

Notice of Dispute

Clause 29(1) of the Franchising Code of Conduct

To: National Foods Limited - Franchisor

We hereby set out the details of a dispute as required by clause 29(1) of the Franchising Code of Conduct:

(a) NATURE OF DISPUTE:

* Breaches of the Trade Practices Act by the Franchisor

Section 51AC – Unconscionable Conduct

- Relative Bargaining strengths of parties
- Franchisors legitimate business interests
- Whether the weaker business could understand any documentation used
- The use of any undue influence, pressure or unfair tactics by the stronger party
- How much the weaker business would have to pay/charge, and under what circumstances, to buy/sell identical or equivalent goods or services from/to another supplier
- The extent to which the stronger party's conduct was consistent with its conduct in similar transactions with other similar businesses
- The requirement of any applicable code. ie. Franchising Code of Conduct
- Unreasonable failure to disclose any intended conduct that might affect the interest of the weaker business, and any associated risks which the stronger party should have foreseen, were not apparent to the weaker business
- Willingness to negotiate
- Acting in good faith
- Unilateral variation of terms

Section 51AA – Unconscionable Conduct

* Financial Compensation for product not supplied by National Foods (out of stocks)

* Credits to be processed for Franchisees, even where the period extends beyond 3 months, including but not limited to Refrigeration, Rebates, Commission

(b) DESIRED OUTCOME:

We are branded by our Franchisor as “Independent Businesses”. However we are not Independent, as the Franchisor uses the Franchise Agreement to impress harsh and onerous conditions on the Franchisees, in comparison to the Franchisors dealings with other customers, including, but not limited to Woolworths, Coles, Aldi, IGA, McDonalds, Bidvest, Torino, Plateau Distributors, Coles Express. We require that the Franchisor make changes to the existing arrangements that will make the system fairer for the Franchisees. Or alternatively, buy back the remaining portion of our Franchise Agreements.

(c) ACTION REQUIRED TO SETTLE THE DISPUTE:

- Pay out our current Franchise Agreements (100:1 for remaining term of agreement including plus (+) option

OR

Make the Franchise System a true Franchise System by

- Dissolving the Food Service Channel (where you directly compete)
- Selling us milk for a Commercially realistic price (similar to those you offer for buying groups) thereby abolishing Rebate system
- Give the Franchise Network back Supermarket Trade (Where you provide the same product as we as Franchisees have available)
- Abolish Central Warehousing agreements you have and send the product through the Franchise Network. These include, but are not limited to
 - F.J. Walker (McDonalds)
 - Yum Restaurants (KFC, Pizza Hut, Hungry Jacks)
 - Seven Eleven Group

Many of the above deliver to Route Customers, whom we have an exclusive agreement to serve Fresh Product

- Abolish the Bank Guarantees and make the Trading Terms for the Franchise Network 28 days from invoice date
- Development of a dispute system, whereby an invoice can be short paid by a genuine disputed amount, until the Franchisor investigates the dispute, and advises the Franchise Owner of the determination in writing (this would be in line with the rest of the commercial world).
- A new depot to be of sufficient size and capacity to service all of the relevant Franchise Owners (at least equivalent in size and capacity) to the corresponding elements of the Lidcombe Depot within a 5 km radius of the existing Lidcombe Facility
- Product equivalent to Oak and Just Natural to be available to the Network, effective 31st March 2009
- Exclusive Territories

If we cannot agree how to resolve this dispute then we will contact the Office of the Mediation Adviser to appoint a mediator.

Yours sincerely,

Complainant List following

Date: (*write the date*)