

Dated: 21 December 2020

**\*\*\* DIRECTIVE \*\*\***

**REVISED MANAGEMENT AND ADVERTISING FEES AND REBATE**

Good day H2O | BWT Franchisees

The following directive, relating to management and advertising fees, will be implemented as of 01 January 2021 , ( i.e. January Turnover declarations and fees received in January 2021.)

**Summary of Revisions**

1. Implementation of a 2.5% settlement discount on management and advertising Fees for early settlement
2. Reduction of advertising fees based on turnover milestones
3. Reduction of management fees to 3% on specific appliance products
4. Elimination of advertising fees on specified appliance products

**Specific Conditions**

- 1. Implementation of a 2.5% settlement discount on management and advertising fees for early settlement**

Management and advertising fees are due 30 days from date of statement, 2.5% settlement discount will be applied for payment within 15 days of statement.

- 2. Reduction of advertising fees based on turnover milestones**

The Franchisee agreement requires franchisees to submit their monthly turnover declarations by the 15<sup>th</sup> day of each month.

The Franchisor acknowledges that many Franchisees are not spending money on local advertising. There have also been requests for the Franchisor to contribute to local advertising.

The Franchisor will restructure advertising fees payable as per table below to encourage Franchisees to use local advertising campaigns approved by the Franchisor.

Total Monthly Turnover Excl. Vat	I.e.	Advertising Fee Payable on Turnover Portion	Rebate on Total Turnover
From R 0.00 to R 500,000.00	First R 500,000.00 of turnover or portion thereof	3.0%	20%
Next R 500,001.00 to R 1,000,000.00	Next R 500,000.00 of turnover or portion thereof	2.0%	20%
Over R 1,000,000.00		1.5%	20%

Just a reminder, this is the process that we follow:

- 20% Rebate of advertising fees received from each Franchisee will be set aside for the purpose of this rebate.
- Franchisees will identify local advertising opportunities and obtain Franchisor approval. Franchisor approval will be based on the acceptability of the campaign for brand promotion as well as the availability of funds (i.e. the amount falls within the 20% of advertising fee receipts from that Franchisee during the specified period).
- The Franchisee will implement the advertising campaign and pay service providers directly.
- On presentation of relevant documentation requested (this could include the service providers' receipts, invoices, evidence of the campaign, etc) the Franchisor will reimburse the Franchisee funds approved for the campaign.
- Approval of Franchisee advertising campaigns and reimbursements are subject to account and declaration statuses being in good standing.
- Funds set aside but not used within twelve months of being received from the Franchisee will be released for use for national advertising. The Franchisor will make no further contributions for local advertising, whether out of its own or the national advertising budget.

Franchisees are reminded to pay their advertising fees directly into the Marketing Fund bank account.

### **3. Reduction of Management Fees to 3% on specific appliance products**

Only a 3% management fee will be charged (and not 6%) on the sales / turnover of the following appliances:

- Water Boilers (Franke & Eboil)
- Ice Machines, Carbonators (Soda Stream & Bibo)
- Bar Fridges
- Food Waste Disposers and
- Wine Coolers

### **4. Elimination of Advertising Fees on specified appliance products:**

No 3% advertising fee will be charged on the sales / turnover of the following appliances:

- Water Boilers (Franke & Eboil)
- Ice Machines, Carbonators (Soda Stream & Bibo)
- Bar Fridges
- Food Waste Disposers and
- Wine Coolers

An updated turnover declaration form is also attached. Wishing you and your team a Prosperous 2021.

**Tony Marchesini**  
Franchisor