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New High Usage ADSL ISP Account with Rebate for Unused Cap.

Our upstream service provider, Telkom, revised the terms and conditions of their wholesale ADSL bandwidth product in November last year. This resulted in ZSD having to enforce "hard caps" on ADSL accounts. The past 2 months experience has shown that "hard capping" can have negative effects on business users who make use of large amounts of ADSL bandwidth.

Thus we have introduced a new high usage ADSL account **aimed at business users**. The account will offer a rebate for a portion of the unused Cap. This will allow clients to purchase a high cap account and avoid the inconvenience of hard capping while still enjoying a rebate for a portion of the unused cap at the end of the month.

The account will have the following features:

- The account will be sold in blocks of 6GB per month, (ie 6GB, 12GB, 18GB, 24GB etc).
- The cost of the account will be R495 per 6GB, including VAT.
- Clients will have to authorise in advance their maximum Cap.
- At the end of the month actual ADSL usage will be totalled.
- Clients will receive a rebate R82.50, including VAT, for each complete unused GB of their Cap.
- There will be a minimum charge equivalent to 5 GB usage (ie R412.50).

Our existing 6GB cap ADSL account will be phased out and it will no longer be offered to new customers. Existing customers can choose to convert to the new account and qualify for the new rebates, or stay with the old accounts which are R30 per month cheaper.

What are all the ADSL ISP account options available from ZSD?

We have the following ADSL ISP accounts available (Prices include VAT):

- 1 GB per month: R139 per month
- 2 GB per month: R210 per month
- 3 GB per month: R249 per month
- High usage ADSL account: Effective cost of R82.50 per GB, with a 5 GB per month minimum.

These charges are independent from the monopoly line rental charges invoiced directly by Telkom. For your convenience a table of Telkom monopoly costs is included below. Please note that this information is subject to confirmation by Telkom.

When, and how, will rebates be paid?

- As accounts are invoiced in advance and usage statistics are only available at the end of the month credit notes for these rebates will be passed approximately 60 days after the original invoice.
- The rebates will be credited towards future accounts, no cash refunds will be paid out.
- Thus users who pay on 3, 6 or 12 monthly in advance will only enjoy their rebate at the start of the next billing period.

Why is there a 5 GB minimum charge on the new accounts?

World wide, Internet access accounts are typically sold on a “flat rate”, fixed cost per month basis irrespective of usage. For example typical dial-up accounts do not cost more if you spend more time on line. Internet usage is difficult to measure in a “fair” manner. Usage based charges are difficult to understand and they put more work load on accounting and support staff which increases the cost of the service. Thus the popularity of flat rate accounts. Flat rate accounts obviously result in a degree of cross-subsidization, as high usage customers enjoy more use of the facilities than low usage customers. But this is offset by the simplicity of flat rate billing and the convenience of not having to be concerned with unexpected usage based charges.

The flat rate model is widely accepted in the Internet industry, world wide. ZSD believes that it is in the interest of the majority of our customers. Hopefully as the industry in South Africa matures, the current 3 GB cap enforced on typical ADSL accounts will be increased and thus allow a greater portion of our customers to make use of the flat rate offerings. The pricing of our current “standard” 3 GB account already takes into account the fact that the typical user does not make use of their entire cap each month.

The new bulk accounts are targeted specifically at users who require:

- more than 3 GB per month of ADSL bandwidth
- cannot accept the disruption to their business caused by “hard capping”
- are prepared to pay a premium for the above conveniences

Thus we have set a minimum charge equivalent to 5GB on the usage based accounts to encourage as many users as possible to choose the flat rate option.

Why is the rebate rounded down to complete unused GB's?

Internet usage is difficult to measure and more difficult to explain. There are aspects such as “protocol overheads” which may result in the usage on the clients PC software showing as less than the usage recorded by ZSD. Rather than exposing ourselves to numerous queries from customers who calculate their own usage as being slightly different from that logged by ZSD, we have opted to round down the rebate to completed Gbytes of traffic. The additional revenue resulting from this has been estimated and was included in our pricing calculations which has allowed for an overall lower cost per GB.

Why is the new account more expensive than our old 6GB flat rate account?

- The costing of the old accounts included an allowance for revenue from the unused portion of each account. As this portion is now going to be rebated to the customer it had to be excluded from the costing calculation.
- There are more costs involved in administering the new accounts:

How is Capping Enforced?

- When users reach a level of 85% of their cap, an automated e-mail is sent to warn them.
- At 100% of cap the account is “hard capped” and it will no longer be possible to authenticate.
- Previously we advertised a “grace cap” mechanism, subject to technical evaluation. Unfortunately our upstream ISP has had problems providing the necessary tools to make this mechanism work. Thus we have had to withdraw grace capping until further notice.

Terms:

- The above prices include VAT.
- Each ADSL ISP account includes one POP mail box. Contact ZSD for prices of additional mailboxes.
- Users can upgrade their ADSL ISP accounts at any time during the month but they will be invoiced at the higher rate for the whole month.
- Users must inform ZSD by the 15th of the month if they wish to downgrade their ADSL ISP account for the following month.
- All ZSD's accounts are invoiced and payable in advance. Charges incurred by increasing caps are payable within 7 days of invoice
- All accounts are now available on a 3, 6 and 12 month pre-paid basis at a cost of 3x, 6x and 11x the nominal monthly cost respectively.
- Accounts may be used for up to four concurrent sessions over ONE ADSL line. Use of one account over multiple lines is not permitted.
- Usage statistics for the ADSL accounts are available on the URL “<http://userstats.zsd.co.za>”.
- In addition to the above, ZSD Standard Terms and Conditions (see <http://www.zsd.co.za/legal>) and our Acceptable Usage Policy are applicable.

Definitions:

- 1 GB (“GigaByte”) = 1024 x 1024 x 1024 x 8 “bits” of binary data.
- Traffic is measured as the sum total of all incoming and outgoing traffic. It is recalculated at the end of each “ppp” session, but not less than once every 24 hours.
- Traffic Caps are restrictions that are enforced once the specified traffic volume on an account has been reached. The traffic counters and caps are reset at the start of every calendar month.
- A “hard cap” means that the account will be disabled. It will not authenticate and it will not be possible to get any service.

Telkom ADSL monopoly line rental charges (August 2005)	Set-Up	Monthly
Prices include VAT. Please confirm pricing with Telkom.		
Home POTS line (if not already available)	R 316.10	R 92.80
Business POTS line (if not already available)	R 316.10	R 122.60
Home 192 kbit/sec line	R 404.00	R 270.00
Home 384 kbit/sec line	R 404.00	R 359.00
Business or home 512 kbit/sec line	R 404.00	R 477.00
Business or home 1024 kbit/sec line	R 404.00	R 680.00
Telkom Ethernet ADSL ethernet modem	R 999.00 (free on 2 year contract)	

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