



## Supporting Material

**SM11a: Notional Excerpt from Completed Portion of Disclosure Document Co-operative Funds**



## Notional Excerpt from Completed Portion of Disclosure Document

### Co-operative Funds

This is a section from a Disclosure Document dealing with Co-operative Funds such as the Marketing Fund.

The bold headings are from the Disclosure Document form. The lighter information beneath are notional information provided in response to the heading for a particular franchise.

As you can see, Co-operative Funds can be created to cover many issues. The key thing to remember is –

**The rules governing the Fund must be transparent at the time the franchisee signs the documents.**

## MARKETING OR OTHER CO-OPERATIVE FUNDS

**12.1 For each marketing or other cooperative fund, controlled or administered by the Franchisor or for the Franchisor, for inspection at a time and place mentioned in the Disclosure Document.**

**(a) The kinds of persons who contribute to the fund (for example, Franchisee, Franchisor, outside Supplier).**

- I. The Franchisee is to contribute to the Marketing Fund.
- II. The Franchisor may contribute to the Marketing Fund.
- III. An Authorised Supplier may contribute to the Marketing Fund.

**(b) Whether the Franchisee and / or the Franchisor must contribute to the fund in relation to businesses owned or operated by the Franchisor that are substantially the same as the Franchised Business and if so whether the contribution is worked out in the same way as for a Franchisee.**

No.

**(c) How much the Franchisee must contribute to the fund and whether other**

**Franchisees must contribute at a different rate.**

**(d) Who controls or administers the fund.**

The Franchisor.

**(e) Whether the fund is audited and if so by whom and when.**

Yes - the Marketing Fund will be audited though the Franchisor will be seeking in terms of the Code approval from the Franchisees of an exemption from the audit requirement. If seventy five percent (75%) of Franchisees agree to the non-audit of the Marketing Fund then the Franchisor will not audit the Marketing Fund but will make available a copy of the Profit and Loss Account and Balance Sheet of the Marketing Fund in accordance with the Code.

**(f) Whether the funds financial statements can be inspected by, or will be given to, Franchisees.**

Yes in terms of the Code - they may be inspected during business hours at the Franchisor's premises.

**(g) The kinds of expense for which the fund may be used.**

The Franchisor may use the Marketing Fund to pay the costs of:

- i. Developing, implementing, conducting, advertising and promotional campaigns and activities;
- ii. Conducting research including research in relation to Products, services and customers;

- iii. The design, development and production of sales and marketing tools and aids with supporting training systems and software;
- iv. Developing public relations, customer and supply relations;
- vi. Engaging advertising agencies and marketing and public relations consultants;
- vii. The modification, addition and/or substitution of the Marks and/or the Franchise image;
- viii. The development and maintenance of the website;
- ix. Administration of the Marketing Fund including reasonable overheads and administrative costs, the costs of materials and employees' salaries and printing costs;
- x. Payment of accountancy, legal and other fees in respect of audits to the records of the Marketing Fund; and
- xi. Any GST payable on any expenditure from the Marketing Fund.

**(h) The funds expenses for the last financial year, including the percentage spent on production, advertising, administration and other stated expenses.**

N/A

**(i) Whether the Franchisor or its Associates supply Products or Services for which the fund pays and if so details of the Products or Services:**

The Franchisor if it supplies Products or Services for the Marketing Fund is entitled to and will charge at market rates for the supply of those Products or Services.

**(j) Whether the Franchisor must spend part of the fund on marketing, advertising or promoting the Franchisees Business.**

The Franchisor will use its best endeavours to distribute the Marketing Fund equally amongst the Franchisees but does not warrant that the amount spent on promoting the Franchised Business will be in direct proportion to the Franchisees contribution.