

CGN/so
25 January 2010

Fax No.

ATTENTION:

Dear

Re: **CIPRO - DEREGISTRATION OF ENTITIES**

It has recently come to our attention that CIPRO (Companies and Intellectual Properties Registration Office) has acted against companies and close corporations which have failed to meet the requirement for submission of annual returns.

In terms of CIPRO rules and after numerous attempts to obtain said returns, CIPRO has decided to deregister approximately 750 000 registered entities.

Please refer to the attached notice dated 29 September 2009 obtained from CIPRO in terms of the legal and statutory position of deregistered concerns.

The legal status of a deregistered concern is more clearly explained in the notice which was submitted to all owners of registered entities. In terms of this explanation, we believe that there is substantial risk passed to a creditor in the event of the deregistration process being finalised.

Experian SA has obtained the list of entities that are in the process of deregistration and all entities so impacted upon have been identified on their database, being flagged with the status of "Deregistration process". This flag may, however, not necessarily be as a result of CIPRO applied disciplines.

Should entities comply with CIPRO's request for the annual return, the status will be returned to "active" and Experian's database records returned to their original status.

Because of the volume of entities affected, it is not feasible for us to check on the status of each of our clients and their customers. However, in the event that we are made aware of any debtor's status having been flagged as "Deregistration process", we will immediately bring this to your attention in order for you to liaise with the debtor to correct the position. A check will be conducted on the relevant debtor's status again after 14 days and, if the flag has not been amended to "active", the limit applicable to the debtor will be reduced to NIL with immediate effect. The limit will be re-instated once we are advised by yourselves or the debtor that the position has been rectified, and this is confirmed on CIPRO's web-site.

Please be guided accordingly.

Assuring you of our best attention at all times.

Yours sincerely

MERCHANT FACTORS



CRAIG NAIN
Director

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