



The Brazen Head  
Disclosure Document

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## 1. INTRODUCTION

This Disclosure Document should assist you in assessing the franchise. While it includes some information about your contract (franchise agreement), do not rely on it alone to understand your contract: read your entire contract carefully. Buying a franchise is a serious undertaking, so take your time to decide. It is recommended that you have the contract explained to you by an attorney and you should seek accounting and financial advice on the franchise proposition.

For the calendar year 2011, Brazen Head Holdings (Pty) Ltd is a preliminary member in good standing of the Franchise Association of South Africa. If required, further information on this membership can be obtained from:

The Executive Director  
Franchise Association of South Africa  
Postnet Suite # 256  
Private Bag X4  
Bedfordview

- 1.1 In the interests of fair business practice, the Franchise Association of South Africa (FASA), to which The Brazen Head has received membership, requires a ten day 'cooling-off' period. This allows the prospective franchisee ten calendar days from the issue of the Disclosure Document to the signing of the Franchise Agreement.
- 1.2 The Brazen Head warrants that the information contained herein is, to the best of its knowledge and belief, true and accurate and that no material information pertaining to the franchise has been withheld.

For the avoidance of doubt, this Disclosure Document shall not form part of the Franchise Agreement. If there is any conflict between the information contained herein and the Franchise Agreement, then the provisions of the Franchise Agreement shall prevail.

Should you need more information on the evaluating of a franchise, please refer to the Franchise Association of South Africa (FASA), which has made a publication on this subject available.

## 2. FASA CODE OF ETHICS AND BUSINESS PRACTICES

### PREAMBLE

- 2.1 FASA is an independent body constituted and supported by its members.
- 2.2 FASA's aims are to ensure that its members practise the highest standard of ethics and fair business practices in franchising and to develop and expand the business environment for franchising in South Africa.
- 2.3 FASA's criteria for membership conform to international practices and are acknowledged by government and the public.
- 2.4 FASA is a full member of the World Franchise Council.
- 2.5 This Code reflects the collective beliefs of all FASA members with respect to the manner in which franchise relationships must be established, structured and implemented.
- 2.6 The purpose of this Code is to ensure a system of self-regulation in the public interest and that of the member of FASA.

### INTERPRETATION AND ADMINISTRATION

- 2.7 The interpretation and administration of this Code vests in the Exco, Secretariat, the Council and any Committee.
- 2.8 Unless the context indicates otherwise, this Code shall apply to each and every member and each and every member shall be bound by this Code.
- 2.9 This Code is subject to FASA's Memorandum and Articles of Association.
- 2.10 The head notes to the paragraphs to this Code are inserted for reference purposes only and shall not affect the interpretation of any of the provisions to which they relate.

### DEFINITIONS

In this Code and the Appendix hereto, unless the context otherwise indicates:-

- 2.11 Clause headings are for convenience and shall not be used in its interpretation.
- 2.12 Unless the context clearly indicates a contrary intention:
  - 2.12.1 An expression which denotes:
    - 2.12.1.1 Any gender includes the other gender;
    - 2.12.1.2 A natural person includes an artificial person and vice versa;
    - 2.12.1.3 The singular includes the plural and vice versa;
  - 2.12.2 The following terms shall have the meanings assigned to them below:
    - 2.12.2.1 "**Approved Supplier**" means any person from whom a franchisor member requires any of its franchisees to acquire or purchase any products of services;

- 2.12.2.2 “**BEE Compliant**” means compliant with the Codes of Good Practice published by the Minister of Trade and industry of South Africa in terms of the Broad-Based Black Empowerment Act, 52 of 2003, as amended, to the extent that such codes are applicable;
- 2.12.2.3 “**Committee**” means any committee established by Exco from time to time;
- 2.12.2.4 “**this/the Code**” means The Code of Ethics and Business Practices comprised by this document, including any amendments or additions thereto from time to time;
- 2.12.2.5 “**Council**” means the Council of FASA from time to time, as elected at FASA’s Annual General Meeting;
- 2.12.2.6 “**Days**” means calendar days;
- 2.12.2.7 “**Disclosure Document**” means a disclosure document complying with this Code and Appendix 1 hereto;
- 2.12.2.8 “**Exco**” means the Executive Committee of FASA, as appointed by the Council from time to time;
- 2.12.2.9 “**FASA**” means the Franchise Association of Southern Africa, a company duly incorporated in terms of Section 21 of the Companies Act, 61 of 1973, as amended, and having registration number 91/05946/08;
- 2.12.2.10 “**Franchise Member**” means any member who is a franchisee of any franchisor member from time to time;
- 2.12.2.11 “**Franchisor Member**” means any member who is registered as a franchisor member from time to time;
- 2.12.2.12 “**Incentive**” means any rebate, commission, payment or discount any franchisor member might receive as a result of any or all of its franchisees acquiring any goods or services from a specific supplier;
- 2.12.2.13 “**Member Group**” means the group of members comprising either or all franchisor members, franchisee members or service provider members, as the case may be;
- 2.12.2.14 “**Member**” means any person who is a member of FASA by virtue of the Memorandum and Articles;
- 2.12.2.15 “**Memo and Articles**” means the Memorandum and Articles of FASA, as amended from time to time;
- 2.12.2.16 “**Secretariat**” means the Secretariat of FASA, as appointed by Exco from time to time;
- 2.12.2.17 “**Service Provider Member**” means any member who is registered as a service provider member by FASA from time to time;
- 2.12.2.18 “**Trademark**” means any trademark, whether registered or unregistered, owned by FASA, including, but not limited to,

the "FRANCHISE ASSOCIATION OF SOUTHERN AFRICA",  
"FASA" and "FASA logo" trademarks.

#### **OMBUDSMAN**

- 2.13 Exco may, at its discretion, appoint a Franchise Ombudsman with specific powers to determine issues that arise or may arise with FASA members.
- 2.14 In the event that a Franchise Ombudsman is appointed, all members of FASA will be bound by the decisions of such Franchise Ombudsman in respect of any matters that fall within his/her powers, as determined.

#### **SUPPLEMENTARY CODES**

Any member group may opt to supplement this Code, with FASA's written consent, at the option of any member group, with a supplementary code applicable to the members of that member group. In the event of any conflict between any such individual code and this Code, the provisions of this Code shall prevail.

#### **AMENDMENT TO CODE**

FASA shall be entitled to amend this Code, either by deleting or amending existing provisions or by the addition of provisions. Any such amendment shall become binding on FASA members upon publication of the updated Code on FASA's website.

#### **MEMBERS' GENERAL OBLIGATIONS**

- 2.15 Every member shall at all times comply with all and any applicable legislation or regulations that may affect their businesses.
- 2.16 No member shall offer, sell or promote any franchise, business, product or service by means of any express or implied representation that is likely to deceive or mislead prospective franchisees or purchasers of any such franchise business, product or service.
- 2.17 No member shall use any trademark, trade name, slogan or other mark of identification that is deceptively similar to any trademark, trade name, slogan or other mark of identification of another business, which is likely to mislead or deceive any member of the public as to the ownership, affiliation or nature of such member's business or the nature or quality of any product or service offered by such member.
- 2.18 No member shall engage in any form of pyramid or chain distribution of whatsoever nature.
- 2.19 No member shall, in the management or organization of its business, discriminate on the basis of race, religion, age, gender or disability, save to the extent that such discrimination may be necessary for the purposes of giving effect to national legislation of general application enacted for the purpose of protecting or advancing a person, or categories of persons, previously disadvantaged by unfair discrimination.
- 2.20 On or before 30 September of each year, every franchisor member shall furnish FASA with a rating certificate issued by an accredited agency, or in the absence of any accredited agency, recommended by the South African National Accreditation System ("SANAS", for the purpose of certifying the extent to which commercial enterprises in the Republic of South Africa are BEE compliant. In the event that the member is not BEE compliant at the end of any financial year, such member shall submit its BEE strategy, setting

out the time period within which and the manner in which it intends to become BEE compliant.

#### **DISCLOSURE DOCUMENTS**

- 2.21 Every franchisor member shall, at least 14 (fourteen) days prior to signature of any franchise agreement and on acceptance of any money in connection therewith, provide the prospective franchisee with a draft of the proposed Franchise Agreement and a written Disclosure Document.
- 2.22 Every franchisor member shall, at least 3 (three) months before the renewal of any existing Franchise Agreement, provide the franchisee with a Disclosure Document.
- 2.23 Every franchisor member must update its Disclosure Document within 30 (thirty) days of any change to any information contained therein, so as to reflect such change.
- 2.24 Every franchisor member must provide a copy of its Disclosure Document, as most recently updated, to the FASA Secretariat by no later than 30 September of each year.

#### **FRANCHISOR – FRANCHISEE RELATIONS**

- 2.25 All matters material to and governing the relationship between the Franchisor and the Franchisee shall be set out in one or more written agreements, which must clearly set out the terms and conditions of such relationship and each party's respective obligations and rights.
- 2.26 No Franchise Agreement shall be entered into prior to the fifteenth (15<sup>th</sup>) day after receipt of the Disclosure Document and the Franchise Agreement by the prospective franchisee. All Franchise Agreements must contain a clause referring to the Disclosure Document and record that *"the information contained in such Disclosure Documents is, to the best of the franchisor's knowledge and belief, true and accurate and that no material information has been withheld"*.
- 2.27 The provisions of paragraph 2.26 above shall not preclude a franchisor member from requiring a franchisee to sign an undertaking to preserve the confidentiality of any information of a confidential nature belonging to the franchisor member, before furnishing the prospective franchisee with a Disclosure Document. Should any prospective franchisee refuse to sign such agreement, the Franchisor may refuse access to any information, whether or not it is obliged to provide it in terms of any other provision of this Code.
- 2.28 A franchisor member is not obliged to deliver its operations manual or any other document containing information relating to the methods, know-how or other trade secrets of the franchisor member prior to the signature of a Franchise Agreement; however such documents must be shown to the prospective franchisee.
- 2.29 A franchisor member shall, at its discretion, select and accept those franchisees that, upon reasonable investigation, possess the basic skills, education, personal qualities and financial resources adequate to perform and fulfil the need and requirement of the franchise business. The franchisor shall not consider race, colour, religion, age, gender or disability or the franchisee in the selection process. Notwithstanding the foregoing, a franchisor may grant franchises to certain persons on more favourable terms than those on which similar franchises may be granted to other franchisees,

as part of a program to make franchises available to a person or categories of persons, previously disadvantaged by unfair discrimination.

- 2.30 Every franchisor member shall encourage and provide training designed to assist the franchisees in improving their ability to conduct the franchised business. Similarly, every franchisee member shall encourage and provide training to its employees to improve their skills and abilities to conduct the franchised business in which they are employed.
- 2.31 Every franchisor member shall provide reasonable guidance and supervision to its franchisees regarding business activities relating to the conduct of the franchise business. Similarly, every franchisee member shall do the same in respect of its employees.
- 2.32 To the extent that is reasonably appropriate, every franchisor member shall give notice to any of its franchisees who is in breach of the relevant Franchise Agreement, granting the franchisee a reasonable time within which to remedy such breach.
- 2.33 All franchisor members and the franchisees of such members should be conveniently accessible and responsive to communications between them for the purpose of improving mutual understanding and reaffirming mutuality of interest.
- 2.34 Franchisor and franchisee members shall make every effort to resolve complaints, grievances and disputes between them in good faith and through direct communication and negotiation. Failing such amicable resolution, all complaints, grievances and disputes may be referred to FASA for mediation, subject to disputes mentioned below. In the event that notice of any complaint, grievance or dispute received by FASA is referred to any franchisor or franchisee member for a response, such member is obliged to furnish FASA with a response within 7 (seven) days of receipt thereof.
- 2.35 Every franchisor member is obliged to advise its franchisees in the event that it obtains the benefit of any incentives, and is encouraged, but shall not be obliged, to advise them of the amounts of any incentives or the conditions attaching thereto.
- 2.36 In all cases where a franchise member requires any or all of its franchisees to acquire or purchase any products or services from an approved supplier, the franchisor shall use its best endeavours to ensure that the price at which such products or services are supplied to such franchisee is not greater than a market related price, having regard to the nature, quality and quantity of the specific products or services concerned.
- 2.37 No franchisor member shall be obliged to consent to any of its franchisees acquiring or purchasing any products or services from a supplier other than an approved supplier, unless the franchisee concerned is able to prove to the reasonable satisfaction of the franchise member, that such products or services offered by such other supplier are of the same specifications and of no less quality than the equivalent products or services offered by the approved supplier.
- 2.38 Every franchisor member shall ensure that it maintains a separate bank account, into which all monies that such franchisor member may receive from any other person (“the prospective franchisee”) in contemplation of the conclusion of a Franchise Agreement are to be deposited, and, on request by FASA, the franchise member shall provide FASA with a reconciliation of the monies held in such account, setting out:

- 2.38.1 The name of each prospective franchisee;
  - 2.38.2 The amount of the deposit paid by him;
  - 2.38.3 Any amount refunded to such prospective franchisee;
  - 2.38.4 Any amount disbursed from the said account that has not been refunded to a prospective franchisee; and
  - 2.38.5 The amount held in such bank account.
- 2.39 Where a franchisor member received any payment from any prospective franchisee in contemplation of the conclusion of a Franchise Agreement, and, whether at the instance of the franchisor member or the prospective franchisee, negotiations in connection with such contemplated agreement are terminated without an agreement being concluded:
- 2.39.1 The franchisor member shall refund the amount it has received forthwith, and not later than 30 (thirty) days after having received a written request from the prospective franchisee;
  - 2.39.2 The franchisor may not retain any part of the amount it has received, save to cover reasonable out-of pocket expenses that it has incurred in contemplation of the conclusion of a Franchise Agreement.
  - 2.39.3 The franchisor member shall provide the prospective franchisee with documentary proof of all such expenses.

#### **ADVERTISING**

- 2.40 Any and all advertisements published by a member shall comply with all applicable rules, regulation, directives, guidelines and laws promulgated by any government body or agency having jurisdiction, as amended from time to time. All such advertisements must also comply with the Advertising Standard Authority of South Africa's Code of Advertising Practice, as amended from time to time.
- 2.41 Any advertisement referring to the financial requirements for the acquisition or establishment of a franchised business must contain sufficient detail so as not to mislead any prospective franchisee or the public at large in any respect whatsoever. Without limiting the generality of the foregoing, the advertisement must state: whether any amounts mentioned therein are part of, or the full, cost of the acquisition or establishment of the franchised business; what items such amounts cover; whether any financing costs are included; and other related information.
- 2.41.1 All members acknowledge that the trademarks, including the "Franchise Association of Southern Africa", "FASA" and FASA's logo trademark are owned by FASA. Only members in good standing, whose membership fees have been paid in full, are entitled to use these Trademarks in any documents, subject to FASA's guidelines, specifications and requirements from time to time. Further, no member may use any trademark in such a way as to state, suggest or imply that FASA endorses its products, services or franchise.
- 2.42 Notwithstanding the provisions of paragraph 2.41.1 above, members are prohibited from using trademarks in any form whatsoever in the offering, or sale of promotion of the sale of a franchised business, if such use has not been approved in writing by FASA in advance.

## PENDING DISPUTES

FASA will take no action in respect of any dispute that is the subject of pending litigation or other dispute resolution procedure between such member and a third party. However, this shall not prevent FASA from taking immediate disciplinary action or any other appropriate action against its members for non-compliance with this Code or FASA's Memorandum and Articles.

### 3. FRANCHISOR INFORMATION

Name: Brazen Head Holdings (Pty) Ltd

Trading as: The Brazen Head

Physical Address: Block G  
Hurlingham Office Park  
Cnr William Nicol & Republic Roads  
Sandton  
2196

Postal Address: P.O. Box 78465  
Sandton  
2146

E-Mail Address: [basil@brazenhead.co.za](mailto:basil@brazenhead.co.za)

Tel No: (011) 285 0001

Fax No: (011) 886 1381

Directors: Basil O'Hagan

ID No: 480605 5097 089

Cell No: 083 412 4459

Town: Johannesburg

Title: Chief Executive Officer

The sole director is Basil O'Hagan.

#### About the Founder

With more than three decades of experience in marketing and 25 years' franchising experience, Basil O'Hagan is one of the industry's leading franchising authorities.

Basil began his marketing career as a Brand Manager for Brooke Bond Oxo, a Unilever subsidiary. After various promotions at Brooke Bond Oxo, he became Regional Sales Manager. Here he acquired first-hand sales knowledge and was ultimately named National Marketing Manager.

In 1980, he was appointed Marketing Director for Royal Beechnut, South Africa.

In 1982 Basil embarked on his entrepreneurial career as a sales/promotion specialist, developing over 2,000 promotional campaigns for various companies

over a ten-year period. The company, Basil O'Hagan & Associates, grew to become the largest sales promotions agency in South Africa in the early 90's.

In 1993 he launched the O'Hagan's Irish Pub & Grill chain, which ultimately became the largest themed Irish pub and grill chain in the world. Some of Basil's other achievements during the late 90's include:

- **Franchisor of the Year** – O'Hagan's was awarded this accolade by FASA in 1997.
- **Brand Builder of the Year** – O'Hagan's was nominated in this category and ended among the top three finalists in 1997.
- **Entrepreneur of the Year** – finalist in 1997. This award is co-sponsored by Ernst & Young, Sanlam, Trust Bank and SBDC Limited in conjunction with South Africa's major daily financial publication, Business Day. Basil was nominated in his personal capacity.
- **SA Non-Listed Company Award** – During September 1997, O'Hagan's Investment Holdings was named one of the top 20 unlisted companies in South Africa by Arthur Andersen and Business Day.
- **American Great Menu Contest** – During 1997, O'Hagan's National Menu was among the top ten finalists (600 entrants) in a contest held by the National Restaurant Association of the United States (NRA) at their annual convention in Chicago, Illinois.

When local interest rates reached 26% during 1998, and stock markets crashed worldwide, O'Hagan's suffered a fatal cash flow collapse, which resulted in the liquidation of the company. Having learnt the lessons of the past, Basil's business experiences provide him with exceptional credibility as one of the most well-respected and highly sought after franchising specialists in South Africa.

With an infectious enthusiasm for developing outstanding franchising strategies, Basil O'Hagan, his team and The Brazen Head Franchising company will assist you in winning the marketing battle for customers, brand loyalty and overall business success.

Basil O'Hagan has had the opportunity to work in the trenches as a store owner as well as in corporate board rooms as the Chief Executive Officer of a public company. He has worked shoulder to shoulder with owners and operators of franchised outlets, representing many types of industries throughout South Africa as well as internationally. Finding solutions to real life problems in businesses – from mom-and-pop outlets to some of the world's most renowned companies – is his forte; and while conceptual models are important tools of any trade, it's hands-in-the-dirt labour on the front-line that ultimately gets the job done.

Over the years, Basil has seen hundreds of companies and stores fall by the way-side because of a lack of understanding of the basic requirements of professional franchising and marketing. Many failed businesses might still be in business today had their owners recognized the power of franchising, marketing and promotion.

The Brazen Head Franchising Programme is not written on a whim, nor is it based on old methods or failed promises. On the contrary, it was developed following years of research and ideas are polished, modified and refined to meet the needs of an ever-changing and demanding market place.

### 3.1 Background and Concept

The Brazen Head is a 'living', authentic Irish Restaurant and Pub, situated in the heart of medieval Dublin. To eat and drink in The Brazen Head is to continue a proud tradition stretching back 800 years. The Brazen Head is Ireland's oldest restaurant

and pub and combines all of the essential features of a traditional Irish pub to create a truly unique atmosphere.

Dubliners were enjoying food and drink in The Brazen Head a few hundred years before Christopher Columbus discovered America in 1492. The Brazen Head is also mentioned in James Joyce's "Ulysses"; Ireland's famous literary son was drinking there around the same time as Henry Ford was building his first motor car. The restaurant's history is interwoven with the Irish nationalist movement and the fight for independence, which eventually created the modern Irish State: Robert Emmet is reputed to have planned the rising of 1803 with fellow nationalists in The Brazen Head.

The Brazen Head offers the very best in food, traditional Irish music on disc and craic. The Brazen Head was established in South Africa in November 2003 with the opening of the first Brazen Head.

"Over 800 years of respectable eating and drinking celebrated!"

### **3.2 Values**

- Making guest delight the sole focus of our business.
- Quality in everything we think, say and do.
- Sound financial management and the addition of only those costs that result in direct benefit to our guests and our franchisees.
- Believing that the individual is paramount.
- Believing in a holistic total system approach to the resolution of problems.
- A planning system that includes, inter alia, a strategic plan, long-term goals and short-term targets, which is updated annually and quarterly.
- Continuous improvement and an open mind to new ideas and technologies.
- Being a harmonious team committed to common goals.

### **3.3 Vision Statement**

To be the most successful operator and franchisor of authentic Irish restaurants and pubs in South Africa.

We will deliver:

- Awesome customer service;
- Value-for-money food and beverage items;
- In a challenging and rewarding environment, while sustaining our long-term profitability in a fiercely competitive food service market-place.

### **3.4 Mission Statement**

- We aim to be a premier growth company in the food service industry in South Africa, with a balanced approach towards people, quality and profits.
- To cultivate customer loyalty by listening to, caring about and providing customers with a quality experience.
- To develop and retain a superior team.
- To ensure a high level of ethics, excellence, innovation and integrity.
- To be focused, sensitive and responsive to our employees and their environment.
- To enhance long-term shareholder growth.

### **3.5 Shared Vision for The Brazen Head**

A shared vision is not an idea. It is, rather, a force in management hearts: a force of impressive power. It may be inspired by an idea but, once it goes further, and

if it is compelling enough to acquire the support of more than one person, it is no longer an abstraction.

It is palpable. People begin to see it as if it exists.  
Few, if any, forces in human affairs are as forceful as the shared vision for The Brazen Head Irish restaurant and pub.

### 3.6 Next Steps

We want you to be fully aware of what is involved in becoming our franchise partner. This checklist is a step-by-step guide that lists the items you need to understand, complete or schedule in making an informed business decision about our franchise opportunity.

#### 3.6.1 Analysis

- I have received and reviewed the Franchise Information Package.
- I have completed a conversation with a franchisee.
- I understand the industry and the market niche for the concept.
- I understand the concept's operating system and training requirements.
- I understand franchising and I am committed to working within the franchise system.
- I understand the fee structure: Up-Front Franchise Fee and Marketing Levy.
- I have received the Disclosure Document and returned the Acknowledgement of Receipt form.
- I have visited a Brazen Head Restaurant and Pub and spent time with Head Office personnel.
- I have received answers to all questions relating to the Disclosure Document and Franchise Agreement.
- I have signed all required agreements and paid the Up-Front Franchise fee.

#### 3.6.2 Pre-Opening Activities

- I have received prototype building plans.
- I have selected the restaurant site.
- I have negotiated and approved the lease or purchase of the site.
- I have submitted building plans for approval.
- I have completed restaurant construction.
- I have scheduled training for all management.
- I have completed other pre-opening activities.

### 3.7 Other Activities

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Anticipated Opening Date \_\_\_\_/\_\_\_\_/\_\_\_\_

### **3.9 Administration**

In our opinion there is no material debt for Brazen Head Holdings other than that incurred in the normal course of business. There are no criminal, civil or administrative proceedings in which the franchisor was cited as the defendant, respondent or the accused during the past 5 years.

### **3.10 Persons or entities that ceased to be Franchisees**

These are available on request.

### **3.11 Trademark & Registration**

**Trademark:** The Brazen Head & The Brazen Head Authentic Irish Restaurant and Pub

**Trademark no:** 2003/22502 & 2010/06070-1 & 2010/06072-3

## **4. THE FRANCHISE AGREEMENT**

### **4.1 Salient terms and conditions of the Franchise Agreement**

- The contract is for a 10-year period. The contract is for the duration of the lease and any option periods of the respective lease.
- The contract is for an exclusive area only.
- Monthly franchise fee: 5% of turnover.
- Monthly marketing fee: 2% of turnover.
- Head Office will make the ultimate decision as to how the monies in the marketing fund must be used.
- Views of the franchisees will be taken into consideration.
- The marketing fund document is not a public document.
- The good input and advice from franchisees will be taken into consideration with regard to the use of the marketing fund; however the final decision regarding investment of the marketing funds rests with the CEO of Brazen Head Holdings.
- Initial joining fee of R120,000, excluding VAT, for a Brazen Head Pub & Restaurant.
- The franchised business may only be sold to a purchaser approved in writing by the Franchisor.
- The Franchisor has the right to terminate the contract in the event of the Franchisee being in breach of the contract.
- The Franchisee shall be restrained from carrying on a business that resembles a Brazen Head outlet during the term of the contract and for a period of 18 months after the termination thereof.
- The Franchisor shall have first right of refusal to acquire the franchised business in the event of it being for sale.
- The proprietors of the franchised business are required to sign as Guarantors together with the Franchisee for their obligations under the contract.
- The duties of the Franchisor are stated in the contract.
- The contract provides for a dispute resolution clause.
- The territorial restriction is 4km.

The above is by no means an exhaustive summary of the contract and should not deter a prospective franchisee from being aware of the full contents of the contract.

### **4.2 Site Approval of Franchisor**

Finding the appropriate site; No compromises will be made in order to fulfil the need to have an outlet in an approved area. The location of a site is essential to the

success of your Brazen Head franchise. Below we have provided guidelines to assist you in finding an ideal location. A traditional location should ideally fit these criteria, but you are not strictly limited to these.

#### **Site Criteria**

- High visibility on a main road
- Ground floor only – not 1<sup>st</sup> floor sites
- Close proximity to business and residential areas to ensure a good balance between daytime and evening trade
- Adequate parking
- Accessibility
- Vacant premises or land (with correct zoning) where landlords or developers will assist with base rentals
- Existing restaurant to refurbish – conversions
- Major new developments will be considered
- Suitable neighbours
- Free-standing or end cap, but not in-line
- Preferably rental space

#### **4.3 Franchisor Support**

Our franchise organization is designed to provide you with the tools needed to create a memorable experience for every guest. Those granted a Brazen Head franchise will have the following support services available to them.

##### **4.3.1 Leases**

Assistance in negotiating the lease for approved premises. All leases are screened by the franchisor prior to signature by the franchisee. However, such screening cannot be seen as legal advice.

##### **4.3.2 Store Design**

Determining store layout and decor design is the sole responsibility of the Franchisor.

##### **4.3.3 Contractors & Project Management**

The Franchisor will be solely responsible for the appointment of contractors and supplies for the store development and will project manage the development.

##### **4.3.4 Franchise Consultant**

The Franchise Consultant is responsible for assisting with all aspects of operation, from the initial development to ongoing support as your restaurant grows. The Franchise Consultant is a key source of ongoing support.

##### **4.3.5 Site Selection**

We can provide you with site criteria for the area that you have selected. This information should help you analyze your site's strengths and weaknesses.

The franchisor's involvement or approval in the process of site selection is as follows:

- The franchisor will have the final say regarding site selection.
- If the franchisor does not approve the site, the establishment of a Brazen Head Irish Restaurant & Pub will not go ahead.

#### **4.3.6 Construction Support**

A set of prototype restaurant plans is provided. In addition, we can visit your site and offer recommendations for necessary modifications. We can also assist you with: remodeling enhancement programs, equipment specifications, supplier lists, document and design review.

#### **4.3.7 Financial Support**

While we do not provide financing for your restaurant, we would be happy to assist you in preparing your loan package and business plan.

#### **4.3.8 Marketing and Advertising**

We will assist you with planning and marketing activities, beginning with your grand opening, and will set guidelines for future advertising and promotions. We also provide samples of advertising and promotional materials utilized on a national and local basis.

#### **4.3.9 Purchasing**

We negotiate services and price agreements with approved suppliers and distributors for The Brazen Head concept.

#### **4.3.10 Training**

We provide a comprehensive training program that includes training in the restaurant in addition to classroom sessions. The essentials of restaurant operations, staff management, financial management, marketing and a broad range of other vital subjects are taught using a variety of techniques and up-to-date methods.

#### **4.3.11 Manuals**

A series of comprehensive manuals, covering all the material in the training program, and more, is provided for each restaurant. These manuals are designed for easy reference and as an authoritative source of information about operating standards and procedures. They are updated frequently to reflect the changing needs of today's guest.

#### **4.3.12 General Support**

- Guidance with the selection of employees.
- Providing assistance with the opening and initial running of the business.
- Quality control checks and constant support for the duration of the contract.
- Regular franchise meetings.
- Continuous upgrading of menus, recipes, products and various other items.

Detailed manuals are provided to each prospective franchisee after the signing of the contract. These manuals are:

- Operations Manual
- Menu Manual
- Training Manuals

#### **4.4 Termination**

Termination of the franchise agreement: Either party (franchisee or franchisor) can terminate the agreement by giving written notice to the other party in the event of material breaches of the contract, as listed in the franchise agreement under clause 15.

#### **4.5 Renewal**

The franchise agreement is a 10-year contract and the franchisor has agreed that the renewal will incur no additional upfront franchise fee for the franchisee.

#### **4.5 Goodwill**

The goodwill of the Brazen Head brand vests with Brazen Head Holdings (Pty) Ltd.

#### **4.7 Assignment of the Franchise**

No assignment of the franchisee's business may take place without the written consent and approval of the franchisor.

#### **4.8 Applicable Laws**

The franchise agreement and its implementation are subject to all applicable laws in force from time to time in The Republic of South Africa and any other territory in which the franchisee may carry on business.

## **5. FINANCIAL INFORMATION**

### **5.1 Franchisor Funding**

The Brazen Head does not provide any funding towards the set-up and establishment of a BRAZEN HEAD outlet. The Brazen Head does not provide collateral of any form for the set-up and establishment of a BRAZEN HEAD outlet.

### **5.2 Franchise Fees**

- a) The initial Fee is R120,000 (excluding VAT). A payment of R39, 500 (including VAT) is due on signing the Option Document, which is part of the R120, 000 (excluding VAT) franchise fee. The full franchise fee is payable prior to the opening of a BRAZEN HEAD outlet. The initial fee is charged for the following purposes:
- Costs incurred in transporting BRAZEN HEAD personnel to and from the site for the purposes of initial site negotiation, store development and store opening.
  - Cost of accommodation for BRAZEN HEAD personnel when on site.
  - Goodwill on acquisition of a BRAZEN HEAD franchise.

The option fee of R39 500, including VAT, is payable into the main operating account of Brazen Head Holdings, and forms part of the franchise fee of R120 000. This matter is further dealt with in Clause 3.3 of the Option Document.

Over and above the Initial Fee, there are the following additional fees, which are payable prior to the opening of the restaurant:

- **Project Management Fee**                    **R35,000-00 (excluding VAT)**
- **Design Fee**                                    **R38,000-00 (excluding VAT)**
- **Training Fee**                                 **R35,000-00 (excluding VAT)**

b) Monthly franchise fee of 5% on net turnover (excluding VAT).

c) Monthly marketing fee of 2% on net turnover (excluding VAT).

### **Marketing Fund**

The national marketing fund is managed by the Chief Executive Officer, who is responsible for national and local marketing and advertising campaigns. Other marketing and advertising at store level should be approved by THE BRAZEN HEAD Head Office, and is for the individual BRAZEN HEAD'S account.

### **Supplier Contribution**

From time to time the franchisor receives sponsorship contributions from suppliers for national promotions or promoting the franchise business system. These funds are payable into Brazen Head's Holdings' account & are used at the sole discretion of the CEO for national promotions or promoting the franchise business system.

### **Types of marketing for the Brand**

- Radio
- Press
- Expos
- Local Store Marketing Campaigns
- National Promotions

## **5.3 Investment Before Borrowings**

It is recommended that the prospective franchisee fund a minimum 50% of the store set-up costs. Such funding should be in the form of unencumbered capital. Please refer to the Information Pack for the full set-up cost.

## **5.4. Turnover and Return on Investment**

No specific turnover figures and accurate return on investment can be guaranteed by the franchisor. Group statistics are readily available, both on a national basis and per region, which include: average turnovers, turnover splits, cost of sales and operating expenses.

## **5.4 Working Capital**

The cost of stocking the store prior to opening is included in the estimated set-up cost for a BRAZEN HEAD store.

Bridging finance will be required for the initial capital input VAT, which will be refunded by the Receiver of Revenue shortly after opening, provided the franchisee's (Pty) Ltd or CC has been formed.

#### **5.5. Building, Electrical, Plumbing, Air-Conditioning**

The Landlord should develop the premises according to the BRAZEN HEAD specifications. Where the Landlord is not prepared to contribute fully, or partially, BRAZEN HEAD HEAD OFFICE will evaluate the viability of the particular site and the amount not contributed by the Landlord will be payable by the Franchisee as part of the Set-up cost.

#### **5.7 Set-up Costs**

All costs will vary from store to store, depending on the nature of the premises and its contents, e.g.: existing restaurant, empty shell or new development. The costs are estimated costs only and more accurate costing will be available once access to the site is made available, plans have been drawn up and quotes obtained.

Attached is a copy of the generic set up costs, including:

- Owner's equity
- This is not a guarantee of performance
- Borrowings are depicted
- Leasable Amounts
- Landlord Assistance

The franchisor does not contribute towards funding of the set-up costs.

#### **5.8 Financial Information**

The turnover of the Group is available upon request.

The individual franchised outlets are listed below:

- Boksburg - open
- Bloemfontein - opening July 2011
- Centurion - open
- Edenvale - open
- Florida Glen - open
- Fourways - open
- Sandton - open
- Stellenbosch - open
- Willows - Pretoria - open
- Witbank - open

### **6. PROJECTIONS**

**Please refer to the Information Pack for the following:**

- Potential Sales
- Income
- Gross & Net Profits

The formula & calculation that a franchisee may use to calculate the maximum selling price of his existing business is as follows:

- Net profit x a multiple of between 18 & 35 depending on the potential of the site and the franchised business.
- The information pack that is part of the Disclosure Document specifies potential sales, income, gross or net profits. Assumptions are listed below each document.

## **7. ACCOMPANYING DOCUMENTATION**

### **Financial Information**

I, Basil O'Hagan, founder and CEO of the Brazen Head Group, hereby wish to clarify the following:

1. The business of the Brazen Head is a going concern.
2. The Brazen Head business has been in existence for 7 years and has met its current and contingent liabilities.

### **Brazen Head Holdings (Pty) Ltd**

1. Brazen Head Holdings (Pty) Ltd is capable of meeting all its financial commitments in the ordinary course of business as and when they fall due.
2. The financial statements for Brazen Head Holdings (Pty) Ltd have been drawn up in accordance with sound accounting principles generally accepted in South Africa and on
3. The basis of accounting policies consistent with prior years.
4. Brazen Head Holdings (Pty) Ltd's audited financial statements are in accordance with the provisions of the Companies Act and they fairly reflect the financial position, affairs, operation and results of Brazen Head Holdings (Pty) Ltd.
5. For more information on the financials, the auditors of Brazen Head Holdings, Graham Barnett, can be contacted on [graham@hnb.co.za](mailto:graham@hnb.co.za).
6. There have been no significant or material changes in the company's or franchisor's financial position since the date of the accounting officer's or auditor's certificate and the franchisor has reasonable grounds to believe that it will be able to pay its debts as & when they fall due.
7. At this stage, the franchisor is ploughing all profits back into the business so that the brand is ready for growth.
8. With regard to the BEE rating, we wish to advise as follows:

(a) We have a total staff complement of 5, as per the organisation chart, which includes:

- One black kitchen training manager
- Most stores have a black head chef
- Every store employs, on average, 20 back waiters & waitresses
- There are black managers in more than 50% of our stores

(b) Our BEE strategy is aimed at achieving further transformation within a 3-year period. As the company grows, so the transformation process will develop.

### List of Current Franchisees

| Location           | Address   | Owner name   | Cell No.   | Tel. No.       | Fax No.                                | Email Address  |
|--------------------|---|--|--|----------------|--|--|
| Boksburg           | Parkrand Piazza Shopping Centre, 44 Van Wyk Louw Drive, Parkrand, Boksburg          | Richard Walters<br>Nikki Evans                                 | 082 376 4519<br>082 578 3602                                 | (011) 896 5648 | 0866 185 074                           | <a href="mailto:Boksburg@brazenhead.co.za">Boksburg@brazenhead.co.za</a> ;<br><a href="mailto:nikki@paws19.co.za">nikki@paws19.co.za</a>   |
| Centurion          | Cnr Sarel Baard and Old Johannesburg Road   | Nicky Ramkissoon   | 074 313 4577   |                |  | <a href="mailto:centurion@brazenhead.co.za">centurion@brazenhead.co.za</a> ;<br><a href="mailto:totalfacilities@yahoo.com">totalfacilities@yahoo.com</a>   |
| Edenvale           | Terraces Shopping Centre<br>Corner Terrace & Van Tonder Street, Edenglen, EDENVALE  | Roy Jennings<br>Andrew Dennis                                  | 082 443 6393<br>071 439 4636                                 | (011) 609 0273 | (011) 609 0267                         | <a href="mailto:bhedenvale@iburst.co.za">bhedenvale@iburst.co.za</a> ;<br><a href="mailto:roy@helron.co.za">roy@helron.co.za</a> ;   |
| Florida Glen       | Clearview Motor Village, Cnr Hendrik Potgieter & Gordon Road, Florida Glen          | Jacques Crooney<br>Russell Irons                               | 082 735 2769<br>082 459 2090                                 | (011) 472-8233 |  | <a href="mailto:florida@brazenhead.co.za">florida@brazenhead.co.za</a><br><a href="mailto:russel@irons.co.za">russel@irons.co.za</a>   |
| Fourways           | Leaping Frog Shopping Centre, Corner William Nicol Drive & Mulbarton Road, Fourways | Mark Deken   | 071 193 1774   | (011) 465-5318 | ( 011) 391 2746<br>(011) 465-5327      | <a href="mailto:mdeken@hotmail.com">mdeken@hotmail.com</a> ;<br><a href="mailto:cedeken@hotmail.com">cedeken@hotmail.com</a>   |
| Sandton            | Stand 16, Cnr Linden and Anne Road, Strathavon, Sandton                             | Jacques Crooney  | 082 735 2769   | (011) 783-6122 |  | <a href="mailto:sandton@brazenhead.co.za">sandton@brazenhead.co.za</a>   |
| Stellenbosch       | Adjacent to Eikestad Mall Parking Area<br>62 Andringa Street, Stellenbosch, 7600    | Rolien Keyser<br>Rikus Keyser<br>Joh Kruger<br>Freda Streicher | 082 948 3408<br>083 457 8160<br>082 850 3646<br>082 550 7675 | (021) 882 9672 | (021) 882 9671<br>0866178491<br>Marius | <a href="mailto:Stellenbosch@brazenhead.co.za">Stellenbosch@brazenhead.co.za</a> ;<br><a href="mailto:rolienk@worldonline.co.za">rolienk@worldonline.co.za</a> ;<br><a href="mailto:rikusjfk@telkomsa.net">rikusjfk@telkomsa.net</a> ;<br><a href="mailto:joh.kruger@onewaterloo.com">joh.kruger@onewaterloo.com</a> |
| Willows - Pretoria | Willow Way Shopping Centre<br>Lynnwood Road<br>Pretoria                             | Johan Benade   | 082 870 2612   | (012) 807 3509 | (012) 807 2618                         | <a href="mailto:j.benade@absamail.co.za">j.benade@absamail.co.za</a><br><a href="mailto:willows@brazenhead.co.za">willows@brazenhead.co.za</a>   |
| Witbank            | River Crescent Shopping Centre, President Rd, Witbank                               | Karin du Plessis<br>Bernie Hill                                | 083 955 5396<br>074 185 4990                                 | (013) 656 0634 | (013) 656 0634                         | <a href="mailto:duplessiskarin1@gmail.co.za">duplessiskarin1@gmail.co.za</a> ;<br><a href="mailto:berniehill0@gmail.com">berniehill0@gmail.com</a> ;<br><a href="mailto:Brazenhead.wtb@web4us.co.za">Brazenhead.wtb@web4us.co.za</a>   |

The prospective franchisee is entitled to contact any of the franchisees listed above or alternatively to visit any outlets operated by a current franchisee to assess the information disclosed by the franchisor member and the franchisee opportunity offered by it.

### Organogram

