research in this industry in the years that he spent as a Manager with Trafalgar and with Realty Elk Property's. The results of his research can be seen in "Franchise Business Opportunity, Introduction, and History"

The results of the market research told Raal what the landlords were looking for in a letting agent.

ONLY RENTALS now provides those services and they are:

- Achieve maximum rentals
- Careful screening of tenants
- Selection of applications
- Ensuring adequate deposits are paid
- Finalising and signing all lease documentation
- Execute property inspections
- Statements to tenants and owners
- Payments of levies and/or bond accounts (at owners instructions)
- Maintenance and repairs (upon owners instruction and approval)
- All tenant's queries are handled through us



4. Trade Names and Trade Marks

The trade names and trademarks, such as the logo seen on the letterheads, are trade names and trademarks of **ONLY RENTALS**. The Franchisee will be granted the right to use these trade names and trademarks once the Franchise Agreement has been signed. Currently, there is no litigation pending, nor is any contemplated, regarding the use of the trade names and trademarks of **ONLY RENTALS**.

5. Payments Obligations of Franchisees.

Initial Franchise Fee

A Franchisee will be required to have at least 30% deposit available on signing the offer to purchase, and the balance, on signature of the Franchise Agreement. A good credit reference and a stable background are required to qualify to purchase a Franchise.

The Franchise up-front fee is a once-off payment of R 25,000.00 for each Franchise sold. It secures the rights to trade as **ONLY RENTALS**, using the trademark and total business system. In addition to purchasing the right to operate as Franchise, the Franchisee will have the use of the company's intellectual property. Further, the initial Franchise fee provides support in:

- Management Training with regards to a simple yet effective control system
- Access to information and advice
- Corporate Signage
- Full operation training
- Local, provincial and national advertising
- Further development and marketing strategies

6. Documentation requirements

We'll need an updated CV from you and a copy of your I.D. accompanying the Franchise Application form. In addition, we will also need proof of your E.A.A.B. certificate in future. Once this in place we will enter into a franchise agreement. A detailed action /market plan is required for understanding your commitment to the brand.

Business License Requirements

No special licenses are required to operate a Franchise, except for the required E.A.A.B. registration.



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7. marketing Fee

The Franchisor will promote the group through national and local advertising and publicity campaigns. These activities will be funded by the marketing trust fund contributed by all franchisees. The media used will include newspapers, magazines and eventually radio and television.

In each area where a new Franchise is opened, the local press, community newspaper and flyers will be used to promote the operation.

A Franchisee will be required to pay a monthly **Royalty Fee** of 5% of turnover or R3,000.00 pm and a **monthly marketing fee** of R1,500.00 or 2% of turnover, whichever one is greater. Initial subsidies are offered in the franchise agreement.

The Franchisor will administrate the marketing fund in the early stages of operation. When Only Rentals has enough franchisees on board, the Marketing Council comprising of elected Franchisee's approved by the Franchisor, will then administrate this Marketing Fund.

8. Franchisee's Territory

The territory within which the Franchisee will be entitled to exercise its rights in terms of the Franchise Agreement is the geographical area defined as the territory in the Franchise Agreement Schedule. Should the Franchisee reach full capacity on the franchise on a consistent bases, the Franchisor will have the right to offer the first option of expansion to the Franchisee.

12. Identification

With a Franchise, emphasis on 'site location' is crucial.

The Franchisor will require a site verification on every franchise that is sold.

The Franchisee's area of operation and development is clearly defined as the territory in the Franchise Agreement to ensure the Franchisee's success in the specific area of operation.

Only Rentals concentrates on the following important factors before opening a Franchise in a specific territory:

- ❖ The amount of residential property in the Franchisee's area of operation
- ❖ The receptiveness of the market (by means of a market survey if required)
- ❖ The location and competition, if any, in the area
- ❖ Population, business, and growth of the area.



OPERATIONS MANUAL

Disclosure Info

Upon completion of the initial training, the Franchisee is 'loaned' a copy of the Operations Manual for use in the Franchise. This manual has been prepared as the result of time and energy expended by the Franchisor to assist the new and established Franchisees in their successful operation of the business.

The Manual is the property of the Franchisor, and the Franchisee should take steps to ensure that it is maintained in a secure place. Further, the Franchisee is responsible for keeping the Manual current by inserting replacement or additional pages as instructed by the Company from time to time.

This Manual is available to prospective Franchisees for reviewing prior to signing the Franchise Agreement and/or paying any fees. Prospective Franchisees will not be permitted to remove the Manual from the Company's premises, but they are able to gain an impression of the support that the Franchisor provides.

Upon termination of the Franchise Agreement, the Franchisee is required to return the Manual to the Franchisor. Along with the actual Manual, the Franchisee is required to return any photocopies or other duplication that may have been made.

3.1 Franchise Set-up Cost

Upon signing the Franchise Agreement, the Franchisee is required to have access to sufficient capital to cover initial expenses. The following is referred to as the '**Total Investment Chart**'.

3.2 Franchisees

A list of current Franchisees is provided in **Annexure B** of this document.

There has never been a termination or non-renewals of Franchise contracts, and there is no current or unresolved litigation with existing or former Franchisees.



3.3 Certification and “Cooling off Period”.

ONLY RENTALS wants to ensure that all prospective franchisees have access to all available information necessary to make an informed decision. Therefore, **ONLY RENTALS** subscribes to the **FASA** guidelines that requests, prospective Franchisees receive the Franchise Agreement at least 7 (seven) days prior to signing of the Franchise Agreement or any legally binding document.

You will, however, be asked to sign a receipt for this Disclosure Document and will not be allowed to sign any legally binding documents at least 8 (eight) calendar days later. In addition, a copy of the publication “**Ethical Franchising**” produced and endorsed by the Franchise Association (FASA) is also available for your perusal in **Annexure C**.

4. Financial Obligation

4.1 The total Franchise cost is payable to the Franchisor on the signing of the Franchise Agreement. This fee covers access to the Franchisors intellectual property including the trade names, training, trademarks, Operations Manual and other support necessary for the new Franchise business to open and operate successfully.

4.2 Once the Franchise is opened for business, the new Franchisee should anticipate the need for initial Working Capital. These are the funds which will be required to support the Franchise during the early months of operation when expenses are incurred but there are not enough paying customers to cover immediate expenses.

4.3The Total Investment to acquire, open and operate the new Franchise until the business generates sufficient funds to pay immediate obligations, is projected in **Annexure D**.

5. Financial Certificate

Only Rentals is in a fine financial position. Please refer to ‘**Directors Statement**’ in **Annexure A**



ANNEXURES

Annexure A	Directors Statement
Annexure B	Current List of Franchisees
Annexure C	Ethical Franchising
Annexure D	Cash-flow Forecast



ANNEXURE A

September 2009

To whom it may concern,

DIRECTOR'S STATEMENT

This is to certify that the Franchisor Company, FOLLOW THE STAR (Reg.nr. 2009/133188/23) T/A **ONLY RENTALS** are in a sound financial position and is able to pay its debts as and when they become due.

To the best of my knowledge, I, the undersigned, certify that the above information is true and correct.

Successfully yours

Hermie Vorster
Chief Financial Officer

ANNEXURE C

Ethical Franchising

FASA Code of Ethics and Business Practice

1. Members of FASA take cognisance of the Business Names Acts 1970, the harmful Business Practice Act and similar legislation.
2. No members shall offer, sell or promote the sale of any franchise, product or service by means of any explicit or implied representation, which is likely to have a tendency to deceive or mislead prospective purchasers of such a franchise, product or service.
3. No member shall imitate the trademark, trade name, corporate name, slogan, or other mark of identification of other business in any manner or form that would have the tendency or capacity to mislead or deceive.
4. The pyramid or chain distribution system is inimical to prospective investors and to the franchise system of distribution and no member shall engage in any form of pyramid or chain distribution.
5. An advertisement, considered in its totality, shall be free from ambiguity and, in whatever form presented, must be considered in its entirety and as it would be read and understood by those to whom directed.
6. All advertisements shall comply, in letter and in spirit, with all applicable rules, regulations, directives, guides and laws promulgated by any governmental body or agency having jurisdiction.



7. An advertisement containing or making reference, directly or indirectly, to performance records, figures or data in respect of income or earnings of franchisees shall be factual, and if necessary to avoid deception, accurately qualified as to geographical areas and time periods covered.
8. An advertisement containing information or making reference to the investment requirements of a franchise shall be as detailed as necessary to avoid being misleading in any way and shall be specific with respect to whether the installed amount(s) is/are partial or the full cost of the franchise, the items paid for by the stated amount(s), financing requirements and other related costs.
9. At least seven calendar days prior to the signing of any franchise agreement, the Franchisor shall provide the prospective franchisee with a written disclosure document, which shall contain the information, set forth in appendix 1 to this Code of Ethics and such other information, as may be material to the franchise offered.

All franchise agreements will contain a clause referring to the disclosure document and recording that the information therein contained is, to the best of the Franchisor's knowledge and belief, true and accurate and that no material information has been withheld.

The disclosure documents will come into effect on (date) with prospective members.

10. All matters material to the franchise relationship shall be contained in one or more written agreements, which shall clearly set forth the terms of the relationships and the respective rights and obligations of the parties.
11. A Franchisor shall select and accept those franchisees that, upon reasonable investigation, appear to possess the basic skills, education, personal qualities and financial resources adequate to perform and fulfil the needs and requirements of the franchise. In this regard, a Franchisor shall not discriminate in the selection process on the basis of race, colour, religion, age, disability or sex. A Franchisor may grant franchises on more favourable terms than are granted to other franchisees as part of a programme to make franchises more widely available.
12. In his own internal management structure, the Franchisor will not discriminate on the basis of race, colour, religion, disability or sex. In addition, the Franchisor should endeavour to introduce such presently disadvantaged people into his management structure for training and possible advancement in the company.
13. The Franchisor shall encourage and/or provide training designed to help franchisees improve their abilities to conduct their franchise.
14. A Franchisor shall provide reasonable guidance and supervision over the business activities of franchisees for the purpose of safeguarding the public interest and of maintaining the integrity of the entire franchise system for the benefit of all parties having an interest in it.



15. Fairness shall characterize all dealings between a Franchisor and its franchisees. To the extent reasonably appropriate under the circumstances, a Franchisor shall give notice to its franchisee of any contractual breach and grant reasonable time to remedy defaults.
16. A Franchisor should be conveniently accessible to communications from franchisees, and provide a mechanism by which ideas may be exchanged and areas of concern discussed for the purpose of improving mutual understanding and reaffirming mutuality of interest.
17. A Franchisor shall make every effort to resolve complaints, grievances and disputes with its franchisees with good faith and goodwill through fair and reasonable direct communication and negotiation. Failing this, consideration should be given to mediation or arbitration.
18. On request from the franchisee, the Franchisor shall make full disclosure of any form of incentive he might derive from the franchisee being bound to deal with certain nominated companies/firms (i.e. Suppliers etc.)



ANNEXURE D

Cash-flow Forecast (attachment)