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Our Reference
EMR:MORT.CHO.98



18 October 2001

Regional Director
ACCC
GPO Box 3648
SYDNEY NSW 1044

Dear Sir

MORTGAGE CHOICE NOTIFICATION

We act on behalf of MC Franchise Systems Pty Limited which operates a franchise system known as Mortgage Choice.

The system has been operating for approximately six years and has nearly 300 franchisees nationwide.

MC Franchise Systems needs to update its mortgage broking software and in doing so not only requires its franchisees to purchase new Mortgage Choice Software but also third party software.

Attached is a notification and a cheque for the filing fee of \$100.

Yours faithfully
NRG Legal

Elisabeth Ritchie
Direct Email: eritchie@nrglegal.com.au

Form G
Commonwealth of Australia
Trade Practices Act 1974 --- Sub-section 93(1)
**EXCLUSIVE DEALING
NOTIFICATION**


To the Australian Competition and Consumer Commission:

Notice is hereby given, in accordance with sub-section 93(1) of the *Trade Practices Act 1974*, of particulars of conduct of a kind referred to in sub-section 47(2), (3), (4), (5), (6), or (7), or paragraph 47(8) (a), (b) or (c) or (9) (a), (b), (c) or (d) of that Act in which the person giving notice engages or proposes to engage.

1. (a) Name of person giving notice : **MC FRANCHISE SYSTEMS PTY LTD**
(b) Short description of business carried on by that person: **OPERATING A FRANCHISE SYSTEM OF MORTGAGE BROKING FRANCHISEES**
(c) Address in Australia for service of documents on that person: **C/O NRG LEGAL, LEVEL 10, 48 HUNTER STREET, SYDNEY NSW 2001.**
2. (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates: **MORTGAGE BROKING**
(b) Description of the conduct or proposed conduct: **REQUIREMENT FOR FRANCHISEES TO USE CERTAIN SOFTWARE AND HARDWARE**
3. (a) Class or classes of persons to which the conduct relates: **FRANCHISEES**
(b) Number of those persons--
(i) At present time: 290 (approx)
(ii) Estimated within the next year: 50-1000
(c) Where number of persons stated in item 3 (b) (i) is less than 50, their names and addresses: **NOT APPLICABLE**
4. Names and address of person authorised by the person giving this notice to provide additional information in relation to this notice: **MR BRENT MCDONALD, MC FRANCHISE SYSTEMS PTY LTD, 182-186 BLUES POINT ROAD, NORTH SYDNEY NSW 2060**

Dated: 17 October 2001





Signed by
Mr Brent McDonald
National Franchise Manager
For & on behalf of MC
Franchise Systems Pty Limited

Annexure A to Form G
Exclusive Dealing Notification-Third Line Forcing
MC FRANCHISE SYSTEMS PTY LTD

MC Franchise Systems Pty Limited operates a franchise system under the name "Mortgage Choice" which provides mortgage broking services. It has nearly 300 franchisees. The company has been operating its franchise system for approximately 6 years. Its system has provided its franchisees and customers with high quality and professional service. One of the main reasons for this is its superior software licensed to its franchisees.

The growing technology market has enabled Mortgage Choice to update its software and therefore its level of service to its customers. Mortgage Choice considers that such upgrades are not only essential to the service but is what gives the company its "competitive edge". For this reason the franchise agreement requires the franchisees to use approved equipment ie hardware (as per the Operation Manual which may be updated) and deliver the Approved Products again as per the Operations Manual (which requires the use of Mortgage Choice Software together with supporting software). Mortgage Choice as a franchise system needs to promote a consistent image and provide a consistent service. If the franchisees use different software then this will not be achieved.

The software is not provided to its franchisees in disc form but rather initially accessed by franchisees, and updates provided by Mortgage Choice, "on line". This is to protect the software from misuse after termination or expiration of the franchise agreement. In order to provide the software Mortgage Choice needs to provide software support and requires the franchisee to have certain hardware and "clingwrap software" to operate the Mortgage Choice software. The current software support will be terminated in the next couple of weeks to make way for the new updated software. It is not viable for the franchisor, or desirable for the franchise system or the public, to run two software programs.

Mortgage Choice not only wishes to require franchisees to use the updated Mortgage Choice software but also to obtain and use certain supporting software and hardware from third party suppliers. The specifications for the supporting software and hardware are set out in the attachment (from the updated Operations Manual). Such supporting software and hardware are essential to the access to and use of the Mortgage Choice software.

Mortgage Choice considers that the public benefit to be derived from its conduct outweighs any public detriment as there will be consistent service and the public will have better mortgage broking services.

The franchisor, MC Systems Pty Limited, requests the Australian Competition and Consumer Commission to consider this request for exclusive dealing.

Dated: 17 October 2001



Mr Brent McDonald
For & on behalf of
MC Franchise Systems Pty
Limited
National Franchise Manager



Category: Operating Standards
Subject: u. Equipment Specifications

A Mortgage Choice Franchisee is required to equip himself/herself with the essential "tools" of trade to effectively carry on the business of writing loans. To this end, Mortgage Choice has **MANDATORY** specifications that each Franchisee must adhere to. It should be noted that newly appointed Franchisees will **NOT** be allowed to commence the Accreditation course until they have acquired the necessary computer hardware and software.

Hardware

Mortgage Choice requires loan writers to have notebook computers in order that they may conduct mobile interviews. Mortgage Choice also supports desktop computers for office use by administrators. Equipment will only be supported if it conforms to the following specifications:

A history of previously published hardware standards may be found at the foot of this document.

Notebooks

IBM Thinkpad T22, model 2647-4EA (approx \$5,949):
Intel Pentium 900Mhz processor, 128Mb RAM, 20Gb HD, 14.1 Active TFT (1024 x 768), DVD ROM, Infra Red, Web ready keyboard with light, Titanium Cover, integrated 56k international modem, built in 10/100 ethernet adapter.

Note: A Windows 98 license is included with this package.

Optional Notebook Accessories:

- | | |
|--------------------------|---|
| Modem | The IBM T22 series come with a built in modem, so no additional modem is required. |
| Network Adapter | The IBM T22 series come with a built in ethernet adapter, so no additional adapter is required for connection to a network. |
| Docking Station | IBM Thinkpad port Replicator 02K8667 (approx \$310):
Docking Stations are useful if you wish to connect your notebook to power, external keyboard, external mouse, monitor and printer with one easy connection when you return to your office. |
| Portable Printer | Canon BJC-85 (approx \$330):
Portable, battery powered, infra red (optional battery PK-300 approx \$170). |
| External keyboard | IBM Black Keyboard (approx \$100) |
| External mouse | IBM Black Mouse (approx \$40) |

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Desktops

P5072A Hewlett Packard Vectra VL400 Desk Top (approx \$2300):
Intel Pentium III/1GHz processor, 128MB RAM, 20GB Hard Drive, stereo audio recording and playback, 48X CD-ROM, 3COM LAN. 3 Year Warranty, serviced on-site by next working day.

Note: You are also required to purchase a Windows 98 license with this PC.

Optional Desktop Accessories:

Monitor	HP 17" Monitor D8901a (approx \$528): Capable of 1024x768@85hz
Printer	HP Laserjet 6L (approx \$580) 600x600 dpi, 8ppm, 4Mb memory

Software

Each computer used by the franchisee will require the following software:

Package software

The following commercially available software packages are required:

Notes:

- There are serious penalties for breach of software license. You must ensure that you have licenses for each computer you operate. The Business Software Association of Australia website details issues surrounding software licensing - <http://www.bsaa.com.au>
- Take care to retain proof of license for the software you purchase. Rules for Software Proof of Ownership may be found at the foot of this document.

Windows 98 Windows 2000 is not yet supported.

Lotus Notes 4.67 Lotus Notes provides email, calendaring and a number of the custom built software applications detailed below. As this application operates via the company's Lotus Notes server, all client licenses must be purchased via Mortgage Choice's "Lotus Passport Advantage" agreement. These are available via Mortgage Choice's preferred vendor:

Mobile Planet
Contact Louise Russo or
Daniel Kotaran
Telephone 1800 356 889
Email louise@mobileplanet.com.au
daniel@mobileplanet.com.au

Microsoft Office 2000 Standard There are various Microsoft Office Suites, each of which contains various applications. The suite required by Mortgage Choice is **Office 2000 Standard** - which comprises Word, Excel and Powerpoint.

Lotus This application is no longer required for new franchisees. Existing franchisees who are still running the Mark 1 software application

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Smartsuite 97

must retain Smartsuite until they are moved to MCS, which uses Microsoft Office 2000 Standard.

Norton Anti Virus Corporate Edition

One Norton Anti-Virus Corporate Edition licence is required for each PC. Licences must be purchased via Mortgage Choice's "Corporate Edition" agreement. Where a non-corporate licence for Norton Anti-Virus is included with the IBM Thinkpad, Mortgage Choice will accept this license as a trade-in for the corporate edition.

MSDE SQL CAL

One MSDE SQL Client Access Licence is required for each PC running MCS. This database client stores MCS data on the hard disk of your PC. All CALs must be purchased via Mortgage Choice's "SQL Server" agreement.

Maintenance

In addition to the one-off licence charge at time of purchase there is an annual licence maintenance subscription charge for some software licences. These are payable on each copy of the software. At present such charges are payable on Lotus Notes and Norton Anti-Virus. The Lotus Notes charge is for regular updates to the software. The Norton Anti-Virus charge is for regular virus signature updates.

Custom built software

The following software is developed and provided by Mortgage Choice:

This software is copyrighted by Mortgage Choice and may not be copied, reproduced or used by any persons except current Mortgage Choice Franchisees and their authorised employees. The software must be returned to Mortgage Choice and permanently erased from computer hard disks upon termination of a Franchise.

Mark 1

Our Mortgage Broking application, which includes:

- Prospects/Customer Database
- Loan Qualifier
- Loan Calculator
- Loan Refinance Program
- Loan Comparison Software
- Mortgage Minimisation Program (included in the Loan Qualifier)
- Interest Rate Database
- Loan Product Database
- Loan Lookup Database

MCS

Our new Mortgage Broking application, which is currently being implemented.

Contact List

Online Lending Policy Manual

Online Operations Manual

Online Sales & Networking Manual

Mobile phones & pagers

Please note that this Manual must not be reproduced, copied or distributed without the express permission of Mortgage Choice Group Office Sydney.

You will require either a mobile phone or a pager in order that you may be notified of after hours Group Office Leads:

Mobile Phones:

Mobile phones should be purchased through Orange to avoid the need for a pager. Contact Julie Stewart on 02 9964 4693, or Savvas Freeman on 02 9964 4263 to arrange a plan. We recommend the **Ericsson T28s** model, as it can be connected to your notebook via an optional infra-red port and used as a modem to transfer email.

Pagers:

Should you not have an Orange mobile phone, you will need to purchase an Orange Pager to receive after hours Group Office Leads. We recommend the **Motorola Jazz Pager** (approx \$189 for pager + \$25 one off connect fee + \$39 monthly access including 50 messages + 85 cents per message).


Changing face of technology

It is important that Franchisees understand the changing nature of technology and plan accordingly. Technology is vital to our business, and consequently there will be times when Franchisees will need to update IT equipment in order to meet current specifications. It is strongly recommended that Franchisees plan for this by:

1. Recognising the need to purchase for the future, not today.
2. Understanding that computer hardware has an expected life of approximately 2.5 years.
3. Allowing for IT expenditure in yearly budgets.

Software - Proof of Ownership

Sold in single-unit quantities at retail outlets, Retail Product is typically packaged in boxes and includes media and documentation. Before you discard the packaging, you should make sure to remove the documents required to prove ownership of your software. This information will be required in future should you ever be subject to audit or wish to upgrade your product.



EULA

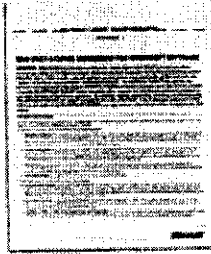
One way you can tell it's a genuine Microsoft product is by looking for the **Certificate of Authenticity (COA)** label on the box spine. The heat-sensitive purple square changes colors when lightly rubbed.

Proof of Entitlement

In the case of the **Windows** operating system, the **Certificate of Authenticity (COA)** label will be affixed to the computer itself and constitutes full proof of ownership.

For all other retail Microsoft software, the document that serves as your proof of ownership is the **End User License Agreement (EULA)**, which may be enclosed in hard copy

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form or online within the software product. To establish license ownership you should retain the hard copy EULA if enclosed as well as a copy of your purchase invoice.



Microsoft's family of Windows and Office CD-ROM Retail products now feature **Edge-to-Edge hologram** technology. You should be looking for these special CDs to confirm that the Retail Products you've purchased are genuine. The hologram covers the entire surface of the CD and when tilted in the light, the product name and product-specific graphics are revealed from the hub to the outer edge of the CD.

Lotus

notes

Lotus Notes may only be purchased by the licensee of a Lotus Notes server (in this case Mortgage Choice). The license will be purchased under a Lotus administered program known as a **Passport** agreement and proof of ownership is recorded centrally by Lotus under this agreement.

SmartSuite

Lotus SmartSuite may be purchased in one of two ways:

1. SmartSuite Millennium Edition ships free with IBM Thinkpad notebook computers:

Proof of Entitlement

The receipt of purchase for your IBM Personal Computer should be retained as your proof of entitlement.

2. You may have purchased boxed Retail Product from a software vendor:

Proof of Entitlement

The original CD media should be retained as your proof of entitlement.



All software ordered directly from **Mortgage Choice**, including Microsoft and Lotus software, will be purchased on a Volume Licensing Agreement with the vendor. This will typically accrue savings in the order of 22-28% over retail prices. You will have the right to use the software but will not receive any CDs, manuals or boxes.

Proof of Entitlement

Mortgage Choice will administer proof of entitlement directly with the vendor using the vendor's online volume licensing systems.

History of supported hardware

The following table details previously published hardware standards and the dates to which they will remain supported.

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Desktops

Adopted as Standard	Withdrawn from Sale	Supported Until	Model & Description
7-Jul-2000	19-Sep-2000	19-Mar-2003	HP Vectra VEi8, model D9791A Intel Pentium III 650mhz, 128Mb RAM (64Mb + 64Mb additional), 8.4Gb Hard Drive, Matrox 8mb Graphic card, win98
19-Sep-2000	26-Mar-2001	26-Sep-2003	HP Vectra VL400, model D9824A Intel Pentium III 733Mhz, 128MB RAM, 10GB Hard Drive, stereo audio recording and playback, 48X CD-ROM, 3COM LAN.
26-Mar-2001	21-Sep-01	21-Mar-2004	HP Vectra VL400, model P4075A Intel Pentium III 866Mhz, 128MB RAM, 20GB Hard Drive, stereo audio recording and playback, 48X CD-ROM, 3COM LAN.
21-Sep-01	TBA	TBA	HP Vectra VL400, model P5072A Intel Pentium III 1Ghz, 128MB RAM, 20GB Hard Drive, stereo audio recording and playback, 48X CD-ROM, 3COM LAN.

Notebooks

Adopted as Standard	Withdrawn from Sale	Supported Until	Model & Description
7-Jul-2000	7-Jul-2000	7-Jan-2003	IBM Thinkpad i 1200, model 1161-26M Intel Celeron 550mhz, 128 Mb RAM (64 standard + 64), 6Gb Hard Drive, 13.3" Active TFT (1024x768), CD Rom, integrated 56k international modem, Win98
7-Jul-2000	18-Jan-2001	18-Jul-2003	IBM Thinkpad T20, model 2647-24A Intel Pentium III 650Mhz, 128Mb RAM, 6Gb HD, 13.3 Active TFT (1024 x 768), CD ROM, Infra Red, Web ready keyboard with light, Titanium Cover, integrated 56k international modem, built in 10/100 Ethernet Adapter, Win98
18-Jan-2001	16-Mar-2001	16-Sep-2003	IBM Thinkpad T20, model 2647-44A Intel Pentium III 700Mhz processor, 128Mb RAM, 12Gb HD, 14.1 Active TFT (1024 x 768), DVD ROM, Infra Red, Web ready keyboard, Titanium Cover, integrated 56k international modem, built in 10/100 ethernet adapter Combo card TV out Li-Ion Win98.
16-Mar-2001	27-July-2001	27-Jan-2004	IBM Thinkpad T21, model 2647-4AA Intel Pentium III 800Mhz processor, 128Mb RAM, 20Gb HD, 14.1 Active TFT (1024 x 768), DVD ROM, Infra Red, Web ready keyboard with light, Titanium Cover, integrated 56k international modem, built in 10/100 ethernet adapter.
27-July-2001	TBA	TBA	IBM Thinkpad T22, model 2647-4EA Intel Pentium III 900Mhz processor, 128Mb RAM, 20Gb HD, 14.1 Active TFT (1024 x 768), DVD ROM, Infra Red, Web ready keyboard with light, Titanium Cover, integrated 56k international modem, built in 10/100 ethernet adapter.

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