

05 August 2005

Dear Franchisees

After considering recommendations made and new guidelines given by FASA (Franchising Association of South Africa) the following directive is issued:

In order to promote teamwork between Franchisees the following Directive comes into effect immediately.

DIRECTIVE

“The Franchisee shall at its own expense comply with the manual relating to placing local advertising and local promotions, provided that the Franchisee shall obtain the prior written approval of the Franchisor in respect of any proposed local advertising and local promotions by the Franchisee. For the purpose of this directive, local advertising and promotions means advertising in telephone directories, including the white and yellow pages, newspapers, periodicals, mail drops, pamphlets, shows, setting up of any mobile display units, telesales drive and any other form of advertising.”

In this regard, if the Franchisor deems that the proposed local advert or promotion will have a negative impact on the business of other Franchisees, the other Franchisees, who are to be affected by this promotion or advert must be invited to participate in such advert or promotion (and share the cost thereof).

Your co-operation with this regard is imperative.

Regards

Tony Marchesini

Franchisor

H2O International SA (Pty) Ltd