

FRANCHISEE LETTER OF INTENT(LOI)



LETTER OF INTENT & CONFIDENTIALITY UNDERTAKING I.R.O HTM DRIVING SCHOOL FRANCHISE

The hereinafter-mentioned Prospective Franchisee ("the Applicant") has expressed interest in acquiring an HTM DRIVING SCHOOL Franchise and by doing so would receive the non-exclusive rights to trade under the name, logo and colours of HTM DRIVING SCHOOL and to promote the services supplied by HTM DRIVING SCHOOL.

➤ Refer to guidelines attached hereto

1. PERSONAL DETAILS:

Names & Surname of Principal Shareholder, Member or Sole Trader:

ID No: _____ Driver's License code: [®] _____ Year: _____

Physical Address of the Applicant:

Postal Address of the Applicant:

Contact Number: (Cell) _____

(Fax) _____

(E-mail) _____

2. COMPANY DETAILS:

Name of Company, Close Corporation/Trust:

Company Registration No: _____

Directors/Members

Names: _____ ID No: _____

Names: _____ ID No: _____

Please note that our approval does not guarantee approval by any Financial Institution or Property Owner/Landlord.

3. GENERAL INFORMATION

Which Franchise Model are you interested in?

- OPTION A: CONVERSION
- OPTION B: FULL PACKAGE

Preferred area: _____ (Where do you want to open your school?) *

We would like to suggest that when making your choice that you select a region / area that is not too far from where you reside as it is very important that you are able to manage and be involved in your driving school as much as possible. ®

Please provide a brief Motivation for your Franchise Interest.

4. SUPPORTING DOCUMENTS TO ACCOMPANY YOUR LETTER OF INTENT:

- Certified Copies of ID (All Members, Directors, Trustees)
- Company Registration / Trust Documents
- Proof of Residence of all Members, Directors, Trustees)
- 3 Months Bank Statements
- Copy of All Shareholder Certificates
- If married In Community of property (Spouse must also send copies of his/her ID)
- If more than One Director- Power of Attorney signed by all Directors
- CV of Owners & Manager

5. Financial Elements

5.1 Franchise Fee:

The franchise fee is payable to show commitment to actually wanting to acquire an HTM DRIVING SCHOOL franchise

Franchise fee payable as follows:

- On signing this LOI hereof a franchise fee (Conversion & Full packages) **R64 500.00**
(excl. VAT).*

(A 30 day-notice period shall be applicable in respect to any refunds and in the event that either Party cancels the present Letter of Intent (LOI) and which cancellation shall be in writing).

This fee includes:

- The right to use and operate under the HTM DRIVING SCHOOL name and the concept;
- Initial owner and staff training;
- Assistance with site selection and evaluation;
- Supply of 10 000 pamphlets for the launch;
- Inclusion on the website and other online marketing platforms;
- Initial legal costs incurred in conclusion of the Franchise Agreement;
- Assistance with Lease negotiations;
- Initial pre-opening/launch assistance.

This fee is payable upfront as a deposit pending conclusion of the negotiations and is non-refundable after the signature of the franchise agreement. Any costs incurred prior to the signature of the Franchise Agreement (in the event that the transaction is not consummated for any reason) will be deducted from this upfront payment prior to a refund being processed. These costs may include, without limitation:

- Franchisee assessment costs
- Site feasibility studies
- Costs associated with Lease negotiations
- Training
- Any other costs incurred and/or disbursements made in respect of the transaction.

5.2 Establishment Costs:

- See breakdown furnished below.
- Please note that certain costs that may be specific to the proposed site/location are not included. This would include costs such as travelling and accommodation of the Franchisee and staff during the relevant training period (bearing in mind that the training may be some distance from the proposed site).

Setup Cost:

- Equipment and branding * approximately – (Conversion): **R10 000.00 – R50 000.00** (Excl. VAT).*
- Vehicles, Equipment and branding * approximately – (Full Package): **R80 000.00 – R500 000.00** (Excl. VAT).*

The price includes the installation of Instructor's brake and or clutch pedals.

* Different rates will apply outside of RSA.

A monthly Management fee of **R1250** (excl. VAT) is payable to HTM DRIVING SCHOOL (Subject to annual escalation)

A monthly Marketing fee of **R600** (excl. VAT) is payable to HTM DRIVING SCHOOL joint Marketing account. (Subject to annual escalation)

Please note:

- These are approximate costs and will change depending on the distance of the school from the head office.
- These estimates are set for 6 months, but are however subject to change without notice due to the volatile US\$ / ZAR rate.
- These amounts do not include any Transport charges, which will be for the Franchisee's account.
- A **R6 000.00** administrative fee shall be deducted from any deposit upon any cancellation as contemplated in the Letter Of Intent)
- The setup cost excludes Extras, as per attached "Schedule A".

** Make provision for working capital (to be used for Rental / Deposit / Fuel/ Salaries) **R20 000.00.**

Are you applying for funding Yes () No (), please specify _____

This offer is made subject to the following terms and conditions:

1. The evaluation of the personal details of, questionnaire responses by and personal interview with the Applicant. HTM DRIVING SCHOOL has the sole right to accept or decline this letter of intent.
2. In the event that HTM DRIVING SCHOOL accepts this letter of intent, a standard formal and comprehensive Franchise Agreement will be entered into.
3. Payment shall be made by the Applicant as detailed above. Payment shall be by EFT in favour of HTM DRIVING SCHOOL, and HTM DRIVING SCHOOL reserves the right to effect clearance of the payment before undertaking any of its obligations.
4. This offer is made by the Applicant with the full understanding of the Terms and Conditions set out in this document. Should HTM DRIVING SCHOOL not accept this expression of

interest, the Applicant shall be automatically released from his obligations in terms hereof and the deposit paid to HTM DRIVING SCHOOL shall be refunded to the following account:

Account Holder: _____

Bank: _____

Branch: _____

Branch Code: _____

Account Number: _____

6. Secrecy:

6.1. The Applicant acknowledges that:

6.1.1. The system under which HTM DRIVING SCHOOL operates (“the System”) is the sole and beneficial property of HTM DRIVING SCHOOL. The Applicant has no rights in the System.

6.1.2. Neither the Applicant nor any of its employees have any prior knowledge of the System or any aspect of the intellectual property, including without limitation all expertise and trade secrets pertaining to the business and affairs of HTM DRIVING SCHOOL, or to the manner in which HTM DRIVING SCHOOL renders its services.

6.2. The Applicant undertakes to:

6.2.1. Keep secret all information, records, guides and, in particular, any training files, documentation and information as well as all other information supplied by or obtained from HTM DRIVING SCHOOL in relation to the manner in which HTM DRIVING SCHOOL operates the System and/or its business.

6.2.2. Not divulge or permit the disclosure of the manner in which HTM DRIVING SCHOOL operates, the System and, in particular but without limitation, the contents of any training files to any third party other than employees employed by the Applicant to conduct HTM DRIVING SCHOOL business and then only to the extent absolutely necessary.

6.3. The Applicant shall, should this letter of intent not be accepted by HTM DRIVING SCHOOL or at the request of HTM DRIVING SCHOOL, forthwith return to HTM DRIVING SCHOOL the Franchise Agreement/Training Manual as well as any other written information supplied by or obtained from HTM DRIVING SCHOOL.

6.4. The Applicant hereby:

- Consents and approved HTM DRIVING SCHOOL to carry out a credit enquiry in respect of the Applicant and/or any of its members, shareholders, directors, partners or trustees, either by accessing any credit agency’s database or making inquiries with any credit grantors for purposes of making any risk management decision regarding this application;

- Declares that the information supplied herein or is true and complete in every aspect;
- Is aware that should any information be found to be false or incomplete this could lead to the refusal of this application.

Signed at _____ on the _____ day of _____ 20__.

Prospective Franchisee Full names & surname

 Signature:

 Witness Name:

 Signature:

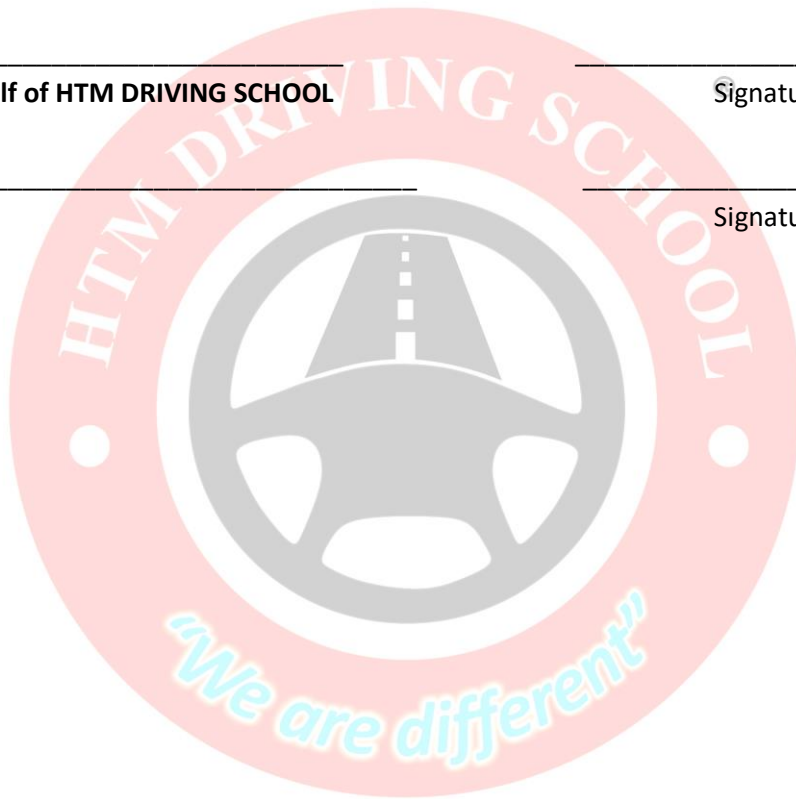
Signed at _____ on the _____ day of _____ 20__.

For and on behalf of HTM DRIVING SCHOOL

 Signature:

 Witness Name:

 Signature:



7. Schedule A:

Schedule of Extra's, not included in the Franchise Fee

Dear Franchisee,

The cost of the below listed items needs to be negotiated with the landlords office/site concerned or will be an added cost to the Franchisee/Owner of the school.

Once full payment is received, and a Franchise Agreement signed, a school set up will commence and will take 2 – 6 weeks for completion, depending on the franchise model.

Extras:

- 1) Fees payable to the landlord (Rental deposit and monthly rentals)
- 2) Instructor's certification fees
- 3) Branding of vehicles
- 4) Local association Affiliation or joining fee
- 5) Online booking management system
- 6) Invoice books
- 7) Monthly pamphlets after the launch
- 8) Monthly Fuel and vehicle maintenance costs
- 9) Filing cabinet
- 10) Computers and stands
- 11) Office furniture
- 12) 27 Metal stands and 10 x 50mm PVC pipes
- 13) Point-of-sale machine
- 14) Cellphone and/or telephone contracts

Signed at on the..... day of..... 20.....

As witnesses:

1.

2.

The Franchisee / Applicant: _____

8. Guidelines to acquiring a Franchise

8.1. Complete the Letter of Intent

- In order for the approval process to commence, this letter of intent must be completed and returned by mail, fax or e-mail.
- A deposit of R64 500.00 (VAT inclusive) for both Conversion and full package franchises payable upon signing the letter of intent.
- Certified copies of supporting documents must be submitted. If you do not have a registered company, we will register your new company for you.

8.2. Interviews

- An interview will be scheduled once the above is received.

8.3. Approval

- Once you are approved as a franchisee, the Franchise agreement and projected cash flows will be disclosed. If you are unsuccessful, you will be refunded your deposit.

8.4. Site Identification

- Potential site will be given to a franchisee who resides close to the Driver License Testing Centres (DLTCs) and a written confirmation must be sent to head office within 48 hours. Once the 48 hours have lapsed, head office may offer the site to other elected franchisees.
- Upon confirmation that you will take a site, the franchise agreement must be signed and full payment of the set up cost is required.

8.6. Training

- Driver training will be done at the head office for the Manager / Owner and one staff member to prepare them for their Instructor's certification and it will take 2-3 weeks.
- The Manager/Owner and the staff member will be tested for their learners and driver's tests at their selected site' Driver License Testing Centre.

8.6. Offer to lease/ Lease Agreement

- The offer to lease a property will be signed and submitted to the landlord by the franchisee if applicable.

8.7. Acquisition of vehicles and office equipment

- The Franchisor will help the Franchisee with negotiating and sourcing of vehicles from reputable dealers and the franchisee will be responsible for the delivery to his/her premises. The process will take 2-4 weeks to complete. (Please refer to additional costs not included in set up cost.)
- The Franchisor will arrange with local service providers to brand the vehicles according to specifications.

8.8. Operation and Support

- A 3-week pre-launch awareness campaign will be organised.
- The Franchisor will supply 10 000 pamphlets for marketing prior to the opening and the Franchisee will benefit from other online marketing platforms that are already in place.
- Online and telephonic support will be continually provided for 6 months until the Franchisee is confident, thereafter but not limited Hands-on Support, Marketing and Promotions, Staff Liaison etc.