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MEMORANDUM OF AGREEMENT

BETWEEN

The Government of the Republic of South Africa, in its Department of Trade and Industry (hereinafter referred to as "DTI") represented herein by Dr Alistair Ruiters, the Director-General of DTI, and thus duly authorized to do so

AND

Proudly South African (Registration number 2001/021636/08), a company duly incorporated under Section 21 of the Companies Act, 1973 (Act 61 of 1973) as an association not for gain (hereinafter referred to as PSA) represented herein by Martin Feinstein, the Chief Executive Officer of PSA, and thus duly authorized to do by means of a resolution of the board of directors of Proudly South African.

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1. TERM OF AGREEMENT

The agreement shall be for an unlimited period, and shall be subject to either party terminating the agreement by giving six months' written notice of such termination.

2. APPOINTMENT OF DIRECTORS AND PROJECT OFFICERS

2.1 The DTI shall be entitled, for the duration of the agreement, to nominate two directors to the board of PSA, who shall be duly appointed by PSA in terms of the Companies Act.

2.2 DTI shall also appoint a project officer (PO) for the purpose of control. The PO shall act as a communication channel between the parties. Likewise PSA shall appoint a project officer.

2.3 The POs, as appointed by respective parties, shall meet quarterly or as and when requested by either party, to discuss managerial and financial matters and progress in terms of the objectives as per the annual business plan.

2.4 PSA shall provide quarterly written reports on progress it has made in terms of the annual business plan, and any other written report on any aspects within the ambit of this agreement as reasonably requested by the PO of DTI.

2.5 The PO of DTI shall on reasonable notice and at reasonable times be allowed access to any of PSA's documentation, equipment, premises or things in order to satisfy himself/herself that services are being duly provided in terms of this agreement.

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2.6 Within seven days of the signing of this agreement, each party shall notify the other of the name of the PO together with his/her contact details in writing. Any change of the PO by either party shall take effect only after written notice has been given to the other party.

2.7 The DTI and the PO of the DTI shall be entitled to determine any information relating to the project and the activities of PSA as confidential, and shall advise PSA of such determination in writing whereafter PSA undertakes not to disclose such information to any third party without the express written consent of the DTI or the PO of the DTI.

3. TRANSFER OF FUNDS FOR PSA'S OBJECTIVES

DTI is willing to transfer funds to PSA for the fulfillment of PSA's objectives, which are defined here:

- 3.1 To aid economic development and job creation, by stimulating demand for, and promoting the purchasing of, South African-produced goods and services.
- 3.2 To encourage businesses to become members of the PSA campaign;
- 3.3 To authorize such businesses to use the PSA trademark to promote their products and services;
- 3.4 To educate consumers regarding the trademark and its significance in terms of the criteria of local content, quality and responsible labour and environmental practices;



- 3.5 To improve the image of South African-produced goods and services and to encourage member companies to become more quality conscious and improve the level of local content and procurement.

4. CORE FUNCTIONS OF PSA

The core functions of PSA can be defined as follows:

- 4.1 To create, launch, manage and implement a unique South African brand to identify qualifying products and services;
- 4.2 To secure sponsorships for promotional activities to support these goals;
- 4.3 To liaise on an ongoing basis with other South African promotion agencies and initiatives to effect co-ordination of the country's promotion drive;
- 4.4 Measure the awareness and success of the campaign through business and consumer market research;
- 4.5 Set up and manage a suitable membership accreditation, compliance, dispute resolution system for member companies and consumers;
- 4.6 Assist the competitiveness of member companies by referring them to appropriate support organizations;
- 4.7 Develop and implement promotional activities to promote the businesses of member companies;

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- 4.8 Carry out imaging activities to promote South-African made products and services locally and internationally;
- 4.9 Publicising South African-made products and services which exemplify the campaign objectives;
- 4.10 Monitoring similar international activities, and where appropriate implementing similar successful activities and programmes;
- 4.11 Ensuring that South African-made products and services and the PSA brand are present and promoted via suitable trade fairs, pavilions and events;
- 4.12 Ensuring that SMMEs are able to benefit from the PSA campaign;
- 4.13 Negotiate with government to incorporate PSA membership as a factor in decision-making with regard to tender and procurement decisions, without adversely affecting the need to ensure value for money and transparency;
- 4.14 Identifying key purchasing segments and developing targeted campaigns, messages and activities for these segments;
- 4.15 Protect the integrity of the PSA trademark by preventing unauthorized use;
- 4.16 Auxiliary services for DTI or any other Government department such as assistance, advice and presentations.



5. OUTPUTS

PSA's outputs for the year ending 31 July 2002 are summarized as follows:

- 5.1 Achieve a positive awareness level of 25% among the general population, as measured by an independent research company approved by the PO.
- 5.2 Achieve a membership recruitment level of 100 member companies;
- 5.3 Achieve a positive awareness level of 40% among businesses in defined segments, as measured by an independent research company approved by the PO;
- 5.4 Establish at least one brand in each product category which carries the PSA trademark;
- 5.5 Develop a PSA brand suitable for marketing to the youth market;
- 5.6 Achieve sponsorships in cash or kind from the business sector of a minimum of R10-million.

6. VALUE CHAIN

PSA's value chain is broken down into the following segments:

- 6.1 **Operational:** member recruitment, dispute resolution, brand management, compliance, customer relationship management, interaction with other initiatives.

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6.2 **Marketing:** launch, advertising, communication, promotion, sponsorships, public relations, publications, website.

7. TRANSFER OF FUNDS AND BUDGET

7.1 The DTI undertakes to transfer the amount of R7-million (seven million rands) from its funds to the credit of PSA during the period from the signature of this agreement to December 31, 2001.

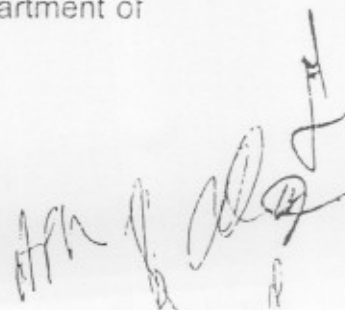
7.2 The DTI undertakes to pay R3.5-million (three and a half million rands) of this amount as soon as as practicable after the signature of this agreement but no later than 14 days after the signature hereof by the DTI.

7.3 DTI undertakes to pay a further amount of R3.5-million (three and a half million rands) on a date to be agreed by the PO but no later than November 31, 2001.

7.4 PSA agrees and undertakes that the funds transferred in terms of this agreement shall be allocated and distributed according to the budget attached hereto as appendix A.

7.5 PSA shall have the authority to make any reasonable changes to the budget provided that such changes are required to fulfil the objectives and operational requirements set out in this agreement, and that such amendments are advised to the PO in writing with reasons for such amendments.

7.6 Any further payments from DTI to PSA which may be made shall be subject to the approval of the National Treasury and Department of Finance.



8. FINANCIAL STATEMENTS AND MAINTENANCE OF SOUND INTERNAL FINANCIAL MANAGEMENT SYSTEMS AND CONTROLS

8.1 PSA hereby certifies to the DTI that it will implement effective, efficient and transparent financial management and internal control systems, to the satisfaction of the DTI, including the appointment of an auditor and the approval of such auditor by the Auditor-General.

8.2 PSA undertakes to submit to DTI any relevant information or statements which the DTI may require, and to comply with all relevant PFMA and national Treasury regulations for the duration of this agreement.

8.3 PSA undertakes to submit, within five months after the closing of its respective financial year, which financial year shall be as determined by the PFMA, annual financial statements that shall consist of:

8.3.1 a balance sheet dealing with the affairs of PSA;

8.3.2 an income statement;

8.3.3 a cash flow statement;

8.3.4 notes to the financial statements;

8.3.5 a directors report.

8.3 These annual financial statements will comply with section 55 of the Public Finance Management Act (PFMA) Act No. 1 of 1999, as amended by Act no. 29 of 1999.

8.4 PSA will submit to the DTI within five months after the closing of its respective financial year, and as part of its annual financial statements:

