

Dated: 27<sup>th</sup> June 2007

## FRANCHISEE DIRECTIVE

### \*\* DISPUTE RESOLUTION PROCEDURE \*\*

Dear H2O Franchisees,

You are herewith reminded that should a potential dispute arise between two or more Franchisees, the procedure stated below is expected by the Franchisor to be followed:

1. The nature of the dispute must be clearly defined.
2. The parties concerned must first communicate to resolve the dispute in question. We have found from experience that most disputes are resolved at this point by mere communication. This could be in the form of a verbal or minuted meeting format.
3. Should no acceptable resolution be attained, the dispute would be lodged with the Franchisor. All the relevant facts and proof would then need to accompany the lodging of the dispute. An example would be where there is a sales consultant issue, a copy of the signed Independent Sales Consultant Agreement entered into would be expected to be lodged as part of the accompanying documentation.
4. A ruling will then be made in an acceptable time frame by an objective arbitrator (agreeable to all parties concerned), after careful investigation into all the facts provided by the parties involved in the said dispute.
5. After the ruling the Franchisor expects that the parties concerned will accept and honour the contents of the ruling.
6. However should the ruling not be acceptable to one or both parties, the Franchisee(s) may then decide to follow the normal legal route to seek recourse.

Trusting the above meets with your approval and thanking you in advance for your co-operation in this matter.

Yours sincerely,



**KEN LISTER**  
Financial & Operations Director