

FRANCHISE DISCLOSURE DOCUMENT



SAFESPLASH BRANDS, LLC

d/b/a Streamline Brands

a Colorado limited liability company
10463 Park Meadows Drive, Suite 109

Lone Tree, Colorado 80124

(303) 799-1885

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www.streamlinebrands.com

SafeSplash Brands, LLC, a Colorado limited liability company doing business as Streamline Brands, is offering franchises for the use of the trademark “SAFESPLASH” and “SWIMTASTIC” and related trademarks and service marks, for the operation of businesses offering “learn to swim” programs for children and adults, birthday parties, summer camps, other swimming-related activities, and the sale of related Products (“**SafeSplash Businesses**” or “**Swimtastic Businesses**,” which are referred to collectively in this Disclosure Document as “**Franchised Businesses**”).

The total investment necessary to begin operation of a single dedicated Franchised Business is \$396,000 to \$866,000. This includes \$40,000 to \$50,000 that must be paid to the franchisor and its affiliates plus a monthly royalty of 7% of the Swimming Revenues your Franchised Business generates. In addition, we offer an optional enhanced services model where we will perform a set of enhanced administrative services and enhanced marketing services for an additional 13% of the Swimming Revenues your Franchised Business generates.

As a precursor to, or augmentation of, your dedicated Franchised Business you may invest in a hosted location. The total investment necessary to begin operation of a single hosted Franchised Business is \$39,000 to \$88,000. This includes \$20,000 to \$25,000 that must be paid to the franchisor and its affiliates plus a monthly royalty of 7% of the Swimming Revenues your Franchised Business generates. If you select our optional enhanced services model, you will pay an additional 13% of the Swimming Revenues your Franchised Business generates.

If you sign an Area Development Agreement, the total investment necessary for your first Franchised Business varies based on the format and business model you choose and will be \$396,000 to \$866,000 if it is a dedicated location, of which \$40,000 to \$50,000, plus a monthly royalty of 7% of the Swimming Revenues you generate, that must be paid to the franchisor and its affiliates; or \$39,000 to \$88,000 if it is a hosted location format, of which \$20,000 to \$25,000, plus a monthly royalty of 7% of the Swimming Revenues you generate, that must be paid to the franchisor and its affiliates. In both cases, if you select our optional enhanced services model, you will pay an additional 13% of the Swimming Revenues your Franchised Business generates. The minimum number of businesses required to be opened by the Area Development Agreement is two. The total investment necessary for any subsequent Franchise Business under the Area Development Agreement varies based on the number and format of Franchised Businesses you commit to develop and includes \$20,000 to \$50,000, plus a monthly royalty of 7% of the Swimming Revenues you generate, that must be paid to the franchisor and its affiliates. If you select our optional enhanced services model, you will pay an additional 13% of the Swimming Revenues your Franchised Business generates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 days before you sign a binding agreement, or make any payment in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Paul Gerrard at 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado, and (303) 799-1885.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. Information comparing franchisors is available. Call your state agency or your public library for sources of information. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the FTC. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information.

There may also be laws on franchising in your state. Ask your state agencies about them.

The issuance date: **March 28, 2017**

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN COLORADO EXCEPT FOR CERTAIN DISPUTES, WHICH MUST BE LITIGATED IN COLORADO. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN COLORADO THAN IN YOUR OWN STATE.

THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT COLORADO LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

IMMEDIATE FAMILY MEMBERS MUST SIGN A PERSONAL GUARANTY WHICH MAY PLACE THEIR PERSONAL AND MARITAL ASSETS AT RISK.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

**SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS
FRANCHISE DISCLOSURE DOCUMENT EFFECTIVE DATES
IN DESIGNATED STATES**

The following states require that the Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file, exempt from registration, or otherwise effective in the following states with franchise registration and disclosure (or business opportunity*) laws as of the dates listed:

California	Effective date:	Pending
Florida	Effective date:	June 9, 2016
Hawaii	Effective date:	Not Registered
Illinois	Effective date:	Pending
Indiana	Effective date:	Pending
Kentucky ⁽¹⁾	Effective date:	May 23, 2016
Maryland	Effective date:	_____
Michigan	Effective date:	Pending
Minnesota	Effective date:	Pending
Nebraska ⁽¹⁾	Effective date:	Pending
New York	Effective date:	Pending
North Dakota	Effective date:	Not Registered
Rhode Island	Effective date:	Not Registered
South Dakota	Effective date:	May 20, 2016
Texas ⁽¹⁾	Effective date:	August 11, 2014
Utah	Effective date:	Pending
Virginia	Effective date:	Pending
Washington	Effective date:	Pending
Wisconsin	Effective date:	Pending

In all other states, the Effective Date of this Disclosure Document is **March 28, 2017**.

(1) Denotes one-time filing

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EXHIBITS

- Exhibit A: List of State Administrator and Agents for Service of Process
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- Exhibit C: Area Development Agreement
- Exhibit D: Non-Disclosure and Non-Competition Agreement
- Exhibit E: Operations Manual Table of Contents
- Exhibit F: List of Current Franchisees, Licensees, and Company-Owned and Affiliate-Owned Locations
- Exhibit G: Franchisees Who Have Left the System
- Exhibit H: Financial Statements
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- Exhibit K: Equipment Lease
- Exhibit L: Sample General Release
- Exhibit M: Promissory Note and Security Agreement
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ITEM 1 THE FRANCHISOR AND ANY PARENT, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document (“**Franchise Disclosure Document**”), “**we,**” or “**us,**” means SafeSplash Brands, LLC d/b/a Streamline Brands, the Franchisor. We will refer to the person who buys the franchise as “**Franchisee**” or “**you**” throughout this Franchise Disclosure Document. If the Franchisee is a legal business entity, certain terms of the Franchise Agreement also apply to the owners of the entity and will be noted.

The Franchisor, Its Predecessors and Affiliates

SafeSplash Brands d/b/a Streamline Brands is a Colorado limited liability company that was incorporated on January 4, 2014. Effective December 23, 2016, we do business primarily under the name “Streamline Brands,” although we also do business under the names “SafeSplash,” “Swimtastic,” and “SwimLabs.” Our principal place of business is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124. We began offering franchises for the operation of SafeSplash Franchised Businesses (“**SafeSplash Businesses**”) in the United States in August 2014.

On November 13, 2015 (“**Acquisition Date**”), we acquired the assets comprising the Swimtastic® franchise system from Swimtastic Corporation, a Wisconsin corporation (“**Swimtastic**”), and Swimtastic’s affiliate, Swimtastic Swim School, Inc., a Wisconsin corporation, in a predominantly equity-based transaction (“**Swimtastic Acquisition**”). These assets include Swimtastic’s then existing franchise agreements and area development agreement. As a result of the Swimtastic Acquisition, we have operated the Swimtastic franchise system since the Acquisition Date. We offered Swimtastic Franchised Businesses (“**Swimtastic Businesses**”) by using a separate Disclosure Document from December 2015 until the Issuance Date, when we began offering franchises for the operation of Swimtastic Businesses under the same Disclosure Document as that for SafeSplash Businesses.

On February 9, 2017 (“**SL Acquisition Date**”), we acquired the assets comprising the SwimLabs® franchise system from SwimLabs & Rehab Holding Company, Inc., a Colorado corporation (“**SL**”), and SL’s affiliate, SwimLabs International, LLC, a Colorado limited liability company (“**SL International**”), in a predominantly equity-based transaction (“**SL Acquisition**”). These assets include SL and SL International’s then existing franchise agreements and license agreements. A list of the open SwimLabs franchised outlets we acquired through the SL Acquisition is included in **Exhibit F**. We have also disclosed the SwimLabs licensees on **Exhibit F**. It is possible these license agreements could be re-characterized as franchise agreements under the laws of certain states, particularly in cases in which no franchise exemption is available. As a result of the SL Acquisition, we have operated the SwimLabs franchise system since the SL Acquisition Date. Since February 2017, we have been offering franchises under the name “SwimLabs,” by using a separate Franchise Disclosure Document.

As of the issuance date of this Franchise Disclosure Document, we have 35 franchised SafeSplash Business outlets located in Mexico plus commitments for 14 additional franchised SafeSplash Business outlets in Mexico under two Area Development Agreements. We offer products and supplies to franchisees. We do not engage in any other business activities. We have never offered franchises in any other line of business.

We have one parent company, SafeSplash Holdings, LLC (“**SafeSplash Holdings**”), a Colorado limited liability company that was formed on July 17, 2008. SafeSplash Holdings does not operate any SafeSplash Businesses or Swimtastic Businesses. The principal address for SafeSplash Holdings is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124.

We have nine affiliate companies (“**Affiliates**”), as follows:

1. SafeSplash HQ, LLC (“**HQ**”) is a Colorado limited liability company that was formed on December 6, 2012. HQ offers enhanced administrative services to franchisees, including a customer relationship management system, a call center, billing services, collection services, website management, scheduling services and marketing services. The principal place of business for HQ is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124. HQ does not offer franchises in this or any other line of business.

2. Swim Schools of America, LLC (“**Swim Schools of America**”) is a Colorado limited liability company that was formed on October 31, 2004. Swim Schools of America offers real estate services to franchisees. The principal place of business for Swim Schools of America is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124. Swim Schools of America does not offer franchises in this or any other line of business.

3. SafeSplash Swim School San Jose, LLC (“**San Jose**”) is a Colorado limited liability company that was formed on January 1, 2010. San Jose operates 10 SafeSplash Businesses, as follows: (1) one SafeSplash Business in San Jose, California since January 2010; (2) one SafeSplash Business in Mountain View, California since March 2015; (3) one SafeSplash Business in San Jose since March 2015; (4) one SafeSplash Business in Concord since July 2016; (5) one SafeSplash Business in Antioch since July 2016; (6) one SafeSplash Business in Pittsburg since July 2016; (7) two SafeSplash Businesses in Vacaville since July 2016; and (8) two SafeSplash Businesses in Fairfield since July 2016. In addition, San Jose collects Swimming Revenues from the Franchisees’ California customers and contracts with SafeSplash HQ to perform Enhanced Services for the franchisees. The principal place of business for San Jose is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124. San Jose does not offer franchises in this or any other line of business.

4. SafeSplash Swim School Meridian, LLC (“**Meridian**”) is a Colorado limited liability company that was formed on August 13, 2006. Meridian operates 4 SafeSplash Businesses, (1) one in Parker, Colorado since August 2006; (2) one in Aurora, Colorado since October 2008; (3) one in Aurora, Colorado since June 2016; and (4) one in Highlands Ranch, Colorado since June 2010. The principal place of business for Meridian is 12240 Lioness Way, Parker, Colorado 80134. Meridian does not offer franchises in this or any other line of business.

5. SafeSplash Swim School Aurora, LLC (“**Aurora**”) is a Colorado limited liability company that was formed on January 1, 2010. Aurora has operated one (1) SafeSplash Business in Aurora, Colorado, since March 2010. The principal place of business for Aurora is 5930 S Gun Club Rd, Aurora, Colorado 80016. Aurora does not offer franchises in this or any other line of business.

6. SafeSplash DFW, LLC (“**DFW**”) is a Colorado limited liability company that was formed on October 15, 2010. The principal place of business for DFW is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124. Before our formation, DFW offered licenses for the right to operate SafeSplash Businesses. In connection with DFW, we currently have two (2) licensees (“**Licensees**”) operating under this program. We have disclosed these Licensees on **Exhibit F**. It is possible these license agreements could be re-characterized as franchise agreements under the laws of certain states, particularly in cases in which no franchise exemption is available. In addition, DFW collects Swimming Revenues from the franchisees’ customer payments and contracts with SafeSplash HQ to perform Enhanced Services for the franchisees. DFW does not offer franchises in this or any other line of business.

7. SafeSplash Swim School Parker, LLC (“**Parker**”) is a Colorado limited liability company that was formed on September 17, 2008. Parker operates (4) SafeSplash Businesses in San Antonio, Texas area since March 2015. The principal place of business for Parker is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124. Parker does not offer franchises in this or any other line of business.

8. SafeSplash Wholesale, LLC (“**Wholesale**”) is a Colorado limited liability company that was formed on November 19, 2015. Wholesale offers retail products directly to consumers through sites such as Amazon.com and offers wholesale products to franchisees. The principal place of business for Wholesale is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124. Wholesale does not offer franchises in this or any other line of business.

9. 4151 Denver, LLC (“**4151 Denver**”) is a Colorado limited liability company that was formed on April 10, 2013. 4151 Denver is the owner of the real estate on which a licensee owned SafeSplash Business is operated in Denver, Colorado. The principal place of business for 4151 Denver is 420 Cherry Street, Denver, Colorado 80220, United States. 4151 Denver does not offer franchises in this or any other line of business.

Our agent for service of process is SafeSplash Holdings, LLC., which has a principal place of business at 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124. Our state agents for service of process are disclosed on **Exhibit A**.

The Franchise

We offer franchises for the use of our trademarks, tradenames, service marks and logos (“**Marks**”) for the operation of businesses offering “learn to swim” programs for children and adults, birthday parties, summer camps, other swimming-related activities, and the sale of related Products (“**Franchised Businesses**”). The Franchised Businesses are operated under a business format per a unique system, including our valuable know-how, information, trade secrets, methods, Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, proprietary licensed software, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of SafeSplash Businesses or Swimtastic Businesses (“**System**”). We reserve the right to change or otherwise modify the System at any time in our sole discretion.

SafeSplash Businesses and Swimtastic Businesses offer various “learn to swim” programs for children and adults, birthday parties, summer camps, and other swimming-related activities (“**Services**”). We offer two formats of Franchised Businesses:

1. Dedicated Location: You lease or purchase a free-standing location or a location in a multi-tenant building for the operation of the Franchised Business ("**Dedicated Location**"). Our strategic focus in the current fiscal year is selling franchises for Dedicated Locations.
2. Hosted Location: You lease the use of a swimming pool for the operation of the Franchised Business in a third-party fitness center, health club, diving facility or other facility with a pool (“**Hosted Location**”). This format is geared towards franchisees who want to begin operating a business before they have completed construction of a Dedicated Location, and to those who desire to add additional capacity to a Dedicated Location which they already operate.

In addition to the support you will receive under our traditional royalty model (“**Royalty Model**”), which includes a royalty of 7% of Swimming Revenues (“**Royalty**”), we offer an enhanced services support model (“**Enhanced Services Model**”). Under the Enhanced Services Model, you will pay an additional 13% of the Swimming Revenues generated by your Franchised Business (which results in a total payment of 20% of Swimming Revenues when including the Royalty already required under the Royalty Model). The Enhanced Services Model includes the following services which we will provide through an affiliate of ours or a third party designee:

- Registration and billing software: We will utilize our software platform currently referred to as “SRS” as the web application to provide services, manage web-based client interactions, manage customer billings, and provide reporting to you.
- Call center services: We will field inbound phone calls and respond to client inquiries about the services, billing, and/or registering for services at your Franchised Business.
- Registration and scheduling services: We will manage the process of registering your clients for a schedule of services offered by your Franchised Business. You will be responsible for providing the schedule of services to us.
- Billing services: We will manage the client billings process involving credit card and debit card transactions. Cash or check transactions will be managed by you and will be reported to us on a monthly basis.
- Administrative reporting services: We will provide registration/scheduling and billing reports available for you via the SRS web portal in near real time.
- Insurance: We will secure and maintain swimmer liability, misconduct, and accident insurance policy coverage to your Franchised Business.
- Enhanced Marketing: We will provide strategic marketing consulting, digital marketing campaign management, marketing analytics trend analysis, SEO administration, and email campaign support to your Franchised Business.

You must operate your Franchised Business per our standard operating practices and sign our standard franchise agreement (“**Franchise Agreement**”). We reserve the right to add, modify, or delete any Services at any time in our sole discretion.

As a franchisee, you may operate one Franchised Business for each Franchise Agreement you sign with us. We also offer to select qualified persons the opportunity to acquire the exclusive right to develop multiple Franchised Businesses in a designated development territory (“**Development Territory**”). If you are purchasing a Development Territory, you must execute our area development agreement (“**Area Development Agreement**”). The minimum number of businesses required to be opened by the Area Development Agreement is two. For each Franchised Business, you develop, you must also sign our then-current form of Franchise Agreement, which may materially differ from the Franchise Agreement included within this Franchise Disclosure Document.

Combination Locations

With our recent acquisition of the assets comprising the SwimLabs[®] franchise system, we have developed a more technical approach to swim instruction in endless pools/tanks using advanced instruction and full motion video review. We believe these concepts could possibly be added or incorporated into a SafeSplash Business or Swimtastic Business. Within this context, as of the date of this Franchise Disclosure Document we are contemplating the development of a pilot program. In the meantime, you can find more information about the SwimLabs system in a separate SwimLabs Franchise Disclosure Document.

Market and Competition

You will sell swim lessons and classes to the general public, and primarily to parents of children from the ages of six months to twelve years. The market for swim lessons and classes is developed and competitive. As such, you will be competing for customers with other companies that offer swim lessons and classes. Competitors may include other swim schools, recreational centers, and mom/pop swim lessons at private pools. You will also face normal business risks that could have an adverse effect on your Franchised Business. These include industry developments, such as pricing policies of competitors, and supply and demand. The market for swim lessons and classes is seasonal, and summer is the busiest time of the year.

Regulations

Certain states and local jurisdictions may have enacted laws, rules, regulations, and ordinances that apply to swimming pools and the swim school industry and may require, in certain instances, that you obtain certain licenses or permits. These regulations may establish certain standards, specifications, and requirements that must be followed by you. You should investigate whether there are any regulations and requirements that may apply in the geographic area in which you are interested in locating your Franchised Business, and you should consider both their effect and the cost of compliance. You may also be required to register your business location with a state agency.

You must obtain all required licenses and permits and ensure that your employees and others providing Services to customers on behalf of your Franchised Business have all required

licenses and permits. The failure to maintain the proper licensing is a material breach of the Franchise Agreement. You must also perform criminal background checks on all of your employees. We also require your compliance with all provisions of the USA Patriot Act and Executive Order 13224.

ITEM 2 BUSINESS EXPERIENCE

Managing Director & Co-Founder: Matt Lane

Matt Lane has served as a Managing Director for SafeSplash Holdings, located in Lone Tree, Colorado, since its formation in July 2008, and has served as its Chief Executive Officer since March 2015. Mr. Lane served as the Chief Operating Officer for Ponderosa Advisors, located in Denver, Colorado, from March 2012 to February 2015. Mr. Lane served as the Senior Vice President and General Manager – North America for Technicolor USA, Inc., located in Burbank, California, from December 2010 to March 2012. Mr. Lane served as the Managing Director – Communication, Media & Entertainment, U.S. Sales for Hewlett-Packard Company, located in Palo Alto, California from May 1995 to December 2010.

Managing Director & Co-Founder: Paul Gerrard

Paul Gerrard has served as a Managing Director for SafeSplash Holdings, located in Lone Tree, Colorado, since its formation in July 2008, and has served as its Chief Operating Officer since October 2014. Mr. Gerrard served as the Chief Executive Officer of Digital Fortress, located in Seattle, Washington, from July 2012 to September 2014. Mr. Gerrard served as the Executive Vice President of Sales and Marketing for ViaWest, located in Denver, Colorado, from August 2010 to July 2012. Mr. Gerrard served as the Senior Vice President for Sales – Western Region for SunGard Availability Services, located in Wayne, Pennsylvania, from May 2006 to August 2010.

Chief Information Officer: Barrett G. Wainscott, Jr.

Barrett G. Wainscott, Jr. has served as the Chief Information Officer for SafeSplash HQ, located in Lone Tree, CO since September of 2016. Mr. Wainscott had been the Integration and Retail Manager for SafeSplash HQ, from the Swimtastic acquisition in November 2015 to August 2016. From December 2003 to November 2015, Mr. Wainscott was the President, Treasurer, and a director of Swimtastic of Waukesha, Wisconsin, after having served as the Vice President, Treasurer, and a director of Swimtastic from September 2002 to December 2003. Since December 2003 he has been President and a director of Swimtastic Swim School, Inc. in Waukesha, Wisconsin, after having served as the Vice President, Treasurer, and a director of Swimtastic Swim School, Inc. from June 1996 to December 2003. Since December 2003 he has also been the President and a director of Swimtastic Fox Cities, Inc. (formerly known as Swimtastic Swim School of Appleton, Inc.) in Menasha, Wisconsin, after having served as the Vice President, Treasurer, and a director of Swimtastic Fox Cities, Inc. from October 1999 to December 2003.

Chief Curriculum Officer and SwimLabs Integration Manager: Michael Mann

Michael Mann joined us after the SwimLabs Acquisition in February 2017 to serve as our Chief Curriculum Officer and SwimLabs Integration Manager. From April 2006 to January 2017, Mr. Mann was the President of SwimLabs and Rehab Inc in Highlands Ranch, Colorado. From May 2016 to January of 2017, Mr. Mann was the President of SwimLabs International Inc in Highlands Ranch, Colorado. Since April 2006, Mr. Mann has also been the President of SwimLabs HC, Inc. of Highlands Ranch, Colorado. Mr. Mann has been active within the swimming community for the past 40 years, during which time he was named World Master Swimmer of the Year in both 2009 and 2010 by the United States Master Swimming Association and currently holds ten master swimming world records.

Vice President – Company Owned Schools: Karissa Gerrard

Karissa Gerrard has been the Vice President – Company Owned Schools for SafeSplash HQ, LLC, located in Lone Tree, Colorado, since October 2016. M. Gerrard was the Director of Shared Services for SafeSplash HQ, LLC, from January 2013 to September 2016. Ms. Gerrard was the Director of Marketing and Operations for SafeSplash HQ, LLC from January 2010 to January 2013. Ms. Gerrard was an Assistant Manager for SafeSplash Swim School Meridian, LLC, located in Parker, Colorado, from September 2008 to January 2010.

Vice President - Marketing: Jennifer Carlsen Jones

Jennifer Carlsen Jones has served as our Vice President of Marketing since August 2016. She served as Director of Digital Marketing Strategy for The Sports Authority, located in Denver, Colorado, from October 2012 to July 2016, after serving as The Sports Authority's Group Manager of Integrated Digital Marketing from January 2011 to October 2012. Ms. Carlsen Jones was an Associate Director from Merkle Inc., located in Denver, Colorado, from February 2007 to January 2011, after serving as Merkle Inc.'s Account Production Manager from February 2006 to February 2007. She was a Marketing Manager for Merchants Financial Group, located in Winona, Minnesota, from September 2002 to July 2005.

Director - Franchise Training: Heidi Adderly

Heidi Adderly has been our Director - Franchise Training since our formation in January 2014. Ms. Adderly is also the General Manager for SafeSplash Swim School Aurora, LLC, located in Aurora, Colorado, and has held that position since May 2016. Ms. Adderly was the General Manager for SafeSplash Swim School Meridian LLC located in Parker, Colorado from October 2014 to May 2016. Ms. Adderly was the Director of Business Development and District Manager for SafeSplash HQ, LLC, located in Lone Tree, Colorado, from July 2013 to September 2014. Ms. Adderly was the General Manager for SafeSplash Swim School Aurora, LLC, located in Aurora, Colorado, from October 2010 to June 2013. Ms. Adderly was the Assistant Manager for SafeSplash Swim School Aurora, LLC, located in Aurora, Colorado, and SafeSplash Swim School Meridian, LLC, located in Parker, Colorado, from February 2010 to October 2010. Ms. Adderly was the General Manager of CSM Lodging, located in Englewood, Colorado, from October 2002 to January 2010.

Senior Manager – SL Franchise Operations & SL Integration: Laurie Abplanalp

Laurie Abplanalp has been the Senior Manager - SL Franchise Operations & SL Integration since SL Acquisition in February 2017. From September 2014 to January 2017, Ms. Abplanalp was Director of Franchise Operations for SL. From August 2010 to September 2014, she was a stay-at-home mother to her two newborn daughters. From August 2007 to July 2010, she was the Director of Operations for SwimLabs HC, Inc., located in Highlands Ranch, Colorado.

Senior Manager – Enhanced Services Center: Joe Cocco

Joe Cocco has been the Senior Manager – Enhanced Services Center for SafeSplash HQ, LLC located in Lone Tree, Colorado since August 2016. Mr. Cocco served as Customer Service Manager for The Sports Authority, located in Englewood, Colorado, from April 2015 to August 2016. He was the Regional Business Operations Manager for Comcast Corporation, located in Denver, Colorado, from August 2012 to March 2015. From August 2009 to August 2012, he served as the Marketing Analyst for Chefs Catalog, located in Colorado Springs, Colorado.

Manager - Retail & Ecommerce: Barrett G. Wainscott III

Barrett G. Wainscott III has been the Manager - Retail & Ecommerce for SafeSplash Wholesale, LLC located in Lone Tree, Colorado since September 2016. Since June 2013 Barrett has established private labeled product lines sold via ecommerce in the United States and Europe for Barrett Global in Waukesha, Wisconsin. From April 2011 to May 2013, Barrett served as the Corporate Marketing Manager for Swimtastic Swim School, Inc., located in Waukesha, Wisconsin.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

If you purchase a Franchised Business for a single Dedicated Location, you must pay us an initial franchise fee (“**Initial Franchise Fee**”) of \$50,000. If you purchase a Franchised Business for a single Hosted Location, you must pay us an Initial Franchise Fee of \$25,000. The Initial Franchise Fee is due to us at the time you sign the Franchise Agreement and is non-refundable for any reason once paid.

During our last fiscal year, we sold 41 SafeSplash Business franchises and collected Initial Franchise Fees ranging from \$0 to \$40,000 based on the number of locations, the formats

purchased, and previous contract commitments. During our last fiscal year, we sold four Swimtastic Business franchises and collected Initial Franchise Fees ranging from \$0 to \$35,000 based on the number of locations, the formats purchased, and previous contract commitments, including those relating to the Swimtastic Acquisition.

Area Development Rights

We also offer to select qualified persons the opportunity to acquire the exclusive right to develop and operate multiple Franchised Businesses in a designated Development Territory by executing an Area Development Agreement. The minimum number of businesses required to be opened by the Area Development Agreement is two. If we agree to grant you the right to develop two or more Franchised Businesses, you must meet our then-current franchise qualification standards and sign our then-current form of Franchise Agreement prior to the time you begin developing each Franchised Business. The grant of the second and any subsequent Franchised Businesses is subject to our ability to comply with all applicable laws regarding the sale of the franchises and the availability of acceptable locations in the Development Territory. We will use reasonable efforts to permit you to acquire additional franchises. However, we do not guarantee that a franchise will be granted to you or any other franchisee.

If you are approved to purchase more than one Franchised Business and enter into an Area Development Agreement, the Initial Franchise Fee will range from \$20,000 to \$50,000 for the first Franchised Business to be developed under the Area Development Agreement, and the reduced Initial Franchise Fee (“**Reduced Initial Franchise Fee**”) for each subsequent Franchised Business will vary based on the number and format of subsequent Franchised Business to be developed under the Area Development Agreement according to the following chart:

	Initial Franchise Fee for first location in any Area Development Agreement	Reduced Initial Franchise Fee (per location) for second and third locations under Area Development Agreement with three locations to be developed	Reduced Initial Franchise Fee (per location) for second and all subsequent locations under Area Development Agreement with five or more locations to be developed
Hosted Location (Royalty Model or Enhanced Services Model)	\$25,000	\$22,500	\$20,000
Dedicated Location (Royalty Model or Enhanced Services Model)	\$50,000	\$45,000	\$40,000

At the time of executing the Area Development Agreement, you must pay the Initial Franchise Fee for the first Franchised Business to be developed under the Area Development Agreement plus a deposit (“**Deposit**”) of \$5,000 multiplied by the number of subsequent Franchised Businesses to be developed under the Area Development Agreement. In all circumstances the Initial Franchise Fees, Deposits, and Reduced Initial Franchise Fees are fully earned immediately upon being paid to us and are nonrefundable, regardless of whether you open any of the Franchised Businesses you are obligated to open under the Area Development Agreement. However, each Deposit will be credited against the Reduced Initial Franchise Fee you must pay when you open any of the subsequent Franchised Businesses.

If you form an entity to open any of the additional Franchised Businesses within the Development Territory, you must own at least 51% of the issued equity securities in each entity. You must provide us with necessary documentation to show your ownership interest.

ITEM 6 OTHER FEES

NOTE: Except where expressly noted, all fees in the table refer to both SafeSplash Businesses and Swimtastic Businesses and are uniformly imposed.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty† (1)	7% of Swimming Revenues of your Franchised Business.	Monthly. On or about the tenth (10 th) day of the month.	Required of all franchisees. Payable via ACH withdrawal. If you select the Enhanced Services Model, the Royalty will be collected through our Enhanced Services process.
Enhanced Services Fee† (2)	13% of Swimming Revenues of your Franchised Business.	Monthly. On or about the tenth (10 th) day of the month.	In addition to the Royalty if you select the Enhanced Services Model, in which case the Enhanced Services Fee will be collected through our Enhanced Services process.
Strategic Marketing and Promotions Fee† (3)	2% of Swimming Revenues but not to exceed the average dollar contribution of the three largest franchisees within the System, as solely determined by us, based on Swimming Revenues generated during the previous quarter.	Monthly. On or about the tenth (10 th) day of the month.	Required of all franchisees. Payable via ACH withdrawal.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Local Advertising Expense (4)	During your first 90 days in operations, you must spend \$5,000 (for a Hosted Location) or \$25,000 (for a Dedicated Location). Thereafter, you must spend 2% of Swimming Revenues.	Annually.	Required of all franchisees.
Hosted Location Fee † (5)	20%-25% of Swimming Revenues as set by facility host.	Monthly	Required if you operate a Franchised Business at a Hosted Location we contract for. Payable via ACH withdrawal. If you select the Enhanced Services Model, the Hosted Location Fee will be collected through our Enhanced Services process.
Cooperative Advertising	Proportional share to be determined, but not to exceed 2% of Swimming Revenues.	Monthly.	Payable only if a Cooperative is formed in your Authorized Territory.
Inventory Purchases † (6)	Will vary based on needs.	On placement of order.	Our Affiliate will charge you for the products you purchase from them.
Successor Franchise Fee †	10% of the then-current Initial Franchise Fee.	Upon execution of a Successor Franchise Agreement.	If you sign a Successor Franchise Agreement, you will pay 10% of the then-current Initial Franchise Fee.
Audit Fee †	Cost of inspection or audit.	As incurred.	Payable only if you understate amounts by 2% or more or fail to submit reports when due.
Transfer Fee † (7)	\$7,500	Before consummation of transfer.	Payable by you or your buyer when the Franchise Agreement or other interest in your Franchised Business is transferred by you except transfers to an entity controlled by you or to certain family members.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Interest†	Lesser of 1.5% per month or highest rate of interest allowed by law.	As incurred.	Begins to accrue the day after payment becomes past due.
Insurance Premiums (Building/General/Other Liability) (8)	Will vary based on location.	Monthly. As required by the insurance provider.	Insurance requirements may be modified periodically by us in the Operations Manual.
Insurance Premiums (Swimmer Liability/Misconduct/Accident) (8)	Included in the monthly Enhanced Services Model. Not included in the Royalty Model. Will vary based on location.	Monthly. As required by the insurance provider.	Insurance requirements may be modified periodically by us in the Operations Manual.
Indemnification†	Will vary under circumstances.	As incurred.	You must reimburse us if we are held liable for claims arising from your Franchised Business operations.
Requested Additional Assistance† (9)	Varies based on needs. (10) The estimated range of costs are up to \$1,500 per person per day plus travel expenses.	As incurred.	Additional training and assistance is available if you request. We have the right to charge you for this additional training and assistance.
Real Estate Lease	Will vary based on location.	Monthly.	
Software Lease†	N/A	N/A	We reserve the right to charge such a fee in the future.
Criminal Background Checks	The first five criminal background checks administered through the approved supplier during the initial term of the Franchise Agreement are free. Thereafter, you must pay the approved supplier's then-current rate for criminal background checks.	As incurred.	You must conduct, and any of your prospective employees must pass, a pre-hiring criminal background check administered by the approved supplier of such services. You must also conduct, on an annual basis, criminal background checks on all of your employees, which must be administered by the approved supplier of such services.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Cost of Testing and Investigation	Will vary depending on investigation necessary.	As incurred	You have to reimburse us for any and all reasonable costs we incur in investigating and determining whether any previously unapproved items or suppliers that you desire to use meet our standards and specifications.
Cost of Enforcement or Defense†	All costs including accounting and attorney's fees.	Upon settlement or conclusion of claim or action.	You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Mandatory Seminars, Conventions or Programs†	You may be required to pay a meeting fee and your expenses as well as the expenses your employees incur in attending these meetings. The estimated range of costs is \$1,000-\$2,000.	As incurred.	We reserve the right to conduct periodic meetings of all Franchisees that you must attend.
Meeting Fee†	We charge a fee of up to \$500 for franchisees who have chosen the Royalty Model.	As incurred.	We do not charge a fee for Franchisees who have chosen the Enhanced Services Model.
Conference Fee†	We charge a fee of up to \$1,000 for franchisees who have chosen the Royalty Model.	As incurred.	We do not charge a fee for Franchisees who have chosen the Enhanced Services Model.

† Denotes fees that are imposed by and payable to us or our Affiliates. All of these fees are non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may or may not be refundable depending on your arrangement with your vendors and suppliers.

Notes:

1. Royalty. Each month, we will either collect from you via ACH withdrawal or retain (if you select the Enhanced Services Model) a Royalty of seven percent (7%) of the Swimming Revenues generated by your Franchised Business. “**Swimming Revenues**” means the total of all receipts derived from all sales of swimming-related and aquatics-related services, coaches fees, Registration Fees (as defined below), and Late Withdrawal Fees (as defined below) associated in any way with services delivered at your Franchised Business, including all swimming lessons, birthday parties, summer camps, other swimming-related activities, sales made away from the facility used by the Franchised Business

("Facility"), all other swimming-related and aquatics-related services sold or performed by or for you or the Franchised Business or by means of the business conducted under the Franchise Agreement, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Swimming Revenues do not include: (1) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers of the Franchised Business, provided that the amount of any such tax is shown separately and in fact paid by you to the appropriate governmental authority; and (2) all customer refunds, valid discounts and coupons, and credits made by the Franchised Business (exclusions will not include any reductions for credit card user fees, returned checks or reserves for bad credit or doubtful accounts). "**Registration Fees**" means all monies charged and revenue collected to register customers for swim lessons provided by the Franchised Business. "**Late Withdrawal Fees**" means all monies charged and revenue collected from customers for late withdrawing customers for swim lessons provided by the Franchised Business. Swimming Revenues could also be defined as all revenues with the exception of retail and coffee goods revenue.

2. Enhanced Services Fee. The Enhanced Services Fee is a fee for enhanced administrative services we provide, in connection with our Affiliates, HQ and DFW, including a customer relationship management system, a call center, billing services, collection services, scheduling services and core marketing services (collectively, "**Enhanced Services**"). Each month we will retain thirteen percent (13%) of all Swimming Revenues that we receive from customers of the Franchised Business through our Enhanced Services Model. The Enhanced Services Fee may be modified each year; provided, however, that such Enhanced Services Fee shall not increase or decrease by more than two percent (2%) each year, and the cumulative increase or decrease in the percentages shall not exceed ten percent (10%) during the term of the Franchise Agreement. In the event that you fail or refuse to book the sale of swimming-related services through our Enhanced Services, you must still pay to us a monthly service fee equal to thirteen percent (13%) of Swimming Revenues for such month.

3. Strategic Marketing and Promotions Fee. The Strategic Marketing Fee is 2% of Swimming Revenues for the preceding month, not to exceed the average dollar contribution of the three largest franchisees as solely determined by us based on Swimming Revenues generated during the previous quarter. These funds are used for national advertising, to generate marketing materials, and for administrative costs associated with our marketing efforts.

4. Local Advertising Expense. For the first 90 days after you satisfactorily complete, in our discretion, the initial training program, you must spend a total of \$5,000 for a Hosted Location and \$25,000 for a Dedicated Location on promotional advertising, marketing, and public relations efforts within your Authorized Territory. For the remaining term of your Franchise Agreement, you must spend a minimum of 2% of the Swimming Revenues for the preceding month for advertising and promotion within your Authorized Territory. We reserve the right, in our sole discretion, to require that up to 100% of your local advertising expenditure go towards contributions for cooperative advertising in your area.

5. Hosted Location Fee. The Hosted Location Fee is a fee for the use of a Hosted Location for which we contract. Each month we will retain up to twenty-five percent (25%) of the Swimming Revenues, or the base rent of \$1,000 to \$2,500 (whichever is greater) that we receive from customer payments through our Enhanced Services. The exact percentage or flat fee will be equal to the percent of Swimming Revenues or flat fee we are contracted to pay the Hosted Location provider. In the event that you fail or refuse to book the sale of swimming-related services through our Enhanced Services, you must still pay to us a monthly service fee equal to the Hosted Location Fee each month. There will be no Hosted Location Fee charged for facilities for which you contract for directly.

6. Inventory Purchases. You must at all times maintain an inventory of retail products and swimmer recognition items including, but not limited to ribbons, barbells, kickboards, swim toys, swim

noodles, floating mates, baskets, banners and ring sets in accordance with our guidelines included in the Operations Manual.

7. Transfer Fee. No Transfer Fee is required if you transfer your Franchised Business to a business entity in which you own the majority of the company’s issued equity securities, or if you transfer your Franchised Business to your child, parent, sibling, spouse or domestic partner. You must pay a transfer fee of \$7,500 if you transfer your Franchised Business to any other person or entity.

8. Insurance Premiums. You must procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates and our and our designated Affiliates’ officers, directors, shareholders, and employees against any loss, liability, personal injury, death, property damage, or expense resulting from the operation of your Franchised Business as we may require for your and our protection in our sole discretion. The insurance policies must contain certain clauses approved by us and waivers approved by us as outlined in the Operations Manual. We and our designated Affiliates must be named as additional insured in each policy. Insurance requirements are set forth in Section 13.1 of the Franchise Agreement. Swimmer Liability Insurance is included in the Enhanced Services Fee.

9. Additional Assistance. If you require or request additional on-site assistance beyond what is provided by us, you can request that we send a representative to provide further assistance to you. If we provide additional assistance at your request, we may charge you a fee. We must agree in advance to the charges you will pay, if any, and the length of the visit. The cost, if any, of additional assistance will depend on your needs, and the amount of assistance you desire.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT
(DEDICATED LOCATION; BOTH BUSINESS MODELS)**

Type of Expenditure (1)	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	\$40,000	\$50,000	Lump sum	Upon signing of a Franchise Agreement	Us
Training Expenses (3)	\$2,000	\$8,000	As incurred	Varied times	Airlines, Hotels,
Rent or Real Estate Expense (3 months) (4)	\$25,000	\$90,000	Lump sum	Monthly	Landlord
Pool Design, Build and Aquatic Supplies and Equipment (5)	\$125,000	\$200,000	As incurred	Varied times	Contractors, vendors and suppliers
Tenant Improvements (6)	\$100,000	\$300,000	As arranged	As arranged	Approved contractors
Electronic Equipment (7)	\$3,000	\$25,000	As arranged	As arranged	Vendors and suppliers
Signage (8)	\$7,000	\$25,000	Lump sum	Prior to installation	Sign vendor
Inventory (9)	\$3,000	\$7,500	Lump sum	Prior to opening for business	Vendors and suppliers

Type of Expenditure (1)	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is to be Made
Advertising (10)	\$25,000	\$32,500	As arranged	Varied times	Vendors and suppliers
Furniture and Fixtures (12)	\$10,000	\$20,000	As incurred	As arranged	Vendors and suppliers
Insurance (13)	\$6,000	\$8,000	Lump sum	Prior to opening for business	Insurance company
Additional Funds for Initial Three (3) Months (14)	\$50,000	\$100,000	As agreed	As incurred	Vendors and suppliers
TOTAL (15)	\$396,000	\$866,000			

**YOUR ESTIMATED INITIAL INVESTMENT
(HOSTED LOCATION FORMAT; BOTH BUSINESS MODELS)**

Type of Expenditure (1)	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	\$20,000	\$25,000	Lump sum	Upon signing of a Franchise Agreement	Us
Training Expenses (3)	\$2,000	\$8,000	As incurred	Varied times	Airlines, Hotels, Restaurants
Rent or Real Estate Expense (3 months) (4)	\$0	\$10,000	Lump sum	Monthly	Landlord/ Affiliate/Us
Electronic Equipment (7)	\$3,000	\$4,000	As arranged	As arranged	Vendors and suppliers
Signage (8)	\$1,000	\$2,000	Lump sum	Prior to installation	Sign vendor
Inventory (9)	\$1,000	\$2,000	Lump sum	Prior to opening for business	Vendors and suppliers
Advertising (10)	\$5,000	\$10,000	As arranged	Varied times	Vendors and suppliers
Furniture and Fixtures (13)	\$1,000	\$1,000	As incurred	As arranged	Vendors and suppliers
Insurance (14)	\$0	\$6,000	Lump sum	Prior to opening for business	Insurance company
Additional Funds for Initial Three (3) Months (15)	\$6,000	\$20,000	As agreed	As incurred	Vendors and suppliers
TOTAL (16)	\$39,000	\$88,000			

Notes:

1. Expenditures. All fees imposed by us or our Affiliates are non-refundable unless otherwise noted. Fees and expenses paid to vendors or other third parties may or may not be refundable depending on the arrangements you make with them.

2. Initial Franchise Fee

(a) **Dedicated Location** - The Initial Franchise Fee is \$50,000 if you purchase one Franchised Business that will be operated in a Dedicated Location. If you purchase the right to operate three Franchised Businesses in Dedicated Locations, the Initial Franchise Fee for the first Franchised Business is \$50,000 and the Reduced Initial Franchise Fee for each subsequent Franchised Business is \$45,000. If you purchase the right to operate five Franchised Businesses in Dedicated Locations, your Initial Franchise Fee is \$50,000 for the first Franchised Business and the Reduced Initial Franchise Fee for each subsequent Franchised Business is \$40,000. If you are opening a Dedicated Location with a pool size of less we will discount all Initial Franchise Fees by \$10,000 per location. The Initial Franchise Fee and any Reduced Initial Franchise Fee is due when you sign the corresponding Franchise Agreement and is non-refundable once paid.

(b) **Hosted Location** - The Initial Franchise Fee is \$25,000 if you purchase one Franchised Business that will be operated in a Hosted Location. If you purchase the right to operate three Franchised Businesses in Hosted Locations, the Initial Franchise Fee is \$25,000 for the first Franchised Business and the Reduced Initial Franchise Fee for each subsequent Franchised Business is \$22,500. If you purchase the right to operate five Franchised Businesses in Hosted Locations, your Initial Franchise Fee is \$25,000 for the first Franchised Business and the Reduced Initial Franchise Fee for each subsequent Franchised Business is \$20,000. The Initial Franchise Fee and any Reduced Initial Franchise Fee is due when you sign the corresponding Franchise Agreement and is non-refundable once paid.

3. **Training Expenses.** The initial training program will be conducted in Lone Tree, Colorado and Parker, Colorado. You must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees.

4. **Rent or Real Estate Expense.** If you do not use the space we have contracted for under one of our Hosted Location facility contracts, you must obtain or lease space for your Franchised Business. Generally, this will require that you pay first and last month's rent, plus a security deposit, at the time you sign the lease. Franchised Businesses are typically located in commercial and retail settings. In most cases, the terms and conditions of all agreements relating to the purchase, lease, and alteration of the property will be negotiated solely by you; however, we require you to incorporate certain provisions into your lease. The amounts set forth in the tables above represent the estimated amounts that you will pay for rent for the first three months of operation. If you operate a Franchised Business under our hosted location format, we will pay up to twenty-five (25%) (or such other percentage or flat fees, as third party leases require) of the Swimming Revenues that we receive from customer payments made to the third party fitness center, health club, or other contracted pool facility that serves as the host for your location.

5. **Pool Design, Build and Aquatic Supplies and Equipment.** These amounts represent the estimate for pool design and construction activities. These amounts also include the estimated costs to lease an above-ground pool from us. If you lease an above-ground pool from us, you must execute the Equipment Lease that is attached to this Franchise Disclosure Document as **Exhibit K**.

6. **Tenant Improvements.** These amounts are our best estimate of the range of costs of tenant improvements, and will likely vary substantially based on local conditions, including the availability and prices of labor and materials. The amounts do not include the costs of any necessary site development or site engineering work, nor do they include capitalized costs of rent or other occupancy costs, over either the life of the lease or the life of your investment. In addition, these amounts do not reflect costs for the purchase of unimproved land and construction of a free-standing Franchised Business, which also would result in a significantly greater initial investment. This estimate does not include any tenant improvement

allowance you may receive from the landlord for your Franchised Business. You should carefully investigate all of these costs in the area where you wish to establish your Franchised Business.

7. Electronic Equipment. This estimate includes the cost to purchase the following electronic equipment: computers, telephones, printer, copier, and other electronic equipment as set forth in the Operations Manual.

8. Signage. You must purchase our approved signage for your Franchised Business. We will provide you with the specifications that must be followed.

9. Inventory. This estimate includes the cost to purchase your initial inventory of retail lines. You must purchase ribbons, barbells, kickboards, swim toys, swim noodles, floating mates, baskets, banners and ring sets and other products as set forth in the Operations Manual.

10. Advertising. For the first 90 days after you satisfactorily complete, in our discretion, the initial training program, you must spend at least \$25,000 on promotional advertising, marketing, and public relations efforts within your Authorized Territory. The amounts set forth in the tables above represent the estimated amounts that you will spend on advertising in the first three months of operation.

11. Furniture and Fixtures. The amounts represent the estimated amounts for furniture and fixtures for your Franchised Business.

12. Insurance Premiums. As part of the Enhanced Services Model, we fund a defined level of swim liability insurance and misconduct insurance. You may determine that you need additional coverage, in which case you must pay for such additional coverage independent of the Enhanced Services Model. Insurance premiums will vary under circumstances depending on amounts and areas of coverage that you desire.

13. Additional Funds. This amount includes estimated operating expenses you should expect to incur during the first 3 months of operations. It includes payroll costs (but not a draw or salary for you), taxes, costs for supplies, costs for business licenses, accounting and other professional fees, and other operational expenses. If you operate a Franchised Business under our dedicated location format, the estimate includes the cost for utilities. These figures are estimates. You may incur additional expenses starting your business. Your costs depend on several factors, including how well you follow our methods and procedures; your management skill; experience and business acumen; local economic conditions; the local market for our products and services; the prevailing wage rate; competition and the sales level reached by your Franchised Business during the initial period.

14. Total Estimated Initial Investment. We relied on our business experience to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You pay no other fees to us or our Affiliates to begin operation of your Franchised Business. Except as described otherwise in this Franchise Disclosure Document, we do not refund any fees. Fees paid to any third party may be refundable, depending upon the contract, if any, between you and the third party.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must establish and operate your Franchised Business in compliance with your Franchise Agreement and the standards and specifications contained in the SafeSplash or

Swimtastic confidential operations manual (“**Operations Manual**”) loaned to you by us. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically. The Operations Manual may be in printed or in an electronic format in our discretion. We reserve the right to require you to use an electronic version of the Operations Manual and to require you to access the document using the Internet or an intranet created and supported by us. You will have the opportunity to view the Operations Manual at our headquarters before purchasing the right to operate your Franchised Business, provided you agree in writing to keep its content confidential. The Table of Contents for the Operations Manual for both SafeSplash Businesses and Swimtastic Businesses are attached to this Franchise Disclosure Document as **Exhibit E**.

You must provide specified services and sell specified products. We reserve the right to require that you sell additional or different services and products in your Franchised Business on 30 days prior written notice to you. You must provide services and sell products per our specifications and standards. We reserve the right to change standards and specifications upon prior written notice to you.

We have standards and specifications for your equipment, uniforms, fixtures, supplies, inventory, goods, signage, forms, products, services, advertising materials and most other services and products used in, sold or provided through your Franchised Business. In order to maintain our standards of consistent, high quality products, customer recognition, advertising support, value and uniformity in Franchised Businesses, you must purchase or lease all of your required equipment, supplies, fixtures, uniforms, inventory, goods, advertising materials, services and products used in or sold through your Franchised Business, per our specifications and standards, only from us, our Affiliates or our designated or approved suppliers and distributors.

You may request that we approve or designate a new supplier by following the procedures, and paying all required fees and expenses for approval, as set forth in the Operations Manual and modified periodically by us in our sole discretion. We will not unreasonably withhold the approval of a supplier; however, in order to make such determination, we may require that samples from a proposed new supplier be delivered to us for testing and approval prior to use. We reserve the right to require you to pay or reimburse us for the reasonable cost of investigation in determining whether such products, services, materials, forms, items or supplies satisfy our specifications. In approving or disapproving a proposed supply or supplier, we apply the following general criteria, which are also included in the Operations Manual: (1) quality of product or service in relation to our specifications and quality standards; (2) price; and (3) whether we deem the supply or supplier necessary or desirable for the System as a whole. We may deny our approval of suppliers based upon the lack of any of the above items. We will typically notify you of our approval or disapproval of a proposed supplier, product, or service within 60 days of receiving all requested information. If you do not hear from us regarding your request, your request will be deemed to have been disapproved by us.

SafeSplash HQ, LLC is our designated supplier of Enhanced Services and contracts with SafeSplash DFW, LLC to perform such services. Swim Schools of America offers real estate services to franchisees. SafeSplash Wholesale offers products and supplies to franchisees. Since SafeSplash Holdings, LLC is the parent company of SafeSplash HQ, LLC, Swim Schools of America, LLC, SafeSplash Wholesale, LLC and SafeSplash Brands, LLC, the managing directors

of SafeSplash Holdings, LLC own an indirect interest in these approved suppliers. There are currently no other approved suppliers in which an officer of ours owns an interest.

We estimate that the purchase of these supplies, equipment, inventory, fixtures, goods, services and products from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 20% of your total cost to establish a Franchised Business and 20% to 40% of your total cost of operating a Franchised Business.

Our Affiliates which serve as designated suppliers (as described above) will derive revenue from the purchases or leases you enter into with them for the services and products they provide. Although we do not currently have arrangements in place to do so, in the future we reserve the right to derive revenue from your purchases or leases of inventory, fixtures, supplies and equipment from our designated suppliers and distributors. During the most recent fiscal year, neither we nor any of our Affiliates derived any such revenue from franchisee purchases or leases. Additionally, during our most recent fiscal year, we did not receive any rebates or other consideration from our designated or approved suppliers based on franchisee purchases or leases. We do not receive any other material consideration based on required franchisee purchases or leases. We reserve the right to take whatever action we deem necessary in our discretion to prevent you from selling unauthorized services or products or using unauthorized suppliers including seeking injunctive relief or terminating your Franchise Agreement.

You must also purchase computer hardware and software from suppliers that meet our standards and specifications or obtain our written approval to purchase other equipment. We will respond to requests for approval to purchase equipment other than the computer system within thirty days from the date the request is received. We estimate that the cost for the computer system will range from \$1,000 to \$2,500.

We do not currently negotiate purchase arrangements with suppliers or vendors to obtain price terms and/or other benefits of a buying cooperative for its franchisees. We provide private label swimming and fitness products through our Affiliate, SafeSplash Wholesale, LLC. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of designated or approved suppliers.

ITEM 9 FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement, the Area Development Agreement, and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Franchise Disclosure Document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 8 & 9	ITEM 7 and ITEM 11
b. Pre-opening purchases/leases	Section 8	ITEM 7 and ITEM 8
c. Site development and other pre-opening requirements	Section 8	ITEM 6, ITEM 7 and ITEM 11
d. Initial and ongoing training	Sections 8 & 9	ITEM 7 and ITEM 11

Obligation	Section in Agreement	Disclosure Document Item
e. Opening	Section 8	ITEM 7 and ITEM 11
f. Fees	Section 6	ITEM 5, ITEM 6 and ITEM 7
g. Compliance with standards and policies/Operations Manual	Sections 3, 6, 7, 8, 9, 10, & 18	ITEM 1, ITEM 8, ITEM 11, ITEM 13 and ITEM 14
h. Trademarks and proprietary information	Section 11	ITEM 13 and ITEM 14
i. Restrictions on products/services offered	Section 8	ITEM 8 and ITEM 16
j. Warranty and customer service requirements	N/A	N/A
k. Territorial development and sales quotas	Section 5 & Attachment A	ITEM 1 and ITEM 12
l. On-going product/service purchases	Sections 9 and 10	ITEM 8
m. Maintenance, appearance and remodeling requirements	Section 9	ITEM 8
n. Insurance	Section 13	ITEM 6
o. Advertising	Section 12	ITEM 6, ITEM 7 and ITEM 11
p. Indemnification	Section 13	ITEM 6
q. Owner's participation/management/staffing	Section 9	ITEM 15
r. Records/reports	Section 7	ITEM 6
s. Inspections/audits	Sections 7 & 9	ITEM 6
t. Transfer	Section 16	ITEM 6 and ITEM 17
u. Renewal	Section 4	ITEM 17
v. Post-termination obligations	Section 18	ITEM 17
w. Noncompetition covenants	Section 15	ITEM 17
x. Dispute resolution	Section 21	ITEM 17
y. Compliance with all laws and regulations	Section 9	ITEM 1

AREA DEVELOPMENT AGREEMENT

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 3, 4 & 5	Exhibit C
b. Pre-opening purchases/leases	Not applicable	Exhibit C
c. Site development and other pre-opening requirements	Section 3	Exhibit C
d. Initial and ongoing training	Section 3	Exhibit C
e. Opening	Sections 3 & 4	Exhibit C
f. Fees	Section 3	Exhibit C

Obligation	Section in Agreement	Disclosure Document Item
g. Compliance with standards and policies/Operations Manual	Not applicable	Exhibit C
h. Trademarks and proprietary information	Not applicable	Exhibit C
i. Restrictions on products/services offered	Not applicable	Exhibit C
j. Warranty and customer service requirements	Not applicable	Exhibit C
k. Territorial development and sales quotas	Sections 4 & 5	Exhibit C
l. On-going product/service purchases	Not applicable	Exhibit C
m. Maintenance, appearance and remodeling requirements	Not applicable	Exhibit C
n. Insurance	Not applicable	Exhibit C
o. Advertising	Not applicable	Exhibit C
p. Indemnification	Section 14	Exhibit C
q. Owner's participation/management/staffing	Section 1	Exhibit C
r. Records/reports	Section 13	Exhibit C
s. Inspections/audits	Not applicable	Exhibit C
t. Transfer	Section 8	Exhibit C
u. Renewal	Section 2	Exhibit C
v. Post-termination obligations	Sections 8 and 9	Exhibit C
w. Noncompetition covenants	Section 9	Exhibit C
x. Dispute resolution	Section 10	Exhibit C
y. Compliance with all laws and regulations	Not applicable	Exhibit C

ITEM 10 FINANCING

If you meet our credit standards and requirements, we, in our sole discretion may offer you financing in connection with the following financing program.

We may offer you financing for not more than 50% of your Initial Franchise Fee, Initial Territory Fee. The financing will require your payment of not less than 50% of the sum of the total Initial Franchise Fee and Initial Territory Fee (based upon the population of the Designated Territory) to be paid upon the execution of the Franchise Agreement as a down payment, with the remainder to be financed over a five year period, at an annual percentage rate of 3.75% over the prime lending rate as set forth in the Wall Street Journal, on the date of the execution of the promissory note (“**Promissory Note**”), using the standard agreement attached to this Disclosure Document as **Exhibit M**.

Under this financing program, we make these loans directly. The security required pursuant to the security agreement (“**Security Agreement**”) attached to the Promissory Note includes a personal guarantee of the Promissory Note by you and your spouse and/or by all the shareholders of your corporation, or all of the members of your limited liability company or other business entity; a security interest in your Franchise Agreement; and a security interest in all of your inventory, equipment and proceeds. The Promissory Note provides for a late fee of \$200 and interest for each month a payment is not timely received. There are no other finance charges associated with the Promissory Note. The monthly payment on the Promissory Note varies depending on the amount financed and the prime lending rate on the date of the execution of the Promissory Note.

The Promissory Notes can be prepaid without penalty at any time during its term. If you do not pay on time, we can call the loan and demand immediate payment of the full outstanding balance of the Promissory Note, and obtain court costs and attorney fees if a collection action is necessary. We also have the right to proceed against the collateral pledged pursuant to the Security Agreement, and against the guarantors. You waive your rights to demand and notice under the terms of the note. We do not assign or discount any Promissory Note to third parties, and we have no plans to do so. A default on the Promissory Note is a default of the Franchise Agreement and may trigger a termination of your Franchise Agreement.

Except as disclosed herein, we do not arrange financing from other sources. We do not receive direct or indirect payments for placing financing. We do not guarantee your obligations to third parties. We offer no indirect financing and does not make any arrangements for financing of your initial investment or the operation of your business. We are unable to estimate whether you will be able to obtain financing for all or any part of our investment.

ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

Before the opening of your Franchised Business, we (or our designee) are required by the Franchise Agreement or the Area Development Agreement to provide the following assistance and services to you.

1. We designate your Authorized Territory (See Sections 3 and 8.3(a) of the Franchise Agreement).
2. We furnish you with specifications for all initial and replacement equipment, tools, inventory and supplies required for the operation of the Franchised Business (See Section 8.3(b) of the Franchise Agreement).
3. We may provide up to three days of onsite support services to you in connection with the opening of your initial location(s). If we do so, these services will include marketing assistance and instructor training. (See Section 8.3(g) of the Franchise Agreement).

4. We furnish you with site selection assistance when you are searching for a location for the Facility (See Section 8.3(c) of the Franchise Agreement).

5. We provide an initial training program for you or, if you are not an individual, your Manager and members of your management team, at our facilities in Lone Tree, Colorado (See Section 8.3(f) of the Franchise Agreement).

6. We loan you one copy of our confidential and proprietary Operations Manual (See Section 8.3(h) of the Franchise Agreement).

Continuing Obligations

During the term of the Franchise Agreement we (or our designee) are required to provide the following assistance and services to you:

1. We provide an online registration system (See Section 8.5(a) of the Franchise Agreement).

2. If you select the Enhanced Services Model, we pay you an amount equal to eighty percent (80%) of the Swimming Revenues we receive from customer payments through our Enhanced Services (See Section 8.5(c) of the Franchise Agreement) when you operate in a facility we do not contract for directly, which accounts for your payment of the Enhanced Services Fee. Alternatively, when you operate in a Hosted Location we contract for directly, we will retain an amount of Swimming Revenues equal to the remuneration due and owing to the Hosted Location's owner under our agreement with the Hosted Location's owner relating to your use of the Hosted Location. The remuneration paid to the Hosted Location owner currently ranges from twenty percent (20%) to twenty five percent (25%), depending on the agreement we reach with each respective Hosted Location owner. We will then deduct your payment of the Enhanced Services Fee before paying you the remaining amount of Swimming Revenues we receive from the customers.

3. We make a representative reasonably available to speak with you on the telephone during normal business hours to discuss your operational issues and support needs (See Section 8.5(d) of the Franchise Agreement).

4. We may hold periodic meetings to discuss sales techniques, new product and service developments, bookkeeping, training, accounting, inventory control, safety and maintenance issues, performance standards, advertising programs, merchandising procedures and other topics. These meetings are held at locations chosen by us in our sole discretion. Your in-person attendance is strongly encouraged but not required for these periodic meetings. Upon your request, we will use commercially reasonable efforts to enable you to attend any such periodic meetings by way of web conference, telephone or other electronic means by which all attendees will be able to hear each other and participate in such meetings.

5. We will provide you with an annual recertification training program.

6. You must pay a meeting fee, if any, and all travel and living expenses to attend (See Section 8.5(e) of the Franchise Agreement). We reserve the right to charge a meeting fee of up

to \$500. However, as of the issuance date of this Franchise Disclosure Document, we only charge Franchisees using the Royalty model.

7. We may hold an annual conference to discuss sales techniques, new services and products, training techniques, bookkeeping, accounting, performance standards, advertising programs, merchandising procedures and other topics. You must pay the conference fee, if any, and all personal travel and living expenses and must attend these annual conferences (See Section 8.5(f) of the Franchise Agreement). We reserve the right to charge a conference fee of up to \$1,000. However, as of the issuance date of this Franchise Disclosure Document, we only charge Franchisees using the Royalty model.

8. We will provide billing services, registration services, and scheduling services to or on your behalf if you choose the Enhanced Services Model (See Section 8.5(g) of the Franchise Agreement).

9. We will inform you of mandatory specifications, standards and procedures for the operations of the Franchised Business (See Section 8.5(i) of the Franchise Agreement).

10. We will research new products, services, and methods of doing business, from time to time, and provide you with information concerning developments of this research (See Section 8.5(j) of the Franchise Agreement).

11. We will maintain the Strategic Marketing and Promotions Fund and use the funds to develop promotional and advertising programs and public relations coverage for Franchised Businesses (See Section 8.5(k) of the Franchise Agreement).

12. We will provide marketing materials to you in the form of an arts graphics package (See Section 8.5(l) of the Franchise Agreement).

13. A representative of ours may provide additional assistance to you, and there may be charges for this assistance. If we provide additional assistance, you and we must agree in advance on the charges for the visit and the length of the visit (See Section 8.5(m) of the Franchise Agreement).

14. We may establish and manage one or more Local Advertising Cooperatives (See Section 8.5(n) of the Franchise Agreement).

15. At no cost to you, we will provide you with three email accounts under the SafeSplash or Swimtastic domain to be used for your first Franchised Business and one additional account for each additional Franchised Business.

Advertising Programs

For the first 90 days after you satisfactorily complete, in our discretion, The Academy initial training program described below, you must spend a total of Five Thousand Dollars (\$5,000.00) for a Hosted Location and Twenty-Five Thousand Dollars (\$25,000) for a Dedicated Location on promotional advertising, marketing, and public relations efforts as specified in the Operations Manual within your Authorized Territory. For the remaining term of your Franchise

Agreement, you must spend a minimum of 2% of the annual Swimming Revenues (“**Local Advertising Expense**”) for advertising and promotion within your Authorized Territory.

Under the Franchise Agreement, you are required to pay us a strategic marketing and promotions fee (“**Strategic Marketing and Promotions Fee**”) equal to 2% of the Swimming Revenues generated by your Franchised Business during the preceding month. For Franchisees using the Enhanced Services Model, each month we will retain 2% of the Swimming Revenues that we collect from customer payments through our Enhanced Services. For Franchisees using the Royalty Model only, each month we will collect 2% of the prior month Swimming Revenues on the 10th of each month via ACH withdrawal. We will deposit the Strategic Marketing Fee in a separate bank account, commercial account or savings account (“**Strategic Marketing and Promotions Fund**”). We will require SafeSplash Businesses or Swimtastic Businesses operated by our Affiliates to contribute to the Strategic Marketing and Promotions Fund as well. The Strategic Marketing and Promotions Fund is administered by us, in our discretion, and we may use a professional advertising agency or media buyer to assist us.

We will reimburse ourselves from the Strategic Marketing and Promotions Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the Strategic Marketing and Promotions Fund. We assume no other direct or indirect liability or obligation to collect amounts due to the Strategic Marketing and Promotions Fund or to maintain, direct or administer the Strategic Marketing and Promotions Fund. Any unused funds in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Strategic Marketing and Promotions Fund on any terms we deem reasonable. Since we do not have this fund audited, audited financial statements are not available to franchisees. We will make available to you an annual accounting for the Strategic Marketing and Promotions Fund that shows how the Strategic Marketing and Promotions Fund proceeds have been spent for the previous year upon your request.

We may use the Strategic Marketing and Promotions Fund for the creation, production and placement of commercial advertising; agency costs and commissions; creation and production of video, audio and written advertisements; administering multi-regional advertising programs, direct mail and other media advertising; in-house staff assistance and related administrative costs; local promotions; supporting public relations; market research and other advertising and marketing activities, including participating at trade shows. Advertising may be placed in local, regional or national media of our choice, including print, direct mail, radio or television. We do not guarantee that advertising expenditures from the Strategic Marketing and Promotions Fund will benefit you or any other Franchisee directly, on a pro rata basis, or at all.

During the last fiscal year, we administered separate Strategic Marketing and Promotions Funds for the SafeSplash and Swimtastic brands.

During the last fiscal year, we collected \$79,939.62 in Strategic Marketing and Promotions Fees for the SafeSplash brand. We spent that entire amount, plus as an additional \$49,722.49, funded by us, as follows: 40.5% on production, 27.3% on media placement, 20.7% on

administrative purposes, and 11.5% on other purposes such as digital marketing automation infrastructure.

During the last fiscal year, we collected \$69,892.32 in Strategic Marketing and Promotions Fees for the Swimtastic brand. Of that amount, we spent \$62,559.83 as follows: 21.1% on production, 51.0% on media placement, 20.3% on administrative purposes, and 7.6% on other purposes such as digital marketing automation infrastructure. The remaining \$7,332.49 will carry over into the newly combined Strategic Marketing and Promotion Fund to be utilized by both the SafeSplash and Swimtastic brands.

We did not use either Strategic Marketing and Promotions Fund to solicit the sale of franchises during our last fiscal year, nor will we use Strategic Marketing and Promotions Fund monies to solicit franchisees in our current fiscal year. Neither we nor our Affiliates receive payments for providing goods or services to the Strategic Marketing and Promotions Fund, except for reimbursement of expenses as described above.

You may create your own advertising and promotional materials; however, all advertising and promotions created by you must be approved by us in advance before you use them and must comply with our graphic standards. Your request will be reviewed by us and we will respond in writing within 60 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks and other name identification materials must be consistent with our approved standards. You may not use our logos, Marks and other name identification materials on items to be sold without our prior written approval. You must not use the SafeSplash or Swimtastic name, logos or other Marks to promote or identify collateral services offered by you in your Franchised Business.

Although we currently do not do so, we reserve the right to form an advertising council. We also may designate any geographic area in which two or more SafeSplash Businesses or Swimtastic Businesses are located as a region for establishing an advertising cooperative (“**Cooperative**”). The members of the Cooperative for any area will consist of all SafeSplash Businesses or Swimtastic Businesses whether franchised or operated by us or our Affiliates. We will determine in advance how each Cooperative will be organized and governed and when it must start operation. Each Cooperative will be organized for the sole purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in local advertising. If a Cooperative has been established for a geographic area where your Franchised Business is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative and abide by the rules of the Cooperative. We reserve the right to form, change, dissolve or merge any Cooperative.

You must also pay your pro rata share of the cost of business listings to be placed by us or any Cooperative on behalf of all SafeSplash Businesses or Swimtastic Businesses in the local market area, as determined by us or the Cooperative. If you operate the only SafeSplash Business or Swimtastic Business under the System in the local market area, you will be responsible for full payment of the business listings, unless we determine, in our discretion, that placement of the business listings for the local market area is not economically justified. Any amount you pay for the business listings will apply toward satisfaction of your Local Advertising Expense requirement.

Except as described above, we are not obligated to spend any amount on advertising in the geographical area where you are or will be located.

We retain the sole right to use the Marks and market on the Internet, including all use of Web sites, domain names, URL's, linking, advertising, and co-branding arrangements. You may not establish a presence on the Internet except as we may specify, and only with our prior written consent. We retain the right to approve any linking to or other use of our websites.

Computer Systems

You must purchase Microsoft windows based laptops or desktop computer systems with Intel i5 core (or equivalent) processors configured with the then-current version of Microsoft's windows operating system, Microsoft Office Productivity software and an anti-virus software package. In addition, you must purchase a color printer. We estimate that the cost for the computer system will range from \$1,000 to \$2,500. We do not specify or require you to purchase any maintenance or support contracts for your computer system. We will have independent access to information and data that is electronically collected. There are no contractual limitations on this right.

Site Selection

You must select the site for the Franchised Business subject to our approval. Your proposed site must be submitted to us for approval within 90 days of signing the Franchise Agreement. Before leasing or purchasing the site for the Franchised Business, you must submit to us, in the form we specify, a description of the site, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. We will have 30 days after we receive this information and materials to approve or disapprove the proposed site. If we do not approve or disapprove the proposed site within such 30 days, the site will be deemed disapproved. If we approve the site, our approval will be good for a maximum of 60 days. Factors that we may consider when reviewing your site include the size and dimensions of the site, visibility factors, traffic flow and patterns, access and exits to and from the site, area population and market conditions. If we do not approve your site, you will need to locate another site for your Franchised Business and receive our acceptance of the alternate site. In the event that we do not approve your alternate site, we may, at our sole discretion, extend your opening deadline. We may also extend the construction period of your Franchised Business to accommodate delays in selecting and obtaining our approval of an alternate site. If a site cannot be agreed upon, the Franchise Agreement could be terminated. You must purchase or lease, at your expense, the site for the Franchised Business within 60 days after we approve it, and you must open your Franchised Business no later than 12 months after you sign the Franchise Agreement. If you do not open your Franchised Business within 12 months after you sign the Franchise Agreement, we may terminate your Franchise Agreement unless we grant you an extension of time in writing. You must obtain our approval of any sale or lease contract before you sign it.

Although your site is subject to our approval, you have the ultimate responsibility in choosing and obtaining the site for your Franchised Business. Our consultation and approval is not a promise or guarantee that the Franchised Business operated at your site will be successful.

Once your Franchised Business has opened for business, you may only relocate the Franchised Business by complying with our relocation policy and procedures specified in the Operations Manual.

Schedule for Opening

If you are purchasing a new Franchised Business, we estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Franchised Business is approximately three to twelve months. Unless we grant you an extension of time in writing, which may be granted or denied in our sole discretion, you must have your Franchised Business open and in operation no later than 12 months after you sign the Franchise Agreement. Some factors that may affect this timing are your ability to locate an acceptable site, the time to acquire the site through lease negotiations, your ability to secure any necessary financing, your ability to comply with local zoning and other ordinances, the timing of the delivery and installation of equipment and signs, and the time to renovate or build the premises.

Initial Training: The Academy

Before the opening of your Franchised Business, we will provide an initial training program (“**The Academy**”) which we have developed based on the collective knowledge, insights, and expertise we have gained through our experiences in operating company-owned and affiliate-owned SafeSplash Businesses and Swimtastic Businesses, and overseeing the SafeSplash and Swimtastic franchise systems. You or your Manager must complete The Academy program to our satisfaction, and we encourage you to have your management team attend and complete The Academy program as well. Those who complete this initial training program to our satisfaction will receive a certification from The Academy, which is designed to help you drive value into your management team and Franchised Business by providing you with the capabilities to train your staff to deliver to the marketplace a product that is best in the industry. A focus of The Academy program is to ensure what is learned during training transfers to on-the-job behaviors. Training alone is not enough to ensure what is taught actually gets used on the job. You will also need to guide your staff to uphold these certifications and endeavor to incorporate them into the day-to-day operations of your Franchised Business. Based on these goals, The Academy utilizes the foremost training methodologies of tell, show and teach.

The Academy program lasts five to ten days and consists of classroom instruction, on-site training, and off-site training. We use the Operations Manual as a primary instructional material as well as other instruction materials focusing on franchise ownership and operations and including relevant examples and templates relating to SafeSplash Businesses and Swimtastic Businesses.

The Academy program is conducted at times and locations designated by us. We generally recommend that you successfully complete The Academy program one to four weeks before opening your Franchised Business. This training is usually conducted at the Lone Tree, Colorado headquarters of our Affiliate, HQ, but we reserve the right to conduct The Academy program at a different location in the future.

There is no tuition or fee for this initial training program. You must pay for airfare, ground transportation, lodging, most meals, salaries and benefits, and any other personal expenses

incurred during this time by you and everyone else from your Franchised Business who attends The Academy program.

If a Manager’s employment with you is terminated at any time during the term of your Franchise Agreement, you must designate a new Manager who must successfully complete the Academy program within 90 days after the termination of the initial Manager, unless we do not conduct such an initial training program during that 90-day period in which case the replacement Manager must attend and successfully complete the first available initial training program held by us. We do not currently charge a training fee for a replacement Manager, but we reserve the right to do so in the future. The costs for airfare, ground transportation, lodging, meals, the Manager’s salary and benefits, and any other personal expenses incurred during this time by the Manager must be paid by you.

The subjects covered in The Academy initial training program are described below:

DEDICATED LOCATION TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
SafeSplash/Swimtastic GM Duties	7	5	Lone Tree, Colorado
SafeSplash/Swimtastic Onboarding (staffing, training, hiring)	6	10	Lone Tree, Colorado
SRS – Registration Training	2	2	Lone Tree, Colorado
SRS – Billing Training	2	2	Lone Tree, Colorado
SafeSplash/Swimtastic Marketing (Local and National)	3	2	Lone Tree, Colorado
S.P.L.A.S.H. Customer Service Training	2	5	Lone Tree, Colorado
Key Management Metrics	5	2	Lone Tree, Colorado
SafeSplash/Swimtastic Way - Culture Training	1	5	Lone Tree, Colorado

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
SRS – Daily, Weekly, Monthly Reporting	2	2	Lone Tree, Colorado
Onsite School Operations	3	10	At a Facility near Lone Tree, Colorado
SafeSplash/Swimtastic Curriculum Training	4	10	At a Facility near Lone Tree, Colorado
Total	37	55	

HOSTED LOCATION TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
SafeSplash/Swimtastic GM Duties	3	1	Lone Tree, Colorado
SafeSplash/Swimtastic Onboarding (staffing, training, hiring)	4	9	Lone Tree, Colorado
SRS – Registration Training	1.5	1	Lone Tree, Colorado
SRS – Billing Training	1.5	1	Lone Tree, Colorado
SafeSplash/Swimtastic Marketing (Local and National)	2	3	Lone Tree, Colorado
S.P.L.A.S.H. Customer Service Training	2	1	Lone Tree, Colorado
Key Management Metrics	3	1	Lone Tree, Colorado
SafeSplash Way - Culture Training	1	3	Lone Tree, Colorado
SRS – Daily, Weekly, Monthly Reporting	2	2	Lone Tree, Colorado
SafeSplash/Swimtastic Curriculum Training	4	10	At a Facility near Lone Tree, Colorado
Total	23	32	

Ongoing Training: The Academy Recertification

During the term of your Franchise Agreement, we will require you to complete an annual recertification training program (“**The Academy Recertification Training Program**”). The Academy Recertification Training program lasts six hours and consists of online training. The Academy Recertification Training Program provides updates to the topics and content relevant to the operations of your Franchised Business. You or your Manager must attend and successfully complete The Academy Recertification Training Program to our satisfaction. There is no tuition or fee charged by us for The Academy Recertification training program.

The subjects covered in The Academy Recertification Training Program are described below:

ANNUAL RECERTIFICATION TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
S.P.L.A.S.H. Customer Service Recertification	1		Online Training
SafeSplash Way Culture Recertification	1		Online Training
SRS Annual Update Training	1		Online Training
SafeSplash/Swimtastic Marketing Recertification	1		Online Training
General Manager Duties/Operations Recertification	1		Online Training
SafeSplash/Swimtastic Curriculum Annual Update Recertification	1		Online Training
Total	6		

The Academy initial training program, The Academy Recertification Training Program, and any other on-going training will be conducted under the direction of Heidi Adderly. Ms. Adderly is currently the General Manager of our Affiliate, SafeSplash Swim School Aurora, LLC, located in Aurora, Colorado, and has held that position since May 2016. She has seven years of experience with us and seven years of experience in the swimming industry. We may change or substitute training personnel as necessary, and we may delegate our duties and share our responsibilities with regard to training.

We may present seminars, conventions or continuing development programs for the benefit of franchisees. Your attendance at most of these seminars is voluntary. However, you or your Manager must attend any mandatory seminar, convention, or program we may offer. We will give you at least 30 days’ prior written notice of any seminar, convention or program that is considered

mandatory. The locations of the mandatory seminars, conventions and programs will vary among the different regions of the country, and the duration will typically be between one and two days. You may be required to pay a meeting fee for attendance at our seminars, conventions and programs, and you must pay for your travel and living expenses incurred in attending any mandatory or voluntary seminar, convention or training program. Other than the initial training program and the seminars, conventions and programs described above, we do not currently offer any additional training programs.

ITEM 12 TERRITORY

You will be granted a territory (“**Authorized Territory**”) in which to operate your Franchised Business. Your Authorized Territory for a Dedicated Location will be approximately a five (5) mile radius depending upon the demographics and physical geography of the area. It will be identified with a map by boundaries, zip codes or in miles’ radius. Your Authorized Territory for a Hosted Location will be approximately a two and a half (2½) mile radius depending upon the demographics and the physical geography of the area. If the Authorized Territory for a Hosted Location happens to have a location we have under contract, when you are granted the rights to the territory, we will offer the right to use the location under the terms of our agreement with that facility, in which case you will be required to pay to us the Hosted Location Fee. Other than as designated in the Franchise Agreement, there are no conditions for keeping the rights to your Authorized Territory. You may market or advertise your Franchised Business outside of your Authorized Territory. You do not receive the automatic right to acquire additional franchises.

You must operate your Franchised Business at the specific location designated in the Franchise Agreement. Once we have designated your location you cannot move your Franchised Business without our prior written approval. Our approval is based on a variety of factors, including the demographics of the proposed new location. Our approval of your location does not guarantee the success of your Franchised Business. If you request to move your Franchised Business to a new location, we may charge you a relocation fee to evaluate the new location.

Although we will not grant another franchise in your Authorized Territory, customers from your Authorized Territory may purchase services and products from other SafeSplash Businesses or Swimtastic Businesses or directly from us or our Affiliates over the Internet, or in other reserved channels of distribution. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We reserve for ourselves the exclusive right to market any other products or services utilizing the Marks or other marks utilizing alternative distribution channels, including over the Internet. We are not required to compensate you for any solicitation or acceptance of orders inside your territory via alternative channels of distribution.

If we grant you area development rights, the Area Development Agreement you sign with us will grant to you an exclusive Development Territory within which you may establish, according to your Development Schedule, two or more Franchised Businesses. Your Development Territory will be defined by political boundaries such as city, county or state limits, or by other reasonable boundaries we may determine in our discretion, and will be based on the number of Franchised Businesses you commit to opening under the terms of the Area Development

Agreement and the size of the territory created by the collection of their respective Authorized Territories. The number of Franchised Businesses to be developed within the Development Territory is determined based on demographics and other characteristics of the Development Territory, including population density, average income and other characteristics of the surrounding area, natural boundaries, extent of competition and the amount and size of urban, suburban and rural areas in the Development Territory. Based on your proposal and our own research, we will negotiate with you the parameters of the Development Territory and how many Franchised Businesses must be established within the Development Territory. Each Authorized Territory for specific Franchised Business locations to be established within the Development Territory will be determined at the time the Franchise Agreement is signed for each new Franchised Business. However, you do not receive the right to acquire additional franchises within your Franchise Territory unless you sign an Area Development Agreement, as discussed in more detail below.

Except as stated below, the Development Territory is exclusive to you unless you fail to meet the Development Schedule designated for your Development Territory. If you fail to meet that schedule, your exclusive rights to the Development Territory may be forfeited and we may grant franchises to other persons or entities to establish stores using the Marks and the System within the Development Territory.

We reserve the right, among others:

1. to use, and to license others to use, the Marks and System for the operation of SafeSplash Businesses or Swimtastic Businesses at any location other than in the Authorized Territory, regardless of proximity to the Authorized Territory without compensation to you;
2. to use, license and franchise the use of trademarks or service marks other than the Marks, whether in alternative channels of distribution or at any location including the Authorized Territory, in association with operations that are similar to or different than the Franchised Business without compensation to you;
3. to use the Marks and the System in connection with the provision of other services and products or in alternative channels of distribution at any location including the Authorized Territory without compensation to you;
4. to offer the Services or products, or grant others the right to offer the Services or products, whether using the Marks or other trademarks or service marks, through alternative channels of distribution, including without limitation, wholesalers, retail outlets or other distribution outlets (other than SafeSplash Businesses or Swimtastic Businesses), or by Internet commerce (e-commerce), mail order or otherwise, whether inside or outside the Authorized Territory without compensation to you;
5. to any websites utilizing a domain name incorporating one or more of the words “Safe” and/or “Splash” and/or “Swimtastic” or similar derivatives thereof. We retain the sole right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URL’s, directory addresses, metatags, linking, advertising, and co-branding and other arrangements. Franchisees may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the

Marks or otherwise establish any presence on the Internet without our prior written approval. We intend that any Franchisee website be accessed only through our home page. Franchisees will provide us with content for our Internet marketing, and will sign Internet and intranet usage agreements, if any. We retain the right to approve any linking or other use of our website;

6. to acquire businesses that are the same as or similar to the Franchised Business and operate such businesses regardless of where such businesses are located, including inside the Authorized Territory and to be acquired by any third party which operates businesses that are the same as or similar to the Franchised Business regardless of where such businesses are located, including inside the Authorized Territory; and

7. to implement multi-area marketing programs which may allow us or others to solicit or sell customers anywhere. We reserve the right to issue mandatory policies, including pricing and promotion policies, to coordinate such multi-area marketing programs.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use our Marks, including the trademarks “SAFESPLASH SWIM SCHOOL” or “SWIMTASTIC SWIM SCHOOL” and various designs and logo types associated with our products and services. You may also use our other current or future Marks as we may designate to operate your Franchised Business. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator of the Franchised Business and you shall use only the appropriate and authorized Marks as indicated by us.

The Marks are owned by one of our Affiliates, Swim Schools of America, and are licensed exclusively to our Affiliates and us. Swim Schools of America has granted us an exclusive, royalty-free license (“**Trademark License**”) to use the Marks for purposes of franchising the System around the world. The Trademark License extends for twenty (20) years, commencing January 4, 2014, but it will automatically renew for subsequent ten (10) year periods provided we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Marks or the goodwill of the System. In the event the Trademark License is terminated, Swim Schools of America has agreed to license the use of the Marks directly to our Franchisees until such time as each Franchise Agreement expires or is otherwise terminated.

We have registered the following Marks with the United States Patent and Trademark Office (“**USPTO**”) on the Principal Register:

Mark	Registration Date	Registration Number	Status
	January 16, 2007	3,198,921	Registered on the Principal Register

Mark	Registration Date	Registration Number	Status
SafeSplash Swim School	January 2, 2007	3,194,154	Registered on the Principal Register
	June 27, 2000	2,361,870	Registered on the Principal Register
Swimtastic	October 20, 1998	2,199,001	Registered on the Principal Register
Swimming...A Life Skill	Dec 12, 2015	4,863,229	Registered on the Principal Register
Smart Fish Swim In Schools	May 3, 2011	3,954,761	Registered on the Principal Register

We have applied to register the following marks with the USPTO on the Principal Register:

Mark	Filing or Registration Date	Serial/Registration Number	Status
SafeSplash Certified	March 22, 2016	86,947,916	Pending
SafeSplash Match	March 22, 2016	86,947,919	Pending
	November 8, 2016	87,230,522	Pending
	March 13, 2017	87,368,473	Pending

The Marks we will license to you also include the following:

Mark	Filing or Registration Date	Serial/Registration Number	Status
	Common Law	Common Law	Common Law

Mark	Filing or Registration Date	Serial/Registration Number	Status
Swimtastic Certified	Common Law	Common Law	Common Law
Swimtastic Match	Common Law	Common Law	Common Law

We do not have a federal registration for the trademarks listed in the table above. Therefore, these trademarks do not have as many legal benefits and rights as federally-registered trademarks. If your right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits have been filed and accepted by the USPTO.

You must follow our rules when you use our Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLs, domain names, e-mail addresses, locators, links, metatags or search techniques, except as we license to you. You must get our prior written approval of your company name before you file any registration documents. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically in our discretion. You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of our Marks which are relevant to the use of these Marks. We reserve the right to control any litigation related to the Marks and we have the sole right to decide to pursue or settle any infringement actions related to the Marks. No currently effective litigation affects our use or ownership rights in any Mark. Except as described above, no currently effective agreement limits our right to use or license the use of our Marks.

You must notify us within three days of when you learn about an infringement of or challenge to your use of our Marks. We will take the action necessary, in our sole discretion, to protect the unauthorized use of our Marks, which may include our payment of reasonable costs associated with the action. We are not obligated to protect your rights to use the Marks or protect you against any claims of infringement or unfair competition arising out of your use of Marks. We will have no obligation to defend or indemnify you if a claim against you relates to your use of the Marks in violation of the Franchise Agreement.

You must modify or discontinue the use of a Mark if we modify or discontinue its use. If this happens, we will reimburse you for your tangible cost of compliance (for example, changing signs) if you are required to modify or discontinue use due to an infringement claim, court order or settlement with a third party. You must not directly or indirectly contest our right to our Marks, trade secrets or business techniques that are part of our business or the System.

We do not know of any infringing uses that could materially affect your use of our Marks. You should understand that there could be other businesses using trademarks, trade names,

or other commercial symbols similar to our Marks with superior rights to our rights. Before opening your Franchised Business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change the name of your Franchised Business.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information contained in the Operations Manual is proprietary and is protected by copyright and other laws. The Operations Manual and the limitations of the use of it by you and your employees are described in this Franchise Disclosure Document. The designs contained in the Marks, the layout of our advertising materials, as well as any other writings or recordings in print or electronic form are also protected by copyright and other laws. Although we have not filed an application for copyright registration for the Operations Manual, the Marks, the advertising materials, or other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“**Copyright Works**”) in connection with your operation of your Franchised Business, but such copyrights remain our sole property.

You must notify us within three days after you learn about another’s use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyright Works or if someone challenges your use of our Copyright Works. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyright Works, which may include payment of reasonable costs associated with the action.

We will indemnify, hold harmless, and reimburse you for your liability and reasonable costs in connection with defending your use of our Copyright Works. To receive reimbursement, you must have notified us within the required timeframe upon your learning of the use of identical or substantially similar language or visual image, and you must have used the Copyright Works only per the terms of the Franchise Agreement.

You must add, modify, or discontinue the use of a Copyright Work if we instruct you to do so. You must not directly or indirectly contest our rights to any of our Copyright Works that are part of our business or the System.

Our Operations Manual, electronic information and communications, sales and promotional materials, and the development and use of other related materials are proprietary and confidential and are considered to be our property to be used by you only as described in the Franchise Agreement or the Operations Manual. Where appropriate, certain information has also been identified as trade secrets (“**Trade Secrets**”). You must maintain the confidentiality of our information and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and confidential information.

No patents are material to us at this time.

We own all records with respect to the customers, suppliers, and other services providers of, and related in any way to, your Franchised Business. This includes, without limitation, all

databases (whether in print, electronic, or other form), including, among other things, all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all customers, suppliers, and other service providers for quality control, market research, and such other purposes, as we deem appropriate, in our sole discretion.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You, or your managing shareholder or partner, are not obligated to participate personally in the direct operation of your Franchised Business so long as a designated manager (“**Manager**”), who has completed our initial training program, does so. If you are a legal or business entity, your Manager need not own an equity interest in the entity. You or your Manager must devote full time and best efforts to the management and operation of your Franchised Business. You or, if applicable, your Manager, must successfully complete our mandatory initial training program by demonstrating to us appropriate levels of competence in the subject matters taught in the training program, in our discretion. If your Manager’s employment with you is terminated, you must designate a new Manager who must successfully complete our initial training program within 90 days after the termination of the initial Manager, unless we do not hold an initial training program during that 90-day period, in which case the replacement Manager must attend and successfully complete the first available initial training program held by us. The Manager must agree to the same confidentiality and non-competition obligations that you are required to abide by (See Nondisclosure and Noncompetition Agreement attached to this Franchise Disclosure Document as **Exhibit D**).

If you are a legal or business entity, each individual who owns, directly or indirectly, a 20% or greater interest in you (and, if you are an individual, immediate family members) execute our standard Guaranty and Assumption of Franchisee’s Obligations. (See Franchise Agreement **Attachment V**, and our Nondisclosure and Noncompetition Agreement attached to this Franchise Disclosure Document as **Exhibit D**). Your spouse or domestic partner, if any, must also sign the Franchise Agreement.

In signing the Franchise Agreement, you acknowledge that the risks, financial and otherwise, which are inherent with the beginning of any new business, are yours alone. We, as a matter of policy, will not assist you in any decision-making process that may affect the operations of your Franchised Business. The success or failure of the Franchise as a business enterprise is dependent on your efforts. The purchase of this franchise should not be considered by anyone who is unfamiliar with standard business practices or is unwilling to accept the responsibilities associated with running a small business.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell and offer only those services and products which are authorized by us and which meet our standards and specifications. You must offer all types of services and products

specified by us. We may change or add to our required services and products at our discretion with prior notice to you, and the Franchise Agreement does not limit our right to make changes to the types of approved products and services. You must discontinue offering any services or products which we may, in our discretion, disapprove in writing at any time. No service or product, except approved services and products, may be offered to customers from your Franchised Business unless you receive our prior written consent (which may be granted or denied in our sole discretion).

Except as described in this ITEM 16, there are no restrictions on the prices at which you may sell the approved services or products, except that we may recommend prices, set maximum prices, and determine pricing strategy of multi-area marketing programs, as permitted by law.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

FRANCHISE AGREEMENT

Provision		Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 4	10 years.
b.	Renewal or extension of the term	Section 4	Your renewal right permits you to continue to operate your Franchised Business after the initial term of your Franchise Agreement expires. If you wish to do so, and you satisfy the required pre-conditions to renewal, we will offer you the right to obtain an additional 10-year term. You must sign our then-current Franchise Agreement (“ Successor Franchise Agreement ”) for the renewal term, and this Successor Franchise Agreement may have different terms and conditions (including <i>e.g.</i> service fee and/or advertising contributions) from the Franchise Agreement than covered your original term.
c.	Requirements for franchisee to renew or extend	Section 4	Notice; no material default or money owed; sign Successor Agreement which may have different terms and conditions (including <i>e.g.</i> service fee and/or advertising contributions) from the

Provision		Section in Franchise Agreement	Summary
			Franchise Agreement that covered your original term; pay renewal fee. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d.	Termination by you	Section 18	A termination by Franchisee shall be deemed to be a termination without cause and a breach.
e.	Termination by us without cause [†]	None	N/A.
f.	Termination by us with cause [†]	Section 18	We can terminate if you commit any one of several violations.
g.	“Cause” defined - defaults which can be cured	Section 18	You have 30 days to cure, including failure to comply with Franchise Agreement, System, Operations Manual, non-payment of fees and other obligations, and failure to comply with federal, state and local laws.
h.	“Cause” defined – non-curable defaults	Section 18	Non-curable defaults include misrepresentation by you, failure to open on time, unauthorized disclosure of Confidential Information or Trade Secrets, abandonment, bankruptcy ^{††} , insolvency, or appointment of a receiver, a material judgment is obtained against you, conviction of any type of felony or a felony or misdemeanor against a child, failure to pay amounts due to Franchisor, trademark misuse, two defaults within a 12 month period or three total defaults, unauthorized transfer, change in ownership without approval, refusal to submit or false financial report submissions, engaging in unauthorized business practices, contesting ownership of the Marks, failure to complete Initial Training, and any misrepresentations.
i.	Your obligations on termination/non-renewal	Sections 7, 15 & 18	Obligations include complete de-identification, noncompetition and payments of amounts due and the removal and return of all Confidential Information and records.
j.	Assignment of contract by us [†]	Section 16	No restriction on our right to assign.
k.	Transfer” by you – definition [†]	Section 16	Includes transfer of interest in Franchise Agreement, Franchise or all or a

Provision		Section in Franchise Agreement	Summary
			substantial portion of assets of your Franchised Business.
l.	Our approval of transfer by you	Section 16	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	Section 16	You are in full compliance with the Franchise Agreement, transferee is purchasing all of your assets used in the Franchised Business, New Franchisee qualifies, Transfer Fee paid, transferee executes separate Franchise Agreement, execute a general release ^{††} training arranged, and transferee personal guarantee.
n.	Our right of first refusal to acquire your business	Section 17	We can match any written offer for your business.
o.	Our option to purchase your business	Section 17	We may purchase your inventory and equipment at fair market value if Franchise Agreement is terminated for any reason.
p.	Your death or disability	Section 16	Franchise must be assigned by estate to an approved third party within 6 months.
q.	Noncompetition covenants during the term of the franchise	Section 15	No involvement with any business offering “learn to swim” lessons or content/curriculum.
r.	Noncompetition covenants after the franchise is terminated or expires [†]	Section 15	No competing business for two years within 100 miles from the boundary of your Authorized Territory or from another franchised, Franchisor-owned or affiliated company owned premises.
s.	Modification of the agreement [†]	Section 22	No modification except by written document executed by you and Franchisor, but Operations Manual subject to change [†] .
t.	Integration/merger clause	Section 22	Only the terms of the franchise agreement are binding (subject to state law); any representations or promises outside the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution	Section 21	Except for certain claims all disputes must be arbitrated.
v.	Choice of forum [†]	Section 21	Colorado (subject to state law).
w.	Choice of law [†]	Section 22	Colorado (subject to state law).

AREA DEVELOPMENT AGREEMENT

Provision		Section in Area Development Agreement	Summary
a.	Length of the franchise term	Section 2	Earlier of 10 years or the completion of the term of the development schedule.
b.	Renewal or extension of the term	Section 2	Franchisor has sole discretion to permit a renewal term.
c.	Requirements for franchisee to renew or extend	Section 2	No default in your obligations under Development Agreement or any other agreement with Franchisor or Affiliate; parties must agree to a new development schedule.
d.	Termination by you	None	N/A.
e.	Termination by us without cause	None	N/A.
f.	Termination by us with cause	Section 7	We can terminate if you commit any one of several violations.
g.	“Cause” defined - defaults which can be cured	None	N/A.
h.	“Cause” defined – non-curable defaults	Section 7	Defaults include failure to comply with Development Schedule, failure to perform under the Agreement, cease to be a Franchisor, or fail to comply with Agreement.
i.	Your obligations on termination/non-renewal	Sections 10 & 11	Obligations include noncompetition and confidentiality.
j.	Assignment of contract by us	Section 8	No restriction of our right to assign.
k.	“Transfer” by you - definition	Section 8	Includes transfer of interest in Area Development Agreement.
l.	Our approval of transfer by you	Section 8	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	Section 8	All obligations must be paid; you must not be in default; execute general release ^{††} ; transferee must execute separate Agreement; new transferee qualifies; execution of Franchise Agreement; and pay Transfer Fee.
n.	Our right of first refusal to acquire your business	Section 8	We can match any written offer for your business.
o.	Our option to purchase your business	None	N/A.
p.	Your death or disability	N/A	N/A.
q.	Noncompetition covenants during the term of the franchise	Section 11	No attempt to divert business or customers, employ any employee of us or own, work for or assist any competitor of SafeSplash or Swimtastic.

Provision		Section in Area Development Agreement	Summary
r.	Noncompetition covenants after the franchise is terminated or expires	Section 11	No competing for two years within your Protected Territory, within 100 miles of any other franchisee's or licensee's territory, or within 100 miles of franchisor-owned or affiliated company owned premises.
s.	Modification of the agreement [†]	Sections 12 and 22	Franchisor may unilaterally modify its Operations Manual; this agreement may be modified by written agreement between you and Franchisor.
t.	Integration/merger clause	Section 12	Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 21	Except for certain claims all disputes must be arbitrated.
v.	Choice of forum [†]	Section 18	Colorado (subject to State law).
w.	Choice of law [†]	Section 18	Colorado (subject to State law).

[†] See **Exhibit J**.

^{††} The Franchise Agreement and Area Development Agreement may provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC 101 *et seq.*)

ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote our franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in **Error! Reference source not found.** may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this **Error! Reference source not found.**, for example, by providing information about performance at a particular location or under particular circumstances.

This ITEM 19 presents information about the revenue and expenses of certain franchisees, licensees, and Affiliate-owned outlets in 2016 which operate Dedicated Locations. We have deliberately chosen not to include information about the revenue and expenses relating to Hosted

Locations because our strategic focus in the current fiscal year is selling franchises for Dedicated Locations.

We have provided this information to help you make a more informed decision. The success of your Franchise Business will depend largely on your individual abilities and your market. You should conduct your own independent research and due diligence to assist you in preparing your own projections. The information in this ITEM 19 was prepared from sales records and reports from the Franchise Businesses operated by these franchisees, licensees, and Affiliate. We do not know of an instance, nor do we have reason to believe, that such franchisees, licensees, or Affiliate would overstate or understate revenues or expenses in their reports, however their numbers have not been audited and we have not independently verified their numbers. The revenue information should not be considered the actual or probable revenue which will be achieved by any individual franchisee. We further recommend that prospective franchisees consult with professional advisors before executing any agreement.

The figures in **Table No. 1** and **Table No. 2** below present revenue and expenses experienced by SafeSplash Businesses and Swimtastic Businesses, respectively, resulting from the sale of authorized services and products by their respective outlets during the period between January 1, 2016 and December 31, 2016. Your financial results are likely to differ from the figures presented. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchise Business. You should carefully review the attached explanatory notes.

TABLE NO. 1

**SAFESPLASH DEDICATED LOCATIONS –
LICENSEE AND AFFILIATE-OWNED OUTLETS (1)**

	Licensee Location 1		Affiliate Location 1		Affiliate Location 2		Average of Locations That Satisfied Reporting Criteria		# at or above Avg.
REVENUE COLLECTED BY FRANCHISOR									
SWIMMING REVENUES (2)	\$1,208,299		\$1,000,892		\$899,965		\$1,036,385		1 of 3
REVENUE SHARE EXPENSES									
Enhanced Services Fees (3)	\$159,611	12.8%	\$119,518	12.8%	\$107,720	11.7%	\$128,950	12.4%	1 of 3
Royalties (3)	\$85,944	6.9%	\$64,356	6.9%	\$58,003	6.3%	\$69,434	6.7%	1 of 3
REVENUE DISTRIBUTED TO OUTLET (4)	\$962,744		\$817,019		\$734,242		\$838,001		1 of 3
REVENUE DISTRIBUTED TO OUTLET AND EXPENSES INCURRED BY OUTLET									
LESSON SLOTS FILLED PER MONTH (5)	1,280		1,217		1,057		1,185		
YEARS IN OPERATIONS (6)	3 Years		11 Years		6 Years		6.7 Years		
REVENUE DISTRIBUTED TO OUTLET									
Swimming Revenues (7)	\$940,004	94.3%	\$800,681	95.4%	\$717,355	94.6%	\$819,347	94.8%	1 of 3
Registration Fees and Late Withdrawal Fees (8)	\$22,740	2.3%	\$16,338	1.9%	\$16,887	2.2%	\$18,655	2.2%	1 of 3
Retail (9)	\$30,122	3.0%	\$20,150	2.4%	\$20,229	2.7%	\$23,500	2.7%	1 of 3
Miscellaneous (10)	\$4,277	0.4%	\$1,912	0.2%	\$4,041	0.5%	\$3,410	0.4%	2 of 3
Total Revenue Distributed to Outlet (11)	\$997,143	100.0%	\$839,081	100.0%	\$758,512	100.0%	\$864,912	100.0%	1 of 3
COST OF GOODS SOLD (COGS)									
Lesson Salaries (12)	\$241,025	24.2%	\$210,380	25.1%	\$192,509	25.4%	\$214,638	24.9%	1 of 3
Payroll Taxes (13)	\$23,497	2.4%	\$18,280	2.2%	\$17,731	2.3%	\$19,836	2.3%	1 of 3
Inventory (14)	\$18,283	1.8%	\$7,114	0.8%	\$12,593	1.7%	\$12,664	1.4%	1 of 3
Total COGS (15)	\$282,805	28.4%	\$235,775	28.1%	\$222,834	29.4%	\$247,138	28.6%	1 of 3
GROSS PROFIT									
Gross Profit (16)	\$714,338	71.6%	\$603,306	71.9%	\$535,678	70.6%	\$617,774	71.4%	1 of 3
OPERATING EXPENSES									
Other Labor and Related Expenses (17)	\$152,668	15.3%	\$95,384	11.4%	\$102,145	13.5%	\$116,732	13.4%	1 of 3
Insurance (18)	\$12,777	1.3%	\$5,575	0.7%	\$4,570	0.6%	\$7,641	0.8%	1 of 3
Pool Supplies (19)	\$3,535	0.4%	\$16,772	2.0%	\$26,990	3.6%	\$15,766	2.0%	2 of 3
Supplies/Services (20)	\$17,457	1.8%	\$11,695	1.4%	\$14,436	1.9%	\$14,529	1.7%	2 of 3
Marketing/Advertising (21)	\$15,681	1.6%	\$23,351	2.8%	\$29,738	3.9%	\$22,923	2.8%	2 of 3
Facility (22)	\$272,832	27.4%	\$213,191	25.4%	\$152,360	20.1%	\$212,795	24.3%	2 of 3
Total Operating Expenses (23)	\$474,951	47.6%	\$365,969	43.6%	\$330,239	43.5%	\$390,386	44.9%	2 of 3
NET INCOME									
Net Income (24)	\$239,387	24.0%	\$237,337	28.3%	\$205,440	27.1%	\$227,388	26.5%	2 of 3

Notes to Table No. 1:

- (1) As of December 31, 2016, we had 123 locations operating in the SafeSplash and Swimtastic system, comprised of 101 locations operated by franchisees, three locations operated by licensees, and 19 locations operated by an Affiliate. Of these 123 locations, three SafeSplash locations (none of which is operated by a franchisee) and five Swimtastic (all operated by franchisees) met all of the following criteria (“**SafeSplash Reporting Criteria**”): each location had been open and operating for at least 18 months; is operated under the Dedicated Location format as described in ITEM 1; is operated under the “SAFESPLASH” Marks; and had submitted financial reports. The results of the remaining locations did not satisfy one or more of the SafeSplash Reporting Criteria.
- (2) “**Swimming Revenue**” means revenue that is derived from providing swim lessons and other authorized and related services at the location (See ITEM 6 for a more detailed definition).
- (3) “**Royalty**” means the seven percent (7%) of Swimming Revenues retained through our Enhanced Services process as payment of the Royalty. “**Enhanced Services Fee**” means the thirteen percent (13%) of Swimming Revenues retained through our Enhanced Services process as payment of the Enhanced Services Fee which relates to the enhanced administrative services we provide, in connection with our Affiliates, HQ and DFW, including a customer relationship management system, a call center, billing services, collection services, scheduling services and core marketing services.
- (4) “**Revenue Distributed to Outlet**” means the difference between Total Swimming Revenue and the combination of Royalties and Enhanced Service Fees.
- (5) “**Lesson Slots Filled Per Month**” represents the number of class slots that are filled. One student in a group class accounts for one slot filled. One student in a semi-private class accounts for two slots filled. One student in a private class accounts for four slots filled.
- (6) “**Years in Operations**” means the number of years the SafeSplash Business or Swimtastic Business has been in operation.
- (7) “**Swimming Revenues**” – see footnote 2 above.
- (8) “**Registration Fees and Late Withdrawal Fees**” means revenue that is derived from annual registration fees paid by students to participate in any of our programs.
- (9) “**Retail and Snacks**” means swimming related products like swim caps, goggles and towels as well as children’s snacks like cheese strips, animal crackers and juice bottles.
- (10) “**Miscellaneous**” means any other revenue not included above.
- (11) “**Total Revenue Distributed to Outlet**” means the sum of Swimming Revenues, Registration Fees and Late Withdrawal Fees, Retail, and Miscellaneous.
- (12) “**Lesson Salaries**” means the payroll costs for swim instructors and lifeguards.
- (13) “**Payroll Taxes**” means Taxes associated with payroll such as social security taxes and unemployment tax.

- (14) **“Inventory”** means the expenses for uniforms and retail inventory purchases (such as kickboards, diving rings, barbells, pool toys, swim suits, t-shirts and lifeguard shorts).
- (15) **“Total COGS”** means the sum of Lesson Salaries, Payroll Taxes, and Inventory.
- (16) **“Gross Profit”** means the difference between Total Revenue Distributed to Franchisee and Total COGS.
- (17) **“Other Labor and Related Expenses”** means the payroll costs for pool deck supervisors and assistant managers, as well as the recruiting expenses that relate to filling such positions.
- (18) **“Insurance”** means the costs of additional insurance policies which extend beyond the coverage funded by us.
- (19) **“Pool Supplies”** means the costs of swimming pool accessories, chemicals, parts and equipment utilized in maintaining and balancing pools.
- (20) **“Supplies/Services”** means the expenses for teaching supplies and office supplies, meals and entertainment expenses, computer and internet expenses, postage costs, uniforms, IT services, telephone expenses, business and personal property taxes, and professional fees.
- (21) **“Marketing/Advertising”** means the expense for local or street marketing including brochures, flyers, trade fairs, yard signs, and etc.
- (22) **“Facility”** means the expenses associated with owning, operating, and/or maintaining the physical building or structure that houses the swimming pool(s) associated with the SafeSplash Business, including property taxes, utilities, repairs and interest on real estate debt.
- (23) **“Total Operating Expenses”** means the sum of Other Labor and Related Expenses, Insurance, Supplies/Services, Marketing/Advertising, Bank Fees/Loan Servicing, Taxes/Permits, and Facility (other than Hosted Partner).
- (24) **“Net Income”** means the difference between Gross Profit and Total Operating Expenses.

TABLE NO. 2
SWIMTASTIC DEDICATED LOCATIONS –
FRANCHISED OUTLETS (1)

	Outlet 1		Outlet 2		Outlet 3		Outlet 4		Outlet 5			
YEARS IN OPERATION (2)	18 years		17 years		12 years		6 years		12 years			
LESSON SLOTS FILLED PER MONTH (3)	917		588		770		631		776			
REVENUE	Amount	%										
Swimming Revenues (4)	\$789,065	91.5%	\$452,437	90.5%	\$631,565	93.8%	\$521,510	91.8%	\$729,713	93.4%	\$624,858	92.2%
Registration Fees (5)	\$41,810	4.9%	\$22,935	4.6%	\$16,700	2.5%	\$20,878	3.7%	\$21,591	2.8%	\$24,783	3.7%
Retail and Snacks (6)	\$15,991	1.9%	\$16,543	3.3%	\$17,268	2.6%	\$10,585	1.9%	\$10,137	1.3%	\$14,105	2.2%
Birthday Parties (7)	\$15,032	1.7%	\$7,986	1.6%	\$7,325	1.1%	\$12,668	2.2%	\$19,996	2.6%	\$12,601	1.8%
Miscellaneous (8)	\$95	0.0%	\$74	0.0%	\$208	0.0%	\$2,521	0.4%	\$25	0.0%	\$585	0.1%
Total Revenue (9)	\$861,992	100.0%	\$499,975	100.0%	\$673,066	100.0%	\$568,162	100.0%	\$781,462	100.0%	\$676,931	100.0%
COST OF GOODS SOLD (COGS)	Amount	%										
Lesson Salaries (10)	\$84,066	9.8%	\$42,493	8.5%	\$87,397	13.0%	\$78,883	13.9%	\$38,982	5.0%	\$66,364	10.0%
Payroll Taxes (11)	\$7,003	0.0%	\$3,442	0.7%	\$6,904	1.0%	\$6,784	1.2%	\$3,391	0.4%	\$5,505	0.7%
Inventory (12)	\$14,161	1.6%	\$8,244	1.6%	\$12,011	1.8%	\$7,798	1.4%	\$5,794	0.7%	\$9,602	1.4%
Total COGS (13)	\$98,227	11.4%	\$54,179	10.8%	\$106,312	15.8%	\$93,464	16.5%	\$48,167	6.2%	\$80,070	12.1%
GROSS PROFIT	Amount	%										
Gross Profit (14)	\$763,765	88.6%	\$445,796	89.2%	\$566,754	84.2%	\$474,698	83.5%	\$733,295	93.8%	\$596,861	87.9%
OPERATING EXPENSES	Amount	%										
Other Labor and Related Expenses (15)	\$219,732	25.5%	\$127,158	25.4%	\$102,347	15.2%	\$127,539	22.4%	\$105,219	13.5%	\$136,399	20.4%
Insurance (16)	\$11,772	1.4%	\$6,779	1.4%	\$15,455	2.3%	\$9,457	1.7%	\$30,936	4.0%	\$14,880	2.1%
Pool Supplies (17)	\$8,317	1.0%	\$3,497	0.7%	\$2,664	0.4%	\$3,058	0.5%	\$4,600	0.6%	\$4,427	0.6%
Supplies/Services (18)	\$76,348	8.9%	\$31,431	6.3%	\$45,500	6.8%	\$16,108	2.8%	\$63,056	8.1%	\$46,489	6.6%
Marketing/Advertising (19)	\$20,304	2.4%	\$20,872	4.2%	\$23,992	3.6%	\$18,058	3.2%	\$27,871	3.6%	\$22,219	3.4%
Facility (20)	\$115,999	13.5%	\$81,168	16.2%	\$149,674	22.2%	\$167,081	29.4%	\$192,082	24.6%	\$141,201	21.2%
Royalty (21)	\$42,617	4.9%	\$23,699	4.7%	\$20,696	3.1%	\$25,783	4.5%	\$40,584	5.2%	\$30,676	4.5%
Marketing Fund (22)	\$17,461	2.0%	\$10,581	2.1%	\$13,240	2.0%	\$11,334	2.0%	\$15,726	2.0%	\$13,668	2.0%
Total Operating Expenses (23)	\$512,548	59.5%	\$305,186	61.0%	\$373,567	55.5%	\$378,419	66.6%	\$480,074	61.4%	\$409,959	60.8%
NET PROFIT	Amount	%										
Net Profit (24)	\$232,774	27.0%	\$140,610	28.1%	\$193,699	28.8%	\$71,073	12.5%	\$199,847	25.6%	\$167,601	24.4%

Notes to Table No. 2:

- (1) As of December 31, 2016, we had 123 locations operating in the SafeSplash and Swimtastic system, comprised of 101 locations operated by franchisees, three locations operated by licensees, and 19 locations operated by an Affiliate. Of these 123 locations, three SafeSplash locations (none of which is operated by a franchisee) and five Swimtastic (all operated by franchisees) met all of the following criteria (“**Swimtastic Reporting Criteria**”): each location had been open and operating for at least 18 months; is operated under the Dedicated Location format as described in ITEM 1; is operated under the “SWIMTASTIC” Marks; and had submitted financial reports. The results of the remaining locations did not satisfy one or more of the Swimtastic Reporting Criteria.
- (2) “**Years in Operations**” means the number of years the Swimtastic Business has been in operation.
- (3) “**Lesson Slots Filled Per Month**” represents the number of class slots that are filled. One student in a group class accounts for one slot filled. One student in a semi-private class accounts for two slots filled. One student in a private class accounts for four slots filled.

- (4) “**Swimming Revenues**” means revenue that is derived from providing swim lessons and other authorized and related services at the location (See ITEM 6 for a more detailed definition).
- (5) “**Registration Fees**” means revenue that is derived from annual registration fees paid by students to participate in any of our programs.
- (6) “**Retail and Snacks**” means swimming related products like swim caps, googles and towels as well as children’s snacks like cheese strips, animal crackers and juice bottles.
- (7) “**Birthday Parties**” means revenue that is derived from the rental of a staffed facility and pool by a private party for the purpose of celebrating a birthday or special event.
- (8) “**Miscellaneous**” means any other revenue not included above.
- (9) “**Total Revenue**” means the sum of Swimming Revenues, Registration Fees, Retail and Snacks, Birthday Parties, and Miscellaneous.
- (10) “**Lesson Salaries**” means the payroll costs for swim instructors and lifeguards.
- (11) “**Payroll Taxes**” means Taxes associated with payroll such as social security taxes and unemployment tax.
- (12) “**Inventory**” means the expenses for uniforms and retail inventory purchases (such as kickboards, diving rings, barbells, pool toys, swim suits, t-shirts and lifeguard shorts).
- (13) “**Total COGS**” means the sum of Lesson Salaries, Payroll Taxes, and Inventory.
- (14) “**Gross Profit**” means the difference between Total Revenue Distributed to Franchisee and Total COGS.
- (15) “**Other Labor and Related Expenses**” means the payroll costs for pool deck supervisors and assistant managers, as well as the recruiting expenses that relate to filling such positions.
- (16) “**Insurance**” means the costs of additional insurance policies which extend beyond the coverage funded by us.
- (17) “**Pool Supplies**” means the costs of swimming pool accessories, chemicals, parts and equipment utilized in maintaining and balancing pools.
- (18) “**Supplies/Services**” means the expenses for teaching supplies and office supplies, meals and entertainment expenses, computer and internet expenses, postage costs, uniforms, IT services, telephone expenses, business and personal property taxes, and professional fees.
- (19) “**Marketing/Advertising**” means the expense for local or street marketing including brochures, flyers, trade fairs, yard signs, and etc.
- (20) “**Facility**” means the expenses associated with owning, operating, and/or maintaining the physical building or structure that houses the swimming pool(s) associated with the Swimtastic Business, including property taxes, utilities, repairs and interest on real estate debt.
- (21) “**Royalty**” means the expenses associated with royalties paid to the franchisor.

- (22) **“Marketing Fund”** means the expenses associated with Marketing Fund contributions paid to the franchisor.
- (23) **“Total Operating Expenses”** means the sum of Other Labor and Related Expenses, Insurance, Supplies/Services, Marketing/Advertising, Facility, Royalty, and Marketing Fund.
- (24) **“Net Profit”** means the difference between Gross Profit and Total Operating Expenses.

Other Notes and Comments Which Apply to Table No. 1 and Table No. 2:

- (1) The figures presented in Table No. 1 and Table No. 2 are derived from the aggregate sales of the SafeSplash and Swimtastic Products and Services, prepared from sales records and reports, as generated by independent accountants, QuickBooks, franchisees, licensees, and Affiliates, and submitted to us by the locations which satisfied the Reporting Criteria and should not be considered actual or probable results which will be achieved by any individual franchisee. Your accountant can help you determine your own estimated costs for your Franchised Business. Data from these locations is not an indication of how your Franchised Business will perform.
- (2) As a franchisee, you will have additional costs that our Affiliate-owned SafeSplash Businesses do not incur, including, but not limited to, the Initial Franchise Fee and Local Advertising Expense (See ITEMS 5, 6, and 11). Similarly, as a franchisee, you may have additional costs that our licensees disclosed in this ITEM 19 do not incur, including, but not limited to, the cost of leasing an above-ground swimming pool from us or one of our Affiliates.
- (3) You must receive approval from us before selling any product or service other than our approved Products and Services. In addition, our Affiliate-owned SafeSplash Businesses may be authorized to sell test Products or Services that you are not allowed or authorized to sell. Therefore, your income from miscellaneous sources may not be similar to those of the Affiliate-owned SafeSplash Businesses.
- (4) The revenue and expense information disclosed in this Item 19 should not be considered the actual or probable revenue or expenses which will be achieved by any individual franchisee or outlet. You are responsible for developing your own business plan for your Franchise Business, including capital budgets, financial statements, projections, and other elements appropriate to your particular circumstances. We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis. We encourage you to consult with your own accounting, business, and legal advisors to assist you in identifying the expenses you likely will incur in connection with your Franchised Business, to prepare your budgets, and to assess the likely or potential financial performance of your Franchised Business.
- (5) We have written substantiation in our possession to support the information appearing in this Item 19. This substantiation will be made available for inspection by you at our headquarters in Lone Tree, Colorado, upon written request and reasonable notice.

Other than as set forth above, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we

may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Paul Gerrard, SafeSplash Brands, LLC, 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124, (303) 799-1885, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

System wide Outlet Summary
For Years 2014-2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised*	2014	13	17	+4
	2015	17	59	+42
	2016	59	104**	+45
Company-Owned***	2014	11	7	-4
	2015	7	22	+15
	2016	22	19	-3
Total Outlets	2014	24	24	0
	2015	24	81	+57
	2016	81	123	+42

*For purposes of this Table 1, we include our Licensees as part of our “Franchised” numbers.

**This figure includes outlets in Mexico.

***The outlets listed here are operated by our various Affiliates, as described in ITEM 1.

Table No. 2
Transfers of Franchised Outlets*
For Years 2014-2016

State	Year	Number of Transfers
All States	2014	0
	2015	0
	2016	2
Totals	2014	0
	2015	0
	2016	2

*For purposes of this Table 2, we include our Licensees as part of our “Franchised” numbers.

Table No. 3
Status of Franchised Outlets
For Years 2014-2016

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor or Affiliate	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2014	0	1	0	0	0	0	1
	2015	1	1	0	0	0	0	2
	2016	2	6 ⁽¹⁾	0	0	2	0	6
Colorado	2014	3	2	0	0	0	0	5
	2015	5	2	0	0	0	0	7
	2016	7	0	0	0	0	1	6
Florida	2014	0	1	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	3	0	0	0	1	3
Michigan	2014	0	0	0	0	0	0	0
	2015	0	5	0	0	0	0	5
	2016	5	0	0	0	0	0	5

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor or Affiliate	Ceased Operations - Other Reasons	Outlets at End of the Year
Nebraska	2014	1	1	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Nevada	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	1	0	0	0	0	4
New Jersey	2014	2	0	0	0	0	0	2
	2015	2	5	0	0	0	5	2
	2016	2	3	0	0	0	0	5
Ohio	2014	0	0	0	0	0	0	0
	2015	0	5	0	0	0	0	5
	2016	5	1	0	0	0	1	5
Oregon	2014	0	0	0	0	0	0	0
	2015	0	3	0	0	0	1	2
	2016	2	0	0	0	0	0	2
Texas	2014	3	1	0	0	0	0	4
	2015	4	14	0	0	0	0	18
	2016	18	2	0	0	0	2	18
Utah	2014	2	0	0	0	0	0	2
	2015	2	1	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Washington	2014	0	0	0	0	0	0	0
	2015	0	8	0	0	0	2	6
	2016	6	1	0	0	0	0	7
Wisconsin	2014	2	0	0	0	0	0	2
	2015	2	1	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Totals – UNITED STATES	2014	16	6	0	0	0	0	22
	2015	22	45	0	0	0	8	59
	2016	59	15	0	0	2	5	69

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor or Affiliate	Ceased Operations - Other Reasons	Outlets at End of the Year
MEXICO	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	35	0	0	0	0	35
Totals - ALL	2014	16	6	0	0	0	0	22
	2015	22	45	0	0	0	8	59
	2016	59	50	0	0	2	5	104

(1) Four (4) of these were Affiliated-owned outlets sold to a franchisee.

Table No. 4
Status of Company-Owned Outlets
For Years 2014-2016*

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2014	7	0	0	3	1	3
	2015	3	5	0	1	0	7
	2016	7	7	2	1	5	10
Colorado	2014	4	0	0	0	0	4
	2015	4	1	0	0	0	5
	2016	5	0	0	0	0	5
Texas	2014	0	0	0	0	0	0
	2015	0	14	0	0	4	10
	2016	10	0	0	6	0	4
Totals	2014	11	0	0	3	1	7
	2015	7	19	0	1	4	22
	2016	22	7	2	7	5	19

*The outlets listed here are operated by our various Affiliates, as described in ITEM 1.

Table No. 5

Projected Openings as of December 31, 2016, for 2017

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
California	1	1	0
Colorado	1	3	0
Florida	0	4	0
Georgia	2	1	0
Kentucky	0	2	0
Maryland	1	1	0
Michigan	0	0	0
Nebraska	1	1	0
Ohio	1	0	0
Oregon	0	0	0
Texas	0	3	0
Washington	0	0	0
Totals	7	16	0

The name of each of our franchisees and the address and telephone number of each of their outlets as of the date of our formation is set forth in **Exhibit F**. Upon your request, we will make available to you information concerning the length of time our franchisees have been in the franchise system and contact information.

The name and last known home address and telephone number of every franchisee who has had a Franchise Agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement since our formation or who has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document is listed on **Exhibit G** to this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No trademark-specific franchisee organization exists that is associated with the franchise system being offered.

**ITEM 21
FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as **Exhibit H** are our audited financial statements for the fiscal years ended December 31, 2016, December 31, 2015, and December 31, 2014, and our audited opening balance sheet as of January 15, 2014.

**ITEM 22
CONTRACTS**

The following agreements are attached as exhibits to this Franchise Disclosure Document:

Exhibit:

- B. Franchise Agreement
 - Attachment A – Territory and Initial Franchise Fee
 - Attachment B – Guaranty and Assumption of Franchisee’s Obligations
 - Attachment C – Statement of Ownership
 - Attachment D – EFT Authorization
 - Attachment E – Collateral Assignment of Telephone Numbers, Telephone Listings and Internet Addresses
 - Attachment F – Lease Addendum and Collateral Assignment of Lease
 - Attachment G - Hosted Location Addendum
 - Attachment H – SBA Addendum
 - Attachment I – Enhanced Services Addendum
- C. Area Development Agreement
- D. Non-Disclosure and Non-Competition Agreement
- I. Statement of Franchisee
- J. State Specific Addenda
- L. Sample General Release

**ITEM 23
RECEIPTS**

On the last two pages of this Franchise Disclosure Document, you will find two copies of the Receipt Page. You must sign, date and deliver one copy of the Receipt Page to us for our records.

EXHIBIT A



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

**LIST OF STATE AGENCIES /
AGENTS FOR SERVICE OF PROCESS**

EXHIBIT A
SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101 651-296-4026	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Div. 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 212-416-8222	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 605-773-4823	Director of the South Dakota Division of Securities Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX:801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

EXHIBIT B



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

FRANCHISE AGREEMENT



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

EXHIBIT B

FRANCHISE AGREEMENT

Franchise #: _____

Franchisee: _____

Date: _____

Territory: _____

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ATTACHMENTS:

- A. Territory and Initial Franchise Fee
- B. Guaranty and Assumption of Franchisee's Obligations
- C. Statement of Ownership
- D. EFT Authorization
- E. Collateral Assignment of Telephone Numbers, Telephone Listings and Internet Addresses
- F. Lease Addendum and Collateral Assignment of Lease
- G. Hosted Location Addendum
- H. SBA Addendum
- I. Enhanced Services Addendum
- J. Acknowledgment

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is made effective as of the Effective Date (as defined below), by and between SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS, a Colorado limited liability company, located at 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124 (“**Franchisor**”) and _____, located at _____ (“**Franchisee**”).

RECITALS

WHEREAS, Franchisor has developed a comprehensive system for the operation of a business offering “learn to swim” programs for children and adults, birthday parties, summer camps, other swimming-related activities, and the sale of related Products under the trademark “SAFESPLASH SWIM SCHOOL®” or “SWIMTASTIC®” (“**SafeSplash Business**” or “**Swimtastic Business**,” respectively, which are collectively referred to herein as a “**Franchised Business**”).

WHEREAS, the Franchised Businesses are operated under a business format per a unique system with high standards of service, including valuable know-how, information, Trade Secrets, Confidential Information, training methods, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, and research and development (“**System**”).

WHEREAS, the distinguishing characteristics of the System include the trademarks “SAFESPLASH SWIM SCHOOL®” and “SWIMTASTIC®” and other trademarks and trade names, confidential operating procedures, confidential Operations Manual, standards and specifications for equipment, services and products, methods of service, management and marketing programs and sales techniques and strategies. All of these distinguishing characteristics may be changed, improved, and further developed by Franchisor from time to time. They are Franchisor’s Confidential Information and Trade Secrets and are designated by and identified with the Marks described in this Agreement.

WHEREAS, Franchisor continues to use, develop and control the use of the Marks in order to identify for the public the source of services and products marketed under the System, and which represent the System’s high standards of quality, service and customer satisfaction.

WHEREAS, Franchisee acknowledges the benefits to be derived from being identified with the System, and also recognizes the value of the Marks and the continued uniformity of image to Franchisee, Franchisor, and other franchisees of Franchisor.

WHEREAS, Franchisee acknowledges the importance to the System of Franchisor’s high and uniform standards of quality, service and customer satisfaction, and further recognizes the necessity of opening and operating a Franchised Business in conformity with the System.

WHEREAS, Franchisee recognizes that in order to enhance the value of the System and goodwill associated with it, this Agreement places detailed obligations on Franchisee, including strict adherence to Franchisor’s reasonable present and future requirements regarding the types of

products sold, services offered, advertising used, operational techniques, marketing and sales strategies and related matters.

WHEREAS, Franchisee is aware of the foregoing and is desirous of obtaining the right to use the System and in association therewith, the right to use the Marks, and wishes to be assisted, trained, and franchised to operate a SafeSplash Business pursuant to the provisions and within the Territory specified in this Agreement, subject to the terms and conditions contained in this Agreement.

The parties therefore agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the following are hereby defined:

(a) **“Agreement”** - means this agreement, attachments, and all instruments in amendment hereof.

(b) **“Affiliate”** - means any person or entity that controls, is controlled by, or is in common control with, Franchisor or Franchisee.

(c) **“Customer Support Center Services”** – means administrative and back office services, including a customer relationship management system, a call center, billing services, credit card transaction fees, collection services, website management, scheduling services, swimmer liability insurance and core marketing services.

(d) **“Confidential Information”** - means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the System and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, Franchisee’s Franchised Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, manuals, promotional and marketing materials, marketing strategies and any other data which Franchisor designates as confidential.

(e) **“Construction Oversight Services”** – means all services provided by Franchisor relating to the review and approval of construction plans for the Swim Facility and inspection of the Swim Facility prior to the date Franchisee is authorized to open the Swim Facility for business. The Construction Oversight Services are more fully defined in the Operations Manual and may be modified periodically by Franchisor in Franchisor’s sole discretion.

(f) **“Dedicated Location”** – means a free-standing location with a swimming pool which Franchisee leases or purchases for the operation of the Franchised Business.

(g) **“Enhanced Services”** – means enhanced administrative services provided by Franchisor, in connection with its affiliates, SafeSplash HQ, LLC, and SafeSplash DFW, LLC, including a customer relationship management system, a call center, billing services, collection services, scheduling services and core marketing services.

(h) “**Franchisor’s System**” or “**System**” - means the standards, systems, concepts, identifications, methods, and procedures developed or used by Franchisor, or which may hereafter be developed or used by Franchisor, for the sales and marketing of Franchisor’s Services and Products.

(i) “**Franchise**” - means the business operations conducted or to be conducted using Franchisor’s System and in association therewith the Marks.

(j) “**Franchised Business**” - means the business operations conducted or to be conducted by Franchisee consisting of providing “learn to swim” lessons for children and adults, birthday parties, summer camps, other swimming-related activities, and the sale of related Products using Franchisor’s System and in association with the Marks.

(k) “**Hosted Location**” – means a third party fitness center, health club, diving facility or other facility with a swimming pool which Franchisee leases for the operation of the Franchised Business.

(l) “**Late Withdrawal Fees**” – means all monies charged and revenue collected from customers for late withdrawing customers for swim lessons provided by the Franchised Business.

(m) “**Lease**” - means any agreement (whether oral or written) under which the right to occupy a Swim Facility has been obtained, and any amendment made thereto from time to time, including without limitation, any offer to lease, license or lease agreement. Franchisee acknowledges and agrees that before any Lease will be accepted by Franchisor, the Lease must incorporate the terms of the Lease Addendum attached to this Agreement as **Attachment F**.

(n) “**Marks**” - means the trademarks “**SAFESPLASH SWIM SCHOOL®**” and “**SAFESPLASH SWIM SCHOOL and design**” and “**SWIMTASTIC®**” to the extent of Franchisor’s rights to same, together with such other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise which may be designated by Franchisor from time to time as part of the System for use by Franchisees, and not thereafter withdrawn.

(o) “**Operations Manual**” - means, but is not limited to, collectively, all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, e-mail, Internet or intranet data, or other publications, documents, software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of Franchisor for use by franchisees generally or for Franchisee in particular, setting forth information, advice and standards, requirements, marketing information and procedures, operating procedures, instructions or policies relating to the operation of the Franchised Business or the operation of franchises, as same may be added to, deleted or otherwise amended by Franchisor from time to time. The form and content of the Operations Manual maintained by Franchisor shall prevail in the event of any dispute regarding the form of or content of the Operations Manual between Franchisor and Franchisee.

(p) “**Products**” - means all supplies, material, equipment, and ancillary items sold, leased, prepared or otherwise dealt with in connection with the Franchised Business and associated with the Marks.

(q) **“Registration Fees”** - means all monies charged and revenue collected to register customers for swim lessons provided by the Franchised Business.

(r) **“Site Selection Assistance”** – means all services provided by Franchisor relating to the section and authorization of Franchisee’s Swim Facility. Franchisor’s Site Selection Assistance is more fully defined in the Operations Manual, and Franchisor has the right to modify the site selection services offered by Franchisor periodically in Franchisor’s discretion.

(s) **“Swim Facility”** means the retail store front, commercial facility, or other approved location from which Franchisee sells Products and provides Services in connection with the Franchised Business.

(t) **“Swimming Revenues”** - means the total of all receipts derived from all sales of swimming-related and aquatics-related services, coaches fees, Registration Fees, and Late Withdrawal Fees associated in any way with services delivered at Franchisee’s Franchised Business, including all swimming lessons, birthday parties, summer camps, other swimming-related and aquatics-related activities, sales made away from the Swim Facility, and all other swimming-related services sold or performed by or for Franchisee or the Franchised Business or by means of the business conducted under this Agreement, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Swimming Revenues do not include:

- (i) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any such tax is shown separately and in fact paid by Franchisee to the appropriate governmental authority; and
- (ii) all customer refunds, valid discounts and coupons, and credits made by the Franchised Business (exclusions will not include any reductions for credit card user fees, returned checks or reserves for bad credit or doubtful accounts).

Swimming Revenues shall be deemed received by Franchisee at the time the Services from which they were derived are delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment actually has been received by Franchisee. Swimming Revenues consisting of property or other services shall be valued at the retail prices applicable and in effect at the time that they are received.

(u) **“Trade Secret(s)”** means information, including any formula, pattern, compilation, program, device, method, training technique or process related to the System that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF FRANCHISEE.

Franchisee covenants, represents and warrants as follows and acknowledges that Franchisor is relying upon such covenants, representations and warranties in making its decision to enter into this Agreement.

2.1 Franchisee acknowledges that it has received, has had ample time to read, and has read this Agreement, and all related agreements with Franchisor. Franchisee acknowledges that Franchisor has advised it to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal, accounting and other professional advisors of its own choosing regarding all pertinent aspects of the Franchised Business, Franchisor and this Agreement.

2.2 Franchisee has, or has made firm arrangements to acquire funds to commence, open and operate the Franchised Business and it is financially and otherwise able to accept the risks attendant upon entering into this Agreement.

2.3 All statements made by Franchisee in writing in connection with its application for this franchise were, to the best of its knowledge, true when made and continue to be true as of the date of this Agreement.

2.4 There are no material financial obligations of Franchisee, whether actual or contingent, which are outstanding as of the date of this Agreement other than those disclosed to Franchisor by Franchisee in writing.

2.5 Franchisee is not a party to nor subject to any court or administrative order or action of any governmental authority which would limit or interfere in any way with the performance by Franchisee of its obligation hereunder.

2.6 Franchisee is not a party to any litigation or legal proceedings other than those which have been disclosed to Franchisor by Franchisee in writing.

2.7 Franchisee represents that it is not a party to nor subject to agreements that might conflict with the terms of this Agreement and agrees not to enter into any conflicting agreements during the Term or any Successor Terms.

2.8 Franchisee represents that neither Franchisee nor Franchisee's owners, if Franchisee is a legal entity, have been accused of or convicted of a crime against a child or any form of physical violence or sexual assault against any person.

2.9 Franchisee agrees and acknowledges that it has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises or inducements, whatsoever, whether oral or written, and whether directly related to the contents hereof or collateral thereto, made by Franchisor, its officers, directors, agents, employees or contractors except as provided herein. Franchisee acknowledges that the Franchise has been granted in reliance upon the information supplied to Franchisor in Franchisee's application for a Franchise.

2.10 Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws.

(a) Franchisee and its owners certify that none of them, their respective employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (which can be accessed at <http://www.treasury.gov/offices/enforcement/ofac/legal/eo/13224.pdf>). Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

(b) Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224.

(c) Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this Section 2.10.

(d) Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, agents, its employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or any of Franchisor's affiliates.

(e) "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

3. GRANT OF LICENSE.

3.1 Subject to all the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee, and Franchisee accepts, for the term of this Agreement, the right and license ("**License**") to:

(a) Operate one Franchised Business under the name and Marks identified in **Attachment A** and upon the terms and conditions of this Agreement in one territory described in **Attachment A** ("**Territory**");

(b) Use the relevant Marks and the System; and

(c) Offer and market ONLY Franchisor's approved Services and Products, unless Franchisor approves in writing (such approval to be in Franchisor's sole and absolute discretion) Franchisee's request to offer and market complementary and non-competing services or products.

3.2 The License does not include the right to sell Products to any vendor who would in turn sell to consumers.

3.3 Franchisee recognizes that variations and additions to the System may be required from time to time in order to preserve and/or enhance the System. Therefore, Franchisor expressly reserves the right to add to, subtract from, revise, modify or change from time to time the System or any part thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures as may be necessary to comply pursuant to Section 9.

3.4 Franchisee recognizes that the rights that are granted to Franchisee are for the specific Territory, defined in Section 5.1 below and no other, and cannot be transferred to an alternate Territory, without the prior written approval of Franchisor, which approval the Franchisor has the right to grant or withhold for any reason or no reason.

4. TERM OF THE AGREEMENT AND LICENSE

4.1 This Agreement and the License granted shall become effective on the date this Agreement is executed by Franchisor and shall continue until midnight on the day before the tenth anniversary of the date the Swim Facility opened for business ("**Term**"), subject, however, to termination in accordance with the provisions of this Agreement. When the initial Term expires, Franchisee shall have the option, subject to the restrictions set forth in Sections 4.2 and 4.4 below, to extend Franchisee's rights to operate the Franchised Business for one additional term ("**Successor Term**") of ten (10) years. Franchisee must pay the Successor Franchise Fee set forth in Section 4.4(b) and otherwise comply with the requirements set forth in this Section 4.

4.2 Franchisor may refuse to renew this Agreement and License if Franchisee has:

(a) Failed to remedy any breach of this Agreement specified by Franchisor in a written notice to Franchisee as per Sections 18.2 or 18.3; or

(b) Committed and received notice of two or more breaches of this Agreement in the 24 months prior to the end of the Term, even if such breaches were timely remedied; or

(c) Franchisee has failed to give Franchisor a written notice of intent to renew no less than six months or more than nine months prior to expiration of the Term; or

(d) Franchisee is not current in payment obligations to Franchisor or to Franchisee's Lessor, suppliers, or trade creditors.

4.3 If Franchisee opts to extend its rights to operate the Franchised Business at the end of the Term, and Franchisor consents to such extension, Franchisee shall execute a new Franchise Agreement (“**Successor Franchise Agreement**”) and all other agreements in the form then being used by Franchisor in granting new franchises. Franchisor reserves the right to change any term(s) of the Franchise Agreement form to be signed by Franchisee at the time Franchisee extends its rights to operate the Franchised Business (except as specified below). There shall not, however, be another Initial Franchise Fee charged at the time Franchisee signs the Successor Franchise Agreement. **FRANCHISEE MAY BE DEEMED BY FRANCHISOR TO HAVE IRREVOCABLY DECLINED TO EXTEND ITS RIGHTS TO OPERATE THE FRANCHISE (AND ITS OPTION SHALL THEREUPON TERMINATE) IF IT FAILS TO EXECUTE AND RETURN TO FRANCHISOR THE SUCCESSOR FRANCHISE AGREEMENT AND OTHER DOCUMENTS REQUIRED BY FRANCHISOR WITHIN THIRTY (30) DAYS AFTER THEIR DELIVERY TO FRANCHISEE, OR FAILS TO COMPLY IN ANY OTHER WAY WITH THE PROVISIONS OF THIS SECTION 4.**

4.4 As additional conditions to renewal, in Franchisor’s sole discretion, Franchisee may be required to:

(a) Execute a general release of all claims Franchisee may have against Franchisor, its officers, directors, members, shareholders, agents, Affiliates, and employees, whether in their corporate and/or individual capacities. This release shall include all claims arising under any federal, state, or local law, rule, or ordinance arising out of or concerning this Agreement (to the fullest extent permitted by law) and shall be in a form satisfactory to Franchisor. Franchisee’s failure or refusal to sign such a release in the form presented by Franchisor shall be deemed to be a rejection by Franchisee of its option to extend its rights to operate the Franchised Business;

(b) Pay the successor franchise fee (“**Successor Franchise Fee**”) of ten percent (10%) of the then-current Initial Franchise Fee, which is due and payable to Franchisor at the time of signing the renewal Franchise Agreement;

(c) Upgrade the computer system used in operations of the Franchised Business to Franchisor’s current standards;

(d) Comply with all other provisions contained in the Operations Manual, including upgrading the Swim Facility if required, as modified periodically by Franchisor in Franchisor’s sole discretion;

(e) Provide proof of current licenses, insurance and permits.

4.5 If Franchisee does not sign a new Franchise Agreement prior to the expiration of this Agreement and continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of Franchisor, this Agreement may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a franchise to do so and in violation of Franchisor’s rights; or (ii) continued on a month-to-month basis (“**Interim Period**”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice

to terminate the Interim Period. In the latter case, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

5. TERRITORY

5.1 Franchisee may operate the Franchised Business only at the Swim Facility as designated in **Attachment A** to this Agreement. Franchisee may not relocate the Franchised Business from the Swim Facility without Franchisor's prior written approval, which may be withheld for any reason.

5.2 During the Term and any Interim Period, for so long as Franchisee is in compliance with all of its obligations hereunder, except as otherwise provided in this Agreement, and subject to Franchisor's reservation of rights as set forth in Section 4.3 below, neither Franchisor nor any Affiliate will establish or license another person or entity to establish a Franchised Business using the Marks licensed to Franchisee within the Territory encompassed by the boundaries set forth in **Attachment A**, attached hereto and incorporated herein by reference. Except as otherwise specifically provided in this Agreement, this Agreement does not restrict Franchisor or its Affiliates and does not grant rights to Franchisee to pursue any of Franchisor's or its Affiliates other business concepts other than the Franchised Business. Once established, the boundaries of Franchisee's Territory will not be adjusted without Franchisor's written consent, which Franchisor has the right to grant or deny for any reason or no reason.

5.3 Franchisee acknowledges that the Franchise granted hereunder is non-exclusive and that Franchisor and its Affiliates retain the exclusive right, among others:

(a) to use, and to license others to use, the Marks and System for the operation of SafeSplash Businesses and Swimtastic Businesses at any location other than in the Territory, regardless of proximity to the Territory;

(b) to use, license and franchise the use of trademarks or service marks other than the Marks, whether in alternative channels of distribution or at any location including the Territory, in association with operations that are similar to or different than the Franchised Business;

(c) to use the Marks and the System in connection with the provision of other services and products or in alternative channels of distribution such as those described in Section 4.2(d), at any location including the Territory;

(d) to offer the Services or Products, or grant others the right to offer the Services or Products, whether using the Marks or other trademarks or service marks, through alternative channels of distribution, including without limitation, wholesalers, retail outlets or other distribution outlets (other than Franchised Businesses), or by Internet commerce (e-commerce), mail order or otherwise, whether inside or outside the Territory;

(e) to any websites utilizing a domain name incorporating one or more of the words "**Safe**" and/or "**Splash**" and/or "**Swimtastic**" or similar derivatives thereof.

Franchisor retains the sole right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URL's, directory addresses, metatags, linking, advertising, and co-branding and other arrangements. Franchisee may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Marks or otherwise establish any presence on the Internet without Franchisor's prior written approval. Franchisor intends that any Franchisee website be accessed only through Franchisor's home page. Franchisee will provide Franchisor with content for Franchisor's Internet marketing, and will sign Internet and intranet usage agreements, if any. Franchisor retains the right to approve any linking or other use of its website; and

(f) to acquire businesses that are the same as or similar to the Franchised Business and operate such businesses regardless of where such businesses are located, including inside the Territory and to be acquired by any third party which operates businesses that are the same as or similar to the Franchised Business regardless of where such businesses are located, including inside the Territory.

(g) to implement multi-area marketing programs which may allow Franchisor or others to solicit or sell customers anywhere. Franchisor reserves the right to issue mandatory policies, including pricing and promotion policies, to coordinate such multi-area marketing programs.

5.4 Notwithstanding Franchisor's exclusive right to sell Products and Services on the Internet in accordance with Section 5.3(d), if Franchisor sells Products or Services that Franchisee is required to sell and provide pursuant to this Agreement using the Marks to a customer located in Franchisee's Territory, Franchisor or its supplier or distributor, in Franchisor's sole discretion, may provide Franchisee with a credit against future Strategic Marketing and Promotions Fees due to Franchisor in an amount to be determined by Franchisor, in its sole discretion.

6. FEES.

6.1 Initial Franchise Fee. Franchisee shall pay the sum set forth on **Attachment A** plus, if due and payable, all applicable federal, state or municipal taxes, as a non-recurring initial franchise fee ("**Initial Franchise Fee**") to Franchisor upon the execution of this Agreement. The Initial Franchise Fee shall be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned upon Franchisee's signing of this Agreement and is non-refundable for any reason once paid.

6.2 Royalty. On or about the tenth (10th) day of each month, as determined by Franchisor, Franchisee shall pay to Franchisor a monthly royalty fee ("**Royalty**") in the amount of seven percent (7%) of all Swimming Revenues generated by the Franchised Business during the preceding month or portion thereof. Franchisee shall remit payment of the Royalty to Franchisor via electronic funds transfer ("**EFT**") or other similar means utilizing a Franchisor approved computer system or otherwise; provided, however, if Franchisee has elected the Enhanced Services Model, such Royalty payments shall be collected and retained by Franchisor out of the customer payments collected through the Enhanced Services Model process. The EFT Authorization is attached hereto as **Attachment D**. Franchisee agrees to comply with procedures specified by the

Franchisor and/or perform such acts and deliver and execute such documents, including authorization for direct debits from the bank operating account of the Franchised Business, as may be necessary to assist in or accomplish payment by such method. Under this procedure Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to Franchisor and any interest charged due thereon. Franchisee shall make funds available to the Franchisor for withdrawal by electronic transfer no later than the tenth (10th) day of each month or the due date for payment therefore.

6.3 Enhanced Services Fee. In the event Franchisee elects to enter into the Enhanced Services Addendum as set forth in **Attachment I** hereto, on or about the tenth (10th) day of each month, as determined by Franchisor, Franchisee shall pay to Franchisor, in addition to the Royalty, a monthly Enhanced Services fee (“**Enhanced Services Fee**”) in the amount of thirteen percent (13%) of all Swimming Revenues generated by the Franchised Business, which shall be collected and retained by Franchisor out of the customer payments collected through the Enhanced Services Model process. Franchisee acknowledges and agrees that the Enhanced Services Fee may be modified each year upon a mutual written agreement between Franchisee and Franchisor; provided, however, that such Enhanced Services Fee shall not increase or decrease by more than two percent (2%) each year, and the cumulative increase or decrease in the Enhanced Services Fee shall not exceed ten percent (10%) during the Term of this Agreement. Franchisee further acknowledges and agrees that in the event Franchisee fails or refuses to book the sale of swimming-related services through the Enhanced Services Model, Franchisee must still pay to Franchisor a monthly service fee equal to thirteen percent (13%) of Swimming Revenues for such month.

6.4 Strategic Marketing and Promotions Fee. On or about the tenth (10th) day of each month, as determined by Franchisor, Franchisee shall pay to Franchisor a strategic marketing and promotions fee (“**Strategic Marketing and Promotions Fee**”) in an amount equal to two percent (2%) of all Swimming Revenues generated by the Franchised Business during the preceding month or portion thereof. Franchisee shall remit payment of the Strategic Marketing and Promotions Fee via EFT or other similar means utilizing a Franchisor approved computer system or otherwise; provided, however, if Franchisee has elected the Enhanced Services Model, such Strategic Marketing and Promotions Fee payments shall be collected and retained by Franchisor out of the customer payments collected through the Enhanced Services Model process. Such Strategic Marketing and Promotions Fee shall be contributed to the Strategic Marketing and Promotions Fund, and shall not exceed the average dollar contribution of the three largest franchisees within the System, as solely determined by Franchisor, based on Swimming Revenues generated during the previous quarter.

6.5 Hosted Location Fee. In the event Franchisee’s Swim Facility is a Hosted Location at a facility with which Franchisor has contracted, Franchisee shall also pay to Franchisor a monthly Hosted Location fee (“**Hosted Location Fee**”) in an amount equal to the exact remuneration due and owing to the Hosted Location’s owner pursuant to Franchisor’s agreement with such Hosted Location’s owner relating to Franchisee’s use of the Hosted Location. Franchisee shall remit payment of the Hosted Location Fee to Franchisor via EFT or other similar means utilizing a Franchisor approved computer system or otherwise; provided, however, if Franchisee has elected the Enhanced Services Model, such Hosted Location Fee payments shall be collected and retained by Franchisor out of the customer payments which are collected through

the Enhanced Services Model process. There will be no Hosted Location Fee charged for facilities for which Franchisee contracts for directly.

6.6 Swimming Revenues Statements. Each quarter, Franchisee must submit to Franchisor a statement of the previous quarter's Swimming Revenues on a form approved and provided to Franchisee by Franchisor. Each failure to submit a fully completed statement of the previous quarter's Swimming Revenues shall constitute a material breach of this Agreement.

7. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES

7.1 Franchisee shall keep such complete records of its Franchised Business as a prudent and careful businessperson would normally keep. Franchisee must use the accounting system and the pre-formatted template required by Franchisor, if any. Franchisee shall keep its financial books and records as Franchisor may from time to time direct in the Operations Manual or otherwise, including retention of all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, sales tax records, refunds, cash disbursements, journals and general ledgers. Franchisee shall advise Franchisor of the location of all original documents and shall not destroy any records without the written consent of Franchisor.

7.2 Franchisee shall prepare on a current basis, complete and accurate records concerning all financial, marketing and other operating aspects of the Franchised Business conducted under this Agreement. Franchisee shall maintain an accounting system which accurately reflects all operational aspects of the Franchised Business including uniform reports as may be required by Franchisor. Franchisee's records shall include tax returns, daily reports, statements of Swimming Revenues (to be prepared each quarter for the preceding quarter), profit and loss statements and balance sheets (to be prepared at least annually by an independent Certified Public Accountant).

7.3 Within thirty (30) days of the end of each quarter, Franchisee shall submit to Franchisor current financial statements (including balance sheet and profit lose statements with both period and YTD information) and other reports (including Minimum Individual Marketing Expense statements) as Franchisor may reasonably request to evaluate or compile research and performance data on any operational aspect of the Franchised Business. On or before April 15 of each year, Franchisee shall provide Franchisor with financial statements and a copy of its federal tax return for the previous tax year which have been prepared by an independent Certified Public Accountant).

7.4 The records required under this Section 7 pertain only to Franchisee's operation of the Franchised Business. Franchisor has no right to inspect, audit or copy the records of any unrelated business activity Franchisee may have. Franchisee shall keep the books and records of the Franchised Business separate from the records of any unrelated business activity or personal activity.

7.5 From the date Franchisee and Franchisor sign this Agreement until three (3) years after the end of the Term of this Agreement, including any Successor Terms, Franchisor or Franchisor's authorized agent shall have the right to request, receive, inspect and audit any of the records referred to above wherever they may be located. Franchisor agrees to do inspections and

audits at reasonable times. Franchisee agrees to keep all records and reports for seven years from the date such records are created. Should any inspection or audit disclose a deficiency in the payment of any Strategic Marketing and Promotions Fee (as defined in Section 12.4) or other amounts required to be paid under this Agreement, Franchisee shall immediately pay the deficiency to Franchisor, without prejudice to any other remedy of Franchisor under this Agreement. In addition, if Franchisee (1) fails to furnish required reports or supporting records on a timely basis for two or more consecutive reporting periods, (2) fails to have the books and records available for an audit after receiving reasonable, advanced notice from Franchisor, (3) otherwise fails to cooperate with Franchisor's requested audit, or (4) the deficiency for any audit period discloses a deficiency in the amount of any Strategic Marketing and Promotions Fee or other amounts due by 2% or more, Franchisee will also immediately pay to Franchisor the entire cost of the inspection or audit including travel, lodging, meals, salaries and other expenses (including any contingent fee owed to the auditor of the inspecting or auditing personnel. For the purposes of this Section 7.5, an audit period will be each fiscal year. Should the audit disclose an overpayment of any Strategic Marketing and Promotions Fees, or other amounts due, Franchisor shall credit the amount of the overpayment to Franchisee's payments of Strategic Marketing and Promotions Fees next falling due.

7.6 If Franchisee's records and procedures are insufficient to permit a proper determination of Swimming Revenues, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of Swimming Revenues for the period under consideration and Franchisee shall immediately pay to Franchisor any amount shown thereby to be owing on account of the Strategic Marketing and Promotions Fee and other sums due on account of any understatement. Any such estimate shall be final and binding upon Franchisee.

7.7 To encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments Franchisee shall also pay, upon demand, a late interest charge equal to the lesser of (i) one and one-half percent (1.5%) per month; or (ii) the highest legal rate permitted by applicable law, whichever is lower, on all payments due to Franchisor during the period of time said payments are due and unpaid. Each failure to pay Strategic Marketing and Promotions Fees, and other amounts payable to Franchisor when due shall constitute a material breach of this Agreement. Franchisee acknowledges that this Section 7.7 shall not constitute Franchisor's agreement to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee acknowledges that failure to pay all such amounts when due shall, notwithstanding the provisions of this Section 7.7, constitute grounds for termination of this Agreement, as provided in this Agreement.

7.8 Any report of Franchisor's auditor rendered from time to time pursuant to this Section 7, shall be final and binding upon all of the parties hereto.

7.9 Franchisee hereby authorizes Franchisor to make reasonable inquiries of Franchisee's bank, suppliers and trade creditors concerning the Franchised Business and hereby directs such persons and companies to provide to Franchisor such information and copies of documents pertaining to the Franchised Business as Franchisor may request.

7.10 Franchisee acknowledges and agrees that Franchisor owns all business records (“**Business Records**”) with respect to customers and other service professionals of, and/or related to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor’s sole discretion.

7.11 To encourage prompt delivery of all Business Records, Certificates of Insurance, Swimming Revenue statements and any other documentation or record that may be requested by Franchisor under this Agreement, Franchisee shall pay, upon demand, a late report fee in the amount of \$100.00 per record or document requested if Franchisee fails to deliver such record or document when due.

7.12 If Franchisee pays any sums due to Franchisor under this Agreement with a check returned for non-sufficient funds more than one time in any calendar year, in addition to all other remedies which may be available, Franchisor shall have the right to require that any sums due to Franchisor under this Agreement be made by certified or cashier’s checks. If Franchisee fails to pay any sums due to Franchisor under this Agreement by the due date two times during the Term or any Successor Terms, in addition to all other remedies which may be available, Franchisor reserves the right to require, in its sole discretion, that Franchisee pay any sums due to Franchisor under this Agreement weekly.

7.13 Franchisee agrees that, during the Term and for three (3) years after the expiration and termination of this Agreement, Franchisee shall supply to Franchisor Franchisee’s home address and telephone number.

8. SERVICES AND ASSISTANCE

8.1 The Initial Franchise Fee is paid by Franchisee as consideration for the License, which includes the use of the Marks, the System and the use of Franchisor’s Trade Secrets and Confidential Information provided pursuant to this Agreement and for certain services rendered by Franchisor.

8.2 Franchisor shall offer Franchisee initial and continuing services, as Franchisor deems necessary or advisable in furthering Franchisee’s Franchised Business and the business of the System as a whole and in connection with protecting the Marks and goodwill of Franchisor. Failure by Franchisor to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.

8.3 Currently, initial services provided by Franchisor prior to Franchisee opening the Franchised Business shall include:

- (a) Designating Franchisee’s Territory as stipulated in Section 5 and in **Attachment A.**

(b) Furnishing Franchisee with specifications for all initial and replacement equipment, tools, inventory and supplies required for the operation of Franchisee's Franchised Business as stipulated in Section 10.

(c) Furnishing Franchisee with Site Selection Assistance during the time Franchisee searches for a location for the Swim Facility.

(d) Authorizing in writing Franchisee's proposed Swim Facility in accordance with Section 8.4.

(e) No less than sixty (60) days prior to the Projected Opening Date set forth on **Attachment A** or Franchisee's receipt of all required licenses, permits, and certifications, whichever comes later, providing Franchisee, or if Franchisee is an entity, a person designated to manage the Franchised Business ("**Designated Business Manager**") and members of Franchisee's management team, without extra charge, with an initial training program. The initial training program shall be for between five and ten business days at the facilities of Franchisor or an affiliate of Franchisor, in the Denver, Colorado metropolitan area (or other location designated solely by Franchisor). The training program may include a discussion of the System, swim training techniques, procedures, methods of training and operation, advertising, sales techniques, promotional ideas, marketing plans, customer relations, patron safety, instructions on quality standards and practical experience in the operation of a Franchised Business.

(f) Franchisor may provide Franchisee with up to three (3) days of onsite support services in connection with the opening of Franchisee's initial location(s). If Franchisee does so, such services will include marketing assistance and instructor training.

(g) Loaning Franchisee during the Term (including any Successor Terms) one copy of Franchisor's confidential Operations Manual containing mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor as further stipulated in this Section 8, and containing information relative to other obligations of Franchisee hereunder. Specifications, standards and operating procedures prescribed from time to time by Franchisor in the Operations Manual or otherwise communicated to Franchisee in writing shall constitute provisions of this Agreement as if fully set forth herein. Franchisee shall operate the Franchised Business strictly in accordance with the Operations Manual. Failure to comply with the standards set forth in the Operations Manual shall constitute a material breach of this Agreement. Franchisor reserves the right to provide the Operations Manual and updates to the Operations Manual in electronic form or other form determined by Franchisor. Franchisor shall have the right to add to, delete, and otherwise modify, the Operations Manual from time to time to reflect changes in authorized Products and Services, business image or the operation of the Franchised Business; provided, however, no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Some of the revisions to the Operations Manual may include changes with respect to: (i) sales and marketing strategies; (ii) equipment and supplies; (iii) accounting and reporting systems and forms; (iv) insurance requirements; (v) operating procedures; (vi) Services; (vii) Products; (viii) Construction Oversight Services; and (ix) Site Selection Assistance.

(i) Franchisee covenants to accept, implement and adopt any such modifications at its own cost, except as provided in Section 9.5 of this Agreement. Franchisee shall keep its Operations Manual with replacement pages and insertions as instructed by Franchisor.

(ii) Franchisee hereby acknowledges that the Operations Manual is loaned to Franchisee and shall at all times remain the sole and exclusive property of Franchisor, and upon termination of this Agreement for any reason whatsoever, Franchisee shall forthwith return the Operations Manual together with all copies of any portion of the Operations Manual which Franchisee may have made, to Franchisor.

8.4 Franchisee is solely responsible for locating a site from which to operate the Swim Facility and negotiating a Lease for the property. As part of the Site Selection Assistance, Franchisor will provide assistance to Franchisee in analyzing a location and in negotiating the business terms of a Lease. Franchisee acknowledges that Franchisee is responsible for retaining its own legal counsel to negotiate the legal terms of the Lease. Franchisor will analyze a location by examining population density, census data, demographic and income characteristics, proximity of the proposed location to other Franchised Businesses, or any other criteria as set forth in Section 9.3(b). The Swim Facility site is subject to Franchisor's written authorization, which may be granted or denied in Franchisor's sole discretion. Franchisee agrees that the location of the Swim Facility is a factor in the potential success of the Franchised Business and Franchisor may reject any location in its sole discretion. However, Franchisee agrees that Franchisor's assistance in no way constitutes a representation or warranty with respect to the success or viability of the property or the Lease. Franchisee acknowledges that Franchisor's authorization of the Swim Facility site indicates only that Franchisor believes that the site falls within acceptable criteria established by Franchisor as of the approval date. Once Franchisee's Swim Facility is open for business, Franchisee may only relocate the Swim Facility by complying with Franchisor's relocation procedures as set forth in the Operations Manual.

8.5 Currently, the services provided by Franchisor to Franchisee after Franchisee opens the Franchised Business shall include:

- (a) Providing an online registration system for Franchisee's customers;
- (b) Making a representative reasonably available to speak with Franchisee on the telephone during normal business hours, as Franchisor determines is necessary, to discuss Franchisee's operational issues and support needs.
- (c) Providing Enhanced Services to Franchisee if Franchisee elects to enter into the Enhanced Services Model Agreement.
- (d) As set forth in Section 6.5, when Franchisee operates in a Hosted Location which Franchisor contracts for directly, Franchisor shall collect a Hosted Location Fee by retaining a portion of the Swimming Revenues which Franchisor receives from Franchisee's customers through the Enhanced Services Model process equal to the remuneration due and owing to the Hosted Location's owner pursuant to Franchisor's

agreement with such Hosted Location's owner relating to Franchisee's use of the Hosted Location.

(e) Holding periodic meetings to discuss sales techniques, new Product and Service developments, bookkeeping, training, accounting, inventory control, Swim Facility safety and maintenance issues, performance standards, advertising programs, merchandising procedures and other topics. Franchisee may be required to pay a meeting fee, if any, and all its travel and living expenses to attend. These meetings will be held at locations chosen by Franchisor in Franchisor's sole discretion. Franchisee's in-person attendance is strongly encouraged but not required for these periodic meetings. Upon Franchisee's request, Franchisor shall use commercially reasonable efforts to enable Franchisee to attend periodic meetings by way of web conference, telephone or other electronic means by which all attendees will be able to hear one another and participate in such meetings.

(f) Franchisor may also hold an annual conference to discuss sales techniques, new Services and Products, training techniques, bookkeeping, accounting, performance standards, advertising programs, merchandising procedures and other topics. Franchisee may be required to pay the conference fee, if any, and all personal travel and living expenses and must attend these annual conferences which are held at a location chosen by Franchisor.

(g) Franchisor shall provide billing services, registration services, and scheduling services to or on behalf of Franchisee in accordance with the terms set forth in the Operations Manual. Franchisor has the right to modify or cease offering these services at any time for any reason.

(h) At no cost to Franchisee, Franchisor shall provide Franchisee with three (3) email accounts under the SafeSplash or Swimtastic domain to be used for Franchisee's Franchised Business only. If Franchisee agrees to operate any additional Franchised Businesses under a separate franchise agreement for each of them, Franchisor shall provide Franchisee with one (1) additional email account per additional Franchised Business at no cost to Franchisee.

(i) Informing Franchisee of mandatory specifications, standards and procedures for the operations of the Franchised Business, including updates or revisions to Franchisor's instructional curriculum.

(j) Researching new Products, Services, and methods of doing business, from time to time, and providing Franchisee with information concerning developments of this research.

(k) Maintaining the Strategic Marketing and Promotions Fund and using these funds to develop promotional and advertising programs and public relations coverage for Franchised Businesses.

(l) Providing marketing materials to Franchisee in the form of an arts graphics package included in the Operations Manual and as further stipulated in Section 12.

(m) A representative of Franchisor may, in its sole discretion, provide additional assistance. There may be additional charges for this additional assistance. If Franchisor provides additional assistance, Franchisor and Franchisee must agree in advance on the charges for the visit and the length of the visit.

(n) Establishing and managing one or more Local Advertising Cooperatives in accordance with Section 12, if any.

(o) Providing Franchisee with a monthly newsletter, in Franchisor's discretion.

(p) Providing Franchisee and members of Franchisee's management team, without any extra charge to Franchisee, an ongoing online training program.

8.6 If Franchisee believes Franchisor has failed to adequately provide pre-opening services to Franchisee as provided in this Agreement in Sections 8.3 and 8.4, Franchisee shall notify Franchisor in writing within 30 days following the opening of the Franchised Business. Absent the timely provision of such notice to Franchisor, Franchisee shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee's judgment.

8.7 Franchisor is not obligated to perform services set forth in this Agreement to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. Franchisor does not represent or warrant that any other services will be provided to Franchisee, other than as set forth in this Agreement. To the extent any other services, or any specific level or quality of service is expected, Franchisee must obtain a commitment to provide such service or level of service in writing signed by an authorized officer of Franchisor, otherwise Franchisee acknowledges and agrees that Franchisor shall not be obligated to provide any other services or specific level or quality of services.

9. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS.

9.1 Franchisee shall, consistent with the terms of this Agreement, diligently develop the Franchised Business and use its best efforts to market and promote the required Services and Products.

9.2 Subject to the terms of this Agreement, Franchisee shall open the Swim Facility for business on or before the projected opening date ("**Projected Opening Date**") set forth on **Attachment A**, but in no event more than twelve (12) months from the Effective Date of this Agreement, unless Franchisee obtains Franchisor's express written permission to extend the Projected Opening Date, which permission may be granted or denied in Franchisor's sole discretion.

9.3 Franchisee shall complete the construction of Franchisee's Swim Facility, and shall maintain the Swim Facility, in accordance with the following requirements:

(a) Franchisee shall, at Franchisee's sole cost and expense, complete the interior build-out and install all equipment, furniture, fixtures, and security cameras as specified by Franchisor in the Operations Manual, and required by this Agreement.

(b) Franchisee may purchase or lease the required real property and improvements from any source upon terms approved by Franchisor in writing. Proposals regarding location of the Swim Facility must be submitted to Franchisor within ninety (90) days of the execution of this Agreement or Franchisor may elect to terminate this Agreement in Franchisor's sole discretion. Franchisee must deliver to Franchisor any traffic, competition and demographic or similar location information relating to any proposed site that Franchisor reasonably requests for review at least twenty (20) days before any proposed Lease signing date. Franchisee must deliver to Franchisor a copy of the proposed Lease, in a form acceptable to Franchisor, and such Lease must incorporate the terms of the Lease Addendum attached to this Agreement as **Attachment E**. Notwithstanding anything herein to the contrary, Franchisor may, in its sole discretion, extend the time periods set forth in this Section 9.3(b).

(c) Subject to the terms of this Section, Franchisee must at all times comply with Franchisor's standards, specifications, processes, procedures, requirements and instructions regarding the Swim Facility's physical facilities, including the layout of the equipment, furnishings, fixtures, and activity, party, and waiting rooms. Franchisee must maintain the Swim Facility and any parking areas in good and safe condition, as specified in the Operations Manual. Franchisee must remodel or upgrade the Swim Facility at its sole cost and expenses in accordance with Franchisor's standards as set forth in the Operations Manual, which may be modified by Franchisor at any time in Franchisor's discretion.

(d) Franchisee shall apply for all required operating permits and licenses within sixty (60) days after Franchisee signs the Lease for the Swim Facility.

9.4 Subject to the terms of this Agreement, including Subsections **Error! Reference source not found.**, (i) and (ii), during the Term, Franchisee shall strictly comply with all present and future standards, specifications, processes, procedures, requirements, and instructions of Franchisor regarding the operation of the Franchised Business and must comply with the following requirements:

(a) Prior to opening the Franchised Business, Franchisee or Franchisee's Designated Business Manager must attend and successfully complete all initial training programs. Franchisee shall be responsible for travel, meals, personal expenses and living expenses incurred by itself or the Designated Business Manager, and any additional persons that participate in the initial training program.

(b) Franchisee or its Designated Business Manager must attend mandatory annual conferences at such locations as Franchisor may reasonably designate, and Franchisee will pay all salary and other expenses of each person attending, including any conference fees, travel expenses, meals, living expenses and personal expenses. Any collected meeting fees are non-refundable for any reason once paid.

(c) Subject to Section 9.6, any additional required Service or Product introduced into the System by Franchisor must be offered for sale on a continuing basis at the Franchised Business at the time and in the manner required by Franchisor. Franchisor will provide at least thirty (30) days prior written notice of any new required Service or

Product introduced into the System. All equipment, facilities, vehicles, products, supplies, tools and other items necessary to add the newly required Services or Products must be acquired, installed, and utilized at the time and in the manner required by Franchisor. The marketing of new Services and Products must begin at the Franchised Business as reasonably required by Franchisor.

(d) No service or product, except approved Services or Products, may be offered for sale from the Swim Facility or in the Territory, unless Franchisee receives the prior written consent of Franchisor (which may be granted or denied in Franchisor's sole discretion).

(e) Only advertising and promotional materials, services, equipment, tools, inventory, products, signage, supplies, and uniforms that meet Franchisor's standards and specifications shall be used at the Franchised Business. Advertising and promotional materials, tools, services, equipment, inventory, products, signage, supplies and uniforms produced or approved by Franchisor for use by Franchisee may be used only in the manner and during the period specified by Franchisor.

(f) Equipment, tools, Services, Products, inventory, supplies, signage, uniforms and other items must be added, eliminated, substituted and modified at the Franchised Business as soon as possible in accordance with changes in Franchisor's specifications and requirements.

(g) The Franchised Business and everything related to the Franchised Business must be maintained in good condition and must be kept clean, neat and sanitary. All maintenance, repairs and replacements reasonably requested by Franchisor or required in connection with the Franchised Business must be promptly made. All employees must be clean and neat in appearance and wear appropriate SafeSplash or Swimtastic attire at all times.

(h) No alterations of the Franchised Business materially affecting the image of the Franchised Business may be made except at Franchisor's request or approval, and any alterations must strictly conform to specifications and requirements established or approved by Franchisor.

(i) The Franchised Business and the Services provided and Products sold by Franchisee must comply with all applicable federal, state, and local laws, ordinances, rules, regulations and other requirements applicable to the care and safety of children, including securing all necessary licenses and complying with all licensing requirements and regulations, if any. Franchisee must obtain all business licenses and permits required by federal, state and local laws, ordinances, rules and regulations before operating its Franchised Business. If Franchisee does not obtain all required permits and licenses and other certifications necessary to operate its Franchised Business within six months after Franchisee's execution of the Franchise Agreement, Franchisor may terminate this Franchise Agreement.

(j) The employees, equipment, tools, supplies, inventory, products, and other items on hand at the Franchised Business, must be at all times sufficient to efficiently meet the anticipated volume of business and to ensure the safety and security of Franchisee's patrons.

(k) Franchisee agrees to allow Franchisor to conduct criminal background checks on all owners of the Franchised Business on an annual basis.

(l) Franchisee shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service, and meet such minimum standards as Franchisor may establish from time to time in the Operations Manual or otherwise in writing. Franchisee's training staff members shall at all times maintain such swimming and lifesaving certifications as required by Franchisor in the Operations Manual. Franchisee shall conduct, and any prospective employees of Franchisee must pass, a pre-hiring criminal background check which shall be administered by the approved supplier of such services. In addition, Franchisee shall conduct annual criminal background checks on all of Franchisee's employees, including the Designated Business Manager, which shall also be administered by the approved supplier of such services. The first ten (10) criminal background checks administered through such approved supplier during the Initial Term of this Agreement shall be provided to Franchisee at no cost to Franchisee, and Franchisee acknowledges and agrees that Franchisee must pay for any and all subsequent background checks. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, record keeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects.

(m) All debts and taxes arising in connection with the Franchised Business, except those duly contested in a bona fide dispute, must be paid when due.

(n) Franchisee will use its best efforts to ensure customer satisfaction; use good faith in all dealings with customers, potential customers, referral sources, suppliers and creditors; respond to customer complaints in a courteous, prompt and professional manner; use its best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take such actions as Franchisor deems necessary or appropriate to resolve customer disputes.

(o) Franchisee will operate the Franchised Business for at least the minimum number of days and hours set forth in the Operations Manual.

(p) Franchisee shall, at Franchisor's request, accept debit cards, credit cards, stored value gift cards, or other non-cash systems specified by Franchisor to enable customers to purchase the Products and Services offered by the Franchised Business. Franchisee shall acquire, at its expense, all necessary hardware and software used in connection with these non-cash systems.

(q) Franchisee shall promptly pay to Franchisor any amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipts taxes, or any similar taxes or levies imposed upon or required to be collected or paid by Franchisor by reason of the furnishing or products, intangible property (including trademarks or trade names) or services by Franchisor to Franchisee through the sale, license or lease of property or property rights provided by this Agreement.

(r) In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Swim Facility, or any improvements thereon.

(s) Franchisee shall comply with the advertising requirements set out in Section 12.

(t) Franchisee will not use any materials that are false or misleading.

(u) Franchisee will ensure that all advertising, labeling, packaging and other materials associated with the Services and Products fully conforms to all applicable laws and regulations.

(v) Franchisee will have the Swim Facility inspected for safety compliance ("**Safety Inspection**") no less than on an annual basis. Franchisee may apply to Franchisor for a waiver of the Safety Inspection if Franchisee's insurance company requires use of its own designated safety inspector, and Franchisee's Swim Facility is inspected by such inspector on at least an annual basis. Franchisor reserves the right to waive the Safety Inspection if Franchisee operates Franchisee's Swim Facility in a state which requires state-sponsored safety inspections of the Swim Facility on at least an annual basis, provided such state-sponsored inspection satisfies the minimum safety requirements imposed by Franchisor and Franchisee's insurance company.

(w) Franchisee will conduct its business operations in accordance with all applicable laws and regulations, including but not limited to, consumer protection laws and regulations and children's privacy and safety laws. Franchisee will control the quality of the Services and Products to avoid quality problems or product liability claims that could reflect adversely on Franchisee or Franchisor in the minds of consumers.

9.5 In prescribing standards, specifications, processes, procedures, requirements or instructions under Section 9.2 or any other provision of this Agreement, Franchisor will provide guidance to Franchisee, as required in Franchisor's sole discretion, in determining the prices to be charged by Franchisee for Services or Products. Franchisor shall not have control over the day-to-day managerial operations of the Franchised Business, and Franchisee shall be free to establish its own prices; provided, however, Franchisor shall have the right to set minimum and/or maximum resale prices as part of any national or regional promotion or multi-area marketing plan.

9.6 Franchisor and Franchisor's representatives will have the right during business hours to inspect the Franchised Business and all other facilities used for providing Services and selling approved Products. Franchisor and Franchisor's representatives will have the right to observe the manner in which Franchisee is rendering its Services and conducting its operations of the Franchised Business. Franchisor and Franchisor's representatives will have the right to discuss with Franchisee, or other personnel Franchisee may designate, all matters that may pertain to compliance with this Agreement and with Franchisor's standards, specifications, requirements, instructions and procedures and Franchisor may video tape or take photographs of Franchisee's safety training, maintenance procedures and techniques as it relates to the Franchised Business. Franchisor and Franchisor's representatives will have the right to have any of Franchisor's required Services rendered by any employee at the Franchised Business. Franchisee shall in all respects cooperate with Franchisor's rights under this Section 9.4; provided that Franchisor's exercise of these rights shall not unreasonably interfere with Franchisee's conduct of the Franchised Business.

9.7 Franchisee will not be required to offer or sell new Services or Products as set out in Section 9.3(c) if Franchisee demonstrates to Franchisor's reasonable satisfaction that:

(a) A substantial capital improvement not contemplated by this Agreement or in the Operations Manual is required, thereby resulting in a material hardship to Franchisee; or

(b) A material reduction in sales or profitability would result therefrom. For the purposes of this Subsection 9.7(b), a forty percent (40%) decrease in sales from the average sales in the prior twelve (12) months would be considered a material reduction in sales, and a thirty percent (30%) reduction in profitability from the average profitability during the previous twelve (12) months would be considered a material reduction in profitability.

9.8 Franchisor may require Franchisee's compliance with the provisions of this Section 9 even if it does not require such compliance by all franchisees.

9.9 If Franchisee is an individual, Franchisee must directly supervise the Franchised Business. If Franchisee is a corporation or other business entity, or if Franchisee has, in Franchisor's sole judgment, insufficient experience in a business similar to the franchise or experience in business management in general, then Franchisee shall nominate a Designated Business Manager having the required experience who shall have direct responsibility for all operations of the Franchised Business and who shall own not less than ten percent (10%) of the corporate or business entity. Any change in the Designated Business Manager will be subject to Franchisor's approval, in Franchisor's sole discretion.

9.10 Franchisee shall become a member of such trade associations or other organizations which, in the reasonable opinion of Franchisor, are useful in the operation of the Franchised Business. Franchisee shall have the option to become a member of all benefit programs which are offered from time to time by Franchisor to all of its franchisees. The costs of participating in such trade associations, organizations, and benefit programs shall be borne by Franchisee and its employees (if applicable to the employees). Nothing in this Section 9.10 limits Franchisee's freedom to join any franchise or franchisees association of its choosing.

9.11 Franchisee shall at all times have sufficient computer skills to operate Franchisee's computer, understand how to utilize any software Franchisor requires to be used in the Franchised Business, and to access email and the Internet. If Franchisor determines that Franchisee requires additional computer training, Franchisor will notify Franchisee in writing regarding the nature of the additional training required, and Franchisee will have ninety (90) days to complete such training at a local computer training school at Franchisee's sole cost and expense. Franchisor reserves the right to designate the computer training school which Franchisee must attend. At the end of the training program, Franchisee shall present a certificate reasonably acceptable to Franchisor establishing that Franchisee passed the training course. Franchisee's failure to seek additional training or to pass the course shall constitute a default of this Agreement.

9.12 Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, Lessors, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems, and use of backup systems.

9.13 Franchisee shall acquire, maintain, and upgrade hardware, software, information processing and communication systems, and Internet and other network access providers, as prescribed in the Operations Manual and as modified periodically by Franchisor in Franchisor's sole discretion. Franchisee shall comply with any separate software or other license agreements that Franchisor or its designee use in connection with the System. Franchisee shall utilize Franchisor's required software, proprietary database management and intranet system, when available, as the exclusive means for tracking and maintaining customer, vendor, and related information, and for such other uses as prescribed by Franchisor periodically in the Operations Manual, in Franchisor's sole discretion. Monthly sales reporting may occur through mandatory software including the automatic draft via electronic transfer of Strategic Marketing and Promotions Fees.

9.14 Franchisee shall at all times utilize and maintain the SafeSplash or Swimtastic email account provided by Franchisor for all electronic communications for the Franchised Business and shall check the account at least once each day.

9.15 Franchisee may not open its Franchised Business until: (1) Franchisor notifies Franchisee in writing that all of Franchisee's obligations have been fulfilled; (2) the initial training program has been completed by Franchisee or its Business Manager to Franchisor's satisfaction; (3) all amounts due to Franchisor have been paid; (4) Franchisor has been furnished with copies of all insurance policies and certificates required by Section 13, or other documentation of insurance coverage and payment of premiums that Franchisor may request, in Franchisor's discretion; (5) Franchisee notifies Franchisor that all approvals and conditions set forth in this Agreement have been met; (6) Franchisee has obtained all necessary permits and licenses; (7) Franchisee has provided Franchisor with a fully executed copy of the Lease for Franchisee's

Swim Facility, and (8) Franchisee has ordered, received and installed all equipment, supplies, inventory, tools, products, uniforms and computer hardware and software required by Franchisor. Franchisee shall begin operating the Franchised Business within two business days after Franchisor determines that the Franchised Business is ready for opening.

10. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES

10.1 Franchisor may require Franchisee to purchase all Products, services, equipment, tools, inventory, supplies and hardware and software from Franchisor's designated or approved suppliers, manufacturers and distributors. The standards and specifications for equipment, computer hardware and software, inventory, tools, signage, supplies, Swim Facilities, Services and Products required by Franchisor shall be maintained in the Operations Manual. Franchisor has the right to require Franchisee to discontinue purchasing any Products, services, equipment, tools, inventory, supplies, hardware or software from a designated or approved supplier, manufacturer or distributor and may designate or approve new suppliers, manufacturers or distributors at any time in Franchisor's sole discretion.

10.2 Franchisee acknowledges and agrees that Franchisor may receive from designated or approved suppliers of Franchisee's Products, services, equipment, tools, inventory, supplies and hardware and software, periodic volume rebates or other revenue or consideration as a result of Franchisee's purchases. Franchisee further acknowledges and agrees that Franchisor shall be entitled to keep for its own use and account such rebates and revenue.

10.3 The names and addresses of Franchisor's required or approved suppliers, manufacturers and distributors shall be maintained in the Operations Manual. Franchisor reserves the right to approve all of the Products, supplies, Services, equipment, tools, inventory, hardware and software used in connection with Franchisee's Franchised Business.

10.4 Franchisee may request that Franchisor approve or designate a new supplier by following the procedures, and paying all required fees and expenses for approval, as set forth in the Operations Manual and modified periodically by Franchisor in Franchisor's discretion. Franchisor will not unreasonably withhold the approval of a supplier; however, in order to make such determination, Franchisor may require that samples from a proposed new supplier be delivered to Franchisor for testing and approval prior to use. Franchisor reserves the right to require that Franchisee pay or reimburse Franchisor for the reasonable cost of investigation in determining whether such products, services, materials, forms, items or supplies satisfy Franchisor's specifications.

11. MARKS, COPYRIGHTED WORKS AND OWNERSHIP OF IMPROVEMENTS.

11.1 Franchisee acknowledges and agrees that:

(a) Franchisor is the owner or exclusive licensee of all right, title and interest, together with all the goodwill of the Marks. Franchisee further acknowledges that the Marks designate the origin or sponsorship of the System, the Franchised Business, and the Products and Services, and that Franchisor desires to protect the goodwill of the Marks and to preserve and enhance the value of the Marks. In the event that Franchisee acquires any

rights, title or interest in the Marks, Franchisee agrees to assign and hereby assigns all such rights, title or interest to Franchisor.

(b) All right, title and interest in and to all materials, including but not limited to, all artwork and designs, created by Franchisor, and used with the Marks or in association with the Franchised Business (“**Copyrighted Materials**”) are the property of Franchisor. Additionally, all Copyrighted Materials created by Franchisee or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the property of Franchisor, who shall be entitled to use and license others to use the Copyrighted Materials unencumbered by moral rights. To the extent the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Copyrighted Materials, which Franchisee and the author of such Copyrighted Materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from another person or entity necessary to ensure Franchisor’s right in the Copyrighted Materials as required in this Section 11.1(b).

(c) Franchisee will never dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Marks or Copyrighted Materials or Franchisor’s ownership of the Marks or Copyrighted Materials, nor counsel, procure, or assist anyone else to do the same, nor will it take any action that is inconsistent with Franchisor’s ownership of the Marks or Copyrighted Materials, nor will it represent that it has any right, title, or interest in the Marks or Copyrighted Materials other than those expressly granted by this Agreement.

(d) Franchisor or its licensor may decide, in its sole and absolute discretion, to apply to register or to register any trademarks or copyrights with respect to the Services, Products and any other products and services and the Copyrighted Materials. Failure of Franchisor or its licensor to obtain or maintain in effect any such application or registration is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of the Marks or any trademark, service mark or logo confusingly similar thereto or any Copyrighted Materials, anywhere in the world.

(e) Upon Franchisor’s request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement and at Franchisor’s expense, in confirming, perfecting, preserving, and enforcing Franchisor’s or its licensor’s rights in the Marks and Copyrighted Materials, including but not limited to, executing and delivering to Franchisor such documents as Franchisor reasonably requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the Services and Products and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing such documents.

(f) All usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor. This Agreement does not confer any goodwill or other interests in the Marks to Franchisee upon expiration or termination of the Agreement.

(g) FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS OR COPYRIGHTED MATERIALS.

11.2 Franchisee acknowledges and agrees that:

(a) Franchisee's right to use the Marks and Copyrighted Materials are derived solely from this Agreement. Franchisee may only use the Marks and Copyrighted Materials in its operation of the Franchised Business and only in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor in the Operations Manual and elsewhere from time to time during the Term and any Successor Term. Franchisee will make every effort consistent to protect, maintain, and promote the Marks as identifying the System and only the System.

(b) Any unauthorized use of the Marks or Copyrighted Materials by Franchisee constitutes a breach of this Agreement and an infringement of the rights of Franchisor and in and to the Marks and Copyrighted Materials.

(c) Franchisee will not use any Marks or portion of any Marks as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

(d) In order to preserve the validity and integrity of the Marks and Copyrighted Materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Franchised Business, Franchisor or its agents shall have the right of entry and inspection of Franchisee's Franchised Business and operating procedures pursuant to Section 9.4.

(e) Franchisee will safeguard and maintain the reputation and prestige of the Marks and Copyrighted Materials and will not do anything that would tarnish the image of or adversely affect the value, reputation or goodwill associated with the Marks. Franchisee will not do anything that would dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor counsel, procure or assist anyone else to do the same.

(f) Franchisee will use the Marks and Copyrighted Materials only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising and promotional materials, invoices, signage, business checks, business cards, stationery, and promotional items such as clothing, hats, pens, mugs, etc., which have been approved by Franchisor in accordance with this Agreement, and promptly follow instructions regarding the Marks and Copyrighted Materials as provided in the Operations Manual and otherwise given by Franchisor from time to time.

(g) Franchisee will use the following copyright notice at least once on each piece of advertising, promotional, or other material used in connection with the Products and Services:

© (year of first publication). SafeSplash Brands, LLC d/b/a Streamline Brands.
All Rights Reserved.

(h) Franchisee will use the Marks with a superscript “®” or “™”, as specified by Franchisor, unless and until advised by Franchisor to use a different notice.

11.3 Franchisee acknowledges and agrees that:

(a) If, in Franchisor’s reasonable determination, the use of Marks or Copyrighted Materials in connection with the Services, Products, other products and services or the Franchised Business will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor’s rights in the Marks or Copyrighted Materials, or it otherwise becomes advisable at any time in Franchisor’s sole discretion for Franchisor to modify or discontinue use of the Marks or Copyrighted Materials then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in the manner prescribed by Franchisor. Franchisor may require Franchisee to use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols or copyrighted materials. Franchisor shall reimburse Franchisee for the tangible cost of compliance with this requirement (such as the cost of printing new letterhead and business cards), but Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof and Franchisor shall have no liability or obligation whatsoever with respect to Franchisee’s modification or discontinuance of any Marks or Copyrighted Materials.

(b) Franchisee shall notify Franchisor within three days after receiving notice of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks or any colorable imitation thereof or the Copyrighted Materials. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks or Copyrighted Materials, Franchisor shall have the sole right, but not the duty, to defend any such action. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party’s use of any of the Marks or Copyrighted Materials and shall exercise such right in the sole discretion of Franchisor. Franchisor shall control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Marks, Copyrighted Materials or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor’s counsel, to carry out such defense or prosecution. At Franchisor’s option, Franchisee will join in any action, in which case Franchisor shall bear all the out-of-pocket costs of Franchisee for such participation. If Franchisee joins in an action, then the recovery, if any, from such legal action shall be first applied to the total expenses associated therewith and then split equally between Franchisor and Franchisee.

11.4 All provisions of this Agreement applicable to the Marks and Copyrighted Materials apply to any and all additional trademarks, service marks, commercial symbols and copyrighted materials authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

11.5 If Franchisee, during the Term of the franchise relationship, or any Interim Period or Successor Term, conceives or develops any improvements or additions to the System, Copyrighted Materials, website or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business or any advertising and promotional ideas or inventions related to the Franchised Business (collectively, the “**Improvements**”) Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor’s written approval prior to using such Improvements. Any such Improvement may be used by Franchisor and all other franchisees without any obligation to Franchisee for any fees. Franchisee shall assign and does hereby assign to Franchisor, all right, title and interest in and to the Improvements, including the right to grant sublicenses to any such Improvement. Franchisor, at its discretion, may make application for and own copyrights, patents, trade names, trademarks and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor in securing such rights. Franchisor may also consider such Improvements as the property and Trade Secrets of Franchisor. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees.

12. ADVERTISING AND PROMOTION

12.1 Franchisee acknowledges that local advertising is required to advise the public of the Franchised Business. For the first 90 days (“**Start-Up Advertising and Promotions Period**”) after Franchisee satisfactorily completes, in Franchisor’s sole discretion, the initial training program, Franchisee will spend a total of Five Thousand Dollars (\$5,000.00) for a Hosted Location and Ten Thousand Dollars (\$10,000) for a Dedicated Location on promotional advertising, marketing, and public relations efforts within the Territory. Upon the expiration of the Start-Up Advertising and Promotions Period, and during the remaining Term, Franchisee shall spend a minimum of 2% of the current year’s projected Swimming Revenues (“**Individual Advertising Expense**”) for advertising and promotion within the Territory. Franchisee may advertise outside its Territory. Franchisee will receive dollar-for-dollar credit against this obligation for all contributions that Franchisee makes to a Local Advertising Cooperative in accordance with Section 12.10. Expenditures that Franchisee incurs for any of the following shall not qualify as local advertising for purposes of this Section 12.1, unless approved in advance by Franchisor: (a) salaries, expenses or benefits of any employees of Franchisee, including expense for attendance at advertising meetings or activities; (b) in-store materials consisting of furniture or equipment; or (c) seminar and educational costs and expenses of Franchisee’s employees. Franchisee shall also be responsible for paying its pro rata share of a classified directory listing and/or Yellow Pages advertisement to be placed by Franchisor, or at Franchisor’s option, Franchisee or the Local Advertising Cooperative, on behalf of all Swim Facilities in the market. If Franchisee operates the only Swim Facility in the market, Franchisee shall be responsible for full payment of the classified directory advertising. Franchisee shall be entitled to apply any payment made for classified directory advertising toward Franchisee’s Individual Advertising Expense obligation.

12.2 During the Term, Franchisee shall furnish Franchisor an accounting of Franchisee's previous quarter's expenditures for advertising and promotion on a form approved by Franchisor within thirty (30) days after the last day of each quarter.

12.3 Franchisor will make available to Franchisee all advertising and promotion materials for the Franchised Business which are used by Franchisor and other franchisees. Franchisee may not develop advertising materials for use in the Franchised Business without Franchisor's approval. If Franchisor approves the advertising materials prepared by Franchisee in writing, Franchisor may make available to other franchisees such advertising and promotion materials. Franchisee must pay duplication costs of any advertising or promotion material provided by Franchisor.

12.4 Franchisor, in its sole discretion, will maintain a Strategic Marketing and Promotions fund ("**Strategic Marketing and Promotions Fund**"). The Strategic Marketing and Promotions Fee, as set forth in Section 6.4, is in addition to Franchisee's Individual Advertising Expense and Minimum Individual Advertising Expense obligations set forth in Section 12.1.

12.5 Advertising materials and services will be provided to Franchisee through the Strategic Marketing and Promotions Fund. Franchisor may occasionally provide for placement of advertising, development of promotional materials, and undertaking public relations activities on behalf of the entire System, including franchisees, or on behalf of a particular region, that may not include Franchisee, through the Strategic Marketing and Promotions Fund. Franchisor reserves the right to use the Strategic Marketing and Promotions Fee from the Strategic Marketing and Promotions Fund to place advertising in national media or regional media (including broadcast, print or other media) in the future. Franchisee acknowledges that the Strategic Marketing and Promotions Fund is intended to maximize the general brand recognition of the System. Franchisor is not obligated to expend Strategic Marketing and Promotions Funds on Franchisee's behalf or benefit or expend Strategic Marketing and Promotions Funds equivalent or proportionate to Franchisee's Strategic Marketing and Promotions Fees on Franchisee's behalf or benefit.

12.6 The Strategic Marketing and Promotions Fund will be used to promote the System, Services and Products sold by Franchisees and will not be used for the purpose of selling additional franchises; provided, however, that Franchisee acknowledges and agrees that Franchisor may undertake certain activities using funds from the Strategic Marketing and Promotions Fund that have the effect of increasing the visibility of, and interest in, the System by prospective franchisees. Franchisor's accounting and marketing personnel or a representative designated by Franchisor will administer the Strategic Marketing and Promotions Fund. The Strategic Marketing and Promotions Fund will collect Strategic Marketing and Promotions Fees from all franchisees and Franchisor's Affiliate-owned stores. All payments to the Strategic Marketing and Promotions Fund must be spent on advertising, public relations, market research, trade show attendance, promotion, point-of-sale materials, point-of-sale systems, marketing of goods and services provided by Franchisor and outside vendors, including but not limited to marketing agencies, and administration of the Strategic Marketing and Promotions Fund, including but not limited to, salaries, overhead, administrative, accounting, collection and legal costs and expenses. The Strategic Marketing and Promotions Funds will be maintained by Franchisor in a separate account. An annual un-audited financial statement of the Strategic Marketing and Promotions Fund, at the expense of the Strategic

Marketing and Promotions Fund, will be available one hundred twenty (120) days after Franchisor's fiscal year end to Franchisee for review once a year upon request.

12.7 The Strategic Marketing and Promotions Fees collected by the Strategic Marketing and Promotions Fund are non-refundable. The Strategic Marketing and Promotions Fund may be terminated at any time by Franchisor, in its sole discretion. In the event that the Strategic Marketing and Promotions Fund is terminated, any remaining balance in the Strategic Marketing and Promotions Fund will be expended as provided for in Section 12.6 or returned to Franchisee on a pro-rata basis.

12.8 Franchisee shall fully participate in all such promotional campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new Services, Products, new franchises or other marketing programs directed or approved by Franchisor), which are prescribed from time to time by Franchisor. Franchisee shall be responsible for the costs of such participation. In addition, Franchisee shall honor any coupons, gift certificates or other authorized promotional offers of Franchisor at Franchisee's sole cost unless otherwise specified in writing by Franchisor. Franchisee will maintain an adequate supply of marketing brochures, pamphlets and promotional materials as may be required by Franchisor from time to time. The cost for such participation will be applied to Franchisee's Individual Advertising Expense and Minimum Individual Advertising Expense obligations set forth in Section 12.1.

12.9 Franchisor (and any designee of Franchisor) will have no direct or indirect liability or obligation to Franchisee or the Strategic Marketing and Promotions Fund or otherwise with respect to the management, maintenance, direction, administration or otherwise of the Strategic Marketing and Promotions Fund. Franchisee and Franchisor agree that their rights and obligations with respect to the Strategic Marketing and Promotions Fund and all related matters are governed solely by this Agreement and neither this Agreement or the Strategic Marketing and Promotions Fund creates a trust, fiduciary relationship, or similar arrangement.

12.10 At the time the Designated Marketing Area ("**DMA**") in which the Swim Facility is located encompasses Swim Facilities operated by at least two other franchisees or Swim Facility operators (including Franchisor's parent or Affiliates), the owners in the DMA will, at Franchisor's request and with Franchisor's advice and assistance, form a cooperative advertising association among themselves ("**Local Advertising Cooperative**" or "**Cooperative**") for the purpose of jointly advertising and promoting their Swim Facilities. Franchisor shall have control of all Cooperative Funds and expenditures of such funds shall require Franchisor's advanced approval.

(a) If, in connection with a Cooperative's formation or functioning, its members are unable to reach agreement with respect to any disagreement over organization, administration, "spill" policy, contribution waivers or exceptions, budget or other matters that the members cannot resolve within forty-five (45) days, the issue will be referred to Franchisor for resolution. Franchisor's decision with respect to the issue's resolution will be binding on all members of the Cooperative. In addition, Franchisor reserves the right to review each Cooperative's contribution rate on an annual basis and to disapprove a rate of less than one percent (1%) of Swimming Revenues. Franchisee's contributions to a Cooperative will be credited to Franchisee's Local Advertising Expense requirements set out in Section 12.1 up to a maximum of two percent (2%).

(b) Franchisee agrees (i) to join, participate in, and actively support any Cooperative established in the Swim Facility's DMA, and (ii) to make contributions to each Cooperative on the payment schedule adopted by the Cooperative's members and at the contribution rate Franchisor approves.

(c) Franchisor reserves the right to seek reimbursement from the Cooperative for reasonable administrative costs, salaries and overhead as Franchisor may incur in activities related to the implementation and administration of the Cooperative and related marketing programs.

(d) Franchisor shall have the sole right, in its discretion, to form, change, dissolve or merge any Cooperative.

12.11 Franchisor will establish and maintain an Internet website that provides information about the System and the Products and Services that Swim Facilities offer. Franchisor will have sole discretion and control over the website's design and contents. Franchisor may use part of the marketing fees it collects under Section 12.4 and part of the Marketing and Promotions Fund's revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Franchisor may not use marketing fees or Marketing and Promotions Fund Contributions to pay for those components of the website that are devoted to the sale of Swim Facilities.

(a) The website will include a section that provides the address, telephone number and e-mail address of each Swim Facility in the SafeSplash and Swimtastic chains, including Franchisee's Swim Facility.

(b) Franchisee will not have any independent right to advertise its Swim Facility on the Internet.

13. INSURANCE AND INDEMNITY

13.1 Franchisee shall, upon commencement of the Term, purchase and at all times maintain in full force and effect:

(a) Insurance policies, in such amounts and on such terms, as prescribed by the Operations Manual, issued by an insurance company acceptable to Franchisor at all times during the Term of this Agreement and any Successor Terms. Insurance coverage must include, but is not limited to, comprehensive general liability, combined single limit, automobile, bodily injury and all-risk property damage insurance and all other occurrences against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than such amount set forth in the Operations Manual and adjusted by Franchisor periodically in Franchisor's sole discretion, unemployment and workers compensation insurance and any other additional insurance required by the terms of any Lease or lender for the Franchised Business. Insurance policies must insure Franchisee, Franchisor, Franchisor's Affiliates, and Franchisor's and Franchisor Affiliates' respective officers, directors, shareholders, managers, members and all other parties designated by Franchisor, as additional named insureds against any liability which may accrue against them because of the ownership, maintenance or operation by Franchisee of the Franchised Business. The policies must also stipulate that Franchisor shall receive a thirty (30) day

prior written notice of cancellation and must contain endorsements by the insurance companies waiving all rights of subrogation against Franchisor. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance (collectively, “**Certificates of Insurance**”) acceptable to Franchisor, including original endorsements effecting the coverage required by this Section, shall be furnished to Franchisor together with proof of payment within 10 days of issuance thereof. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing such insurance coverage within 10 days after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by Franchisor. Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time in Franchisor’s sole discretion. In the event Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but shall not be obligated to, purchase insurance on Franchisee’s behalf from an insurance carrier of Franchisor’s choice, and Franchisee shall reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure such insurance, within five days of the date Franchisor delivers an invoice detailing such costs and expenses to Franchisee. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in Section 18 of this Agreement. Franchisee shall also procure and pay for all other insurance required by state or federal law. Franchisor reserves the right to modify minimum insurance requirements or the types of coverage required at any time in its sole discretion by updating the Operations Manual.

(b) All public liability and property damage policies shall contain a provision that Franchisor, although named as an additional insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its shareholders, members, directors, managers, employees or agents.

(c) All liability insurance policies procured and maintained by Franchisee in connection with the Franchised Business will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against Franchisee, Franchisor, Franchisor’s Affiliates and their respective officers, directors, managers, members, agents, employees, and all other entities or individuals designated by Franchisor as additional insureds.

13.2 Franchisee shall, during the Term and any Successor Terms and after the termination or expiration of this Agreement, indemnify and defend Franchisor, its Affiliates and their respective officers, directors, managers, members, and employees, and hold them harmless against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys’ fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious (and including damages suffered by Franchisee or any of its property) (collectively, “**Damages**”) for which they are held liable, or which they incur (including travel, investigation and living

expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of:

- (a) a breach of this Agreement, or any other agreement between the parties, or any breach of a Lease or other instrument by which the right to occupy any Swim Facility or any other premises used by Franchisee to operate the Franchised Business is held, by Franchisee;
- (b) any injury to, or loss of property of, any person in, or on, the Swim Facility or any other premises used by Franchisee to operate the Franchised Business;
- (c) Franchisee's taxes, liabilities, costs or expenses of its Franchised Business;
- (d) any negligent or willful act or omission of Franchisee, its officers, directors, managers, members, partners, employees, agents, servants, contractors or others for whom it is, in law, responsible;
- (e) any violation of any federal, state or local law, ordinance or regulation imposing requirements or prohibitions on Franchisee in the operation of the Franchised Business; and
- (f) any advertising or promotional material distributed, broadcasted or in any way disseminated by Franchisee, or on its behalf unless such material has been produced, or approved in writing, by Franchisor.

14. RELATIONSHIP

14.1 Franchisee acknowledges that it is an independent contractor and is not an agent, partner, joint venturer or employee of Franchisor and no training or supervision given by, or assistance from, Franchisor shall be deemed to negate such independence. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. Franchisor and Franchisee agree that no partnership, fiduciary relationship, joint venture or employment relationship exists between them. Franchisee shall conspicuously identify itself in all dealings with the public as a sole operator that is an entity separate from Franchisor and state that Franchisor has no liability for the Franchised Business being conducted from the Franchised Business location. It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Franchisee agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

14.2 Neither party hereto shall make any agreements, representations or warranties (except by Franchisor in advertising as provided herein) in the name of, or on behalf of, the other party; neither party hereto shall be obligated by, nor have any liability for, any agreements, representations or warranties made by the other (except by Franchisor in advertising as provided herein) nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's Franchised Business, whether caused by Franchisee's negligent or willful action or failure to act.

14.3 Franchisor shall have no liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, Swimming Revenues, income, property or other tax levied upon Franchisee, Franchisee's property, the Franchised Business or upon Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor).

15. RESTRICTIVE COVENANTS

15.1 Franchisee acknowledges and agrees that:

(a) Franchisee's entire knowledge of the operation of the Franchised Business, the System, and the concepts and methods of promoting the Franchised Business hereunder, that it has now or obtains in the future, is derived from Franchisor's Confidential Information and Trade Secrets. Franchisee further acknowledges and agrees that all of the Confidential Information and Trade Secrets are the sole property of Franchisor, represent valuable assets of Franchisor and that Franchisor has the right to use the Confidential Information and Trade Secrets in any manner it wishes at any time.

(b) During the Term and any Successor Terms, Franchisee, and Franchisees' owners, Designated Business Managers, officers, directors, managers, members, partners, and employees who have access to the Confidential Information and Trade Secrets agree that they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information and Trade Secrets; and (4) will adopt and implement all reasonable procedures Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring employees, Designated Business Managers, training class attendees, and Franchisee owners who have access to the Confidential Information and Trade Secrets to execute such nondisclosure and noncompetition agreements as Franchisor may require periodically, and provide Franchisor, at Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on such nondisclosure and noncompetition agreements.

(c) After the Agreement expires or is terminated, Franchisee, and Franchisees' owners, Designated Business Managers and employees who have access to the Confidential Information and Trade Secrets agree that for a period of two years after the termination or expiration of the Agreement (unless such information is a Trade Secret in

which case the requirements in this Section 15.1(c) will remain in place for as long as such information constitutes a Trade Secret) they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information or Trade Secrets; and (4) will adopt and implement all reasonable procedures Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring written non-disclosure and noncompetition agreements for those individuals as Franchisor may require and provide Franchisor, at Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on such nondisclosure and noncompetition agreements.

(d) Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) Confidential Information in the public domain after it was communicated to Franchisee through no fault of Franchisee, its owners, Designated Business Managers or employees; (b) Confidential Information in Franchisee's possession free of any obligation of confidence at the time it was communicated to Franchisee; or (c) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose the information, if Franchisee has notified Franchisor before disclosure and used Franchisee's best efforts, and afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

15.2 Franchisee covenants and agrees that:

(a) During the Term of this Agreement and any Successor Terms thereof, Franchisee, its owners, Designated Business Managers, officers, directors, managers, members, and partners shall not, without the prior written consent of Franchisor, either individually or in a partnership, corporation, limited liability company, joint venture or other business entity or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder, member, partner or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any business operating in competition with any business offering "learn to swim" lessons or any lessons or training materials using Franchisor's content or curriculum and the sale of related Products ("**Competitive Business**") as carried on from time to time during the Term of this Agreement, including any Successor Term.

(b) Upon termination or expiration of the Term or any Successor Term, or the transfer, sale or assignment of this Agreement by Franchisee, neither Franchisee, the Designated Business Manager nor Franchisee's owners, officers, directors, managers, members, or partners will have any direct or indirect interest (i.e. through a relative) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for two years, in any Competitive Business in: (1) the Territory or any other franchisee's or licensee's territory; (2) within 100 miles of the Territory or any

other franchisee's or licensee's territory; or (3) within 100 miles of any Franchisor or Affiliate-owned SafeSplash Business or Swimtastic Business.

15.3 During the Term (including any Successor Term) of this Agreement and for a period of two years thereafter, Franchisee, Franchisee's owners, officers, directors, managers, members, partners, and the Designated Business Manager shall not attempt to attain an unfair advantage over other franchisees or Franchisor or any Affiliates thereof by soliciting for employment any person who is, at the time of such solicitation, employed by Franchisor, other franchisees, licensees or any Affiliates, nor shall Franchisee, Franchisee's owners, officers, directors, managers, members, partners, nor the Designated Business Manager, directly or indirectly induce or attempt to induce any such person to leave his or her employment as aforesaid.

15.4 If any person restricted by this Section 15 refuses to voluntarily comply with the foregoing obligations, the two (2) year period will commence with the entry of any order of a court or arbitrator enforcing this Section 15.

15.5 The parties have attempted in Section 15.2 above to limit Franchisee's right to compete only to the extent necessary to protect Franchisor from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Section 15.2 is disputed at any time by Franchisee, a court or arbitrator, as the case may be, may modify Section 15.2 to the extent that it deems necessary to make such provision enforceable under applicable law. In addition, Franchisor reserves the right to reduce the scope of said provision without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee. Franchisee EXPRESSLY ACKNOWLEDGES THAT IT POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE FRANCHISEE OF THE ABILITY TO EARN A LIVING.

15.6 Nothing in this Section 15 shall prevent any active officer of Franchisee or member of Franchisee's family, either individually or collectively, from owning not more than a total of ten percent (10%) of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934, provided that Franchisee or any member of Franchisee's family is otherwise not actively involved in the management or operation of that business and does not serve that business in any capacity other than as a shareholder.

15.7 Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance, Confidential Information and Trade Secrets in direct competition with Franchisor. Franchisee further acknowledges that Franchisor would not have entered into this Agreement or shared the Confidential Information, Trade Secrets and other information with Franchisee absent Franchisee's agreement to strictly comply with the provisions of this Section 15. Franchisee acknowledges that as a Franchisee of Franchisor, it will have access to Franchisor's Trade Secrets and Confidential Information and therefore be in a unique position to use the special knowledge gained as a franchisee. Franchisee acknowledges that a breach of the covenants contained in this Section 15 will be deemed to threaten immediate and substantial irreparable injury to Franchisor. Accordingly, Franchisee agrees that Franchisor will have the right, without prior notice to Franchisee, to obtain immediate injunctive relief without limiting any other rights or remedies and without posting a bond.

15.8 In the event that Franchisee is not an individual, this Section 15 will also apply to the officers, directors, stockholders, partners, members, trustees, beneficiaries and/or principals of Franchisee, Franchisee, and any persons controlled by, controlling or under common control with Franchisee.

16. ASSIGNMENT

16.1 Franchisee acknowledges that Franchisor's obligations under this Agreement are not personal. Franchisor shall have the absolute right, in its sole discretion and at any time, to unconditionally transfer or assign this Agreement or any of its rights or obligation under this Agreement to any person, corporation or other party.

16.2 Franchisor reserves the right to assign the franchise System to anyone, including the operator of a competing national or regional chain or franchise system. Franchisee acknowledges and agrees that Franchisor may sell its assets, the Marks or the System to any third party of Franchisor's choice; may offer its securities privately or publicly; may merge with or acquire other business entities or be acquired by another business entity; may permit and participate in any transfer or distribution of its securities in connection with a spin-off; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any such case without Franchisee's consent and, provided the transferee expressly assumes and undertakes to perform Franchisor's obligations in all material respects, do so free of any responsibility or liability whatsoever to Franchisee after the transaction occurs.

16.3 With regard to any of the above sales, assignment and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks, assets or the System from Franchisor to any other party.

16.4 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee. Accordingly, this Agreement, Franchisee's rights and interests hereunder, the property and assets owned and used by Franchisee in connection with the Franchised Business, and any shares, stock, membership or interest in any corporation, limited liability company, or other entity having an interest in the Franchised Business, shall not be voluntarily or involuntarily, directly or indirectly sold, pledged, assigned, transferred, shared, subdivided, sub-franchised, encumbered or transferred in any way (including, without limitation, in the event of the death of Franchisee if Franchisee is an individual), in whole or in part, in any manner whatsoever without the prior written approval of Franchisor, which approval will not be unreasonably withheld or delayed, and compliance with all terms of this Section 16. Any unauthorized sale, assignment, transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void and grounds for termination of this Agreement by Franchisor.

16.5 With and after each valid assignment of this Agreement pursuant to this Section 16, the assignee or assignees of Franchisee shall be deemed to be Franchisee under this Agreement and will be bound by and liable for all of Franchisee's existing and future obligations. No stockholder in any corporation, member in any limited liability company or partner in any

partnership which becomes Franchisee shall have any rights under this Agreement by reason of his, her or its stock ownership, membership interest or partnership interest.

16.6 If Franchisee shall at any time determine to sell, in whole or in part, the Franchised Business, Franchisee shall obtain a bona fide, executed, written offer (“**Purchase Offer**”) for the Franchised Business together with all real or personal property, leasehold improvements and other assets used by Franchisee in its Franchised Business from a responsible, arms’ length, and fully disclosed purchaser and shall submit an exact copy of such Purchase Offer to Franchisor. Franchisor will have a right of first offer to purchase the Franchised Business as provided in Section 17.

16.7 No transfer or assignment of this Agreement will be approved by Franchisor or be effective unless and until all the following conditions are satisfied:

(a) Franchisee being then in full compliance herewith and paying to Franchisor all outstanding debts or amounts owing to Franchisor and any Affiliates or suppliers of Franchisor;

(b) the transferee executing Franchisor’s then-current form of franchise agreement (which, in Franchisor’s sole discretion, may have terms equal to the remainder of Franchisee’s initial Term, or may include a new full length Term, and which may otherwise contain provisions substantially different from those contained herein, including a higher Service Fee and greater required expenditures for advertising and promotion than are provided hereunder, and such other documents then customarily used by Franchisor to grant franchises, but which shall not require the payment of another Initial Franchise Fee), all other documents as may be reasonably requested by Franchisor and paying to Franchisor a transfer fee (“**Transfer Fee**”) in the amount of Seven Thousand Five Hundred Dollars (\$7,500.00);

(c) Franchisee’s execution of a general release of Franchisor, including its officers, directors, members, agents, and employees and Affiliates from such parties’ obligations under the Agreement;

(d) the transferee is purchasing all of Franchisee’s assets used in the Franchised Business in accordance with all applicable bulk sales legislation and assuming all of the liabilities of the Franchised Business unless such liabilities have been paid prior to the closing of the transaction of purchase and sale or unless the sale is a sale of shares in the capital stock or membership interest of Franchisee;

(e) the transferee shall be an individual, corporation, limited liability company, partnership or other business entity having adequate financial resources who shall meet all criteria established by Franchisor for franchisees. The transferee shall also complete Franchisor’s then-current training program established by Franchisor for franchisees unless: (i) the transferee is a current franchisee in good standing in the System, or (ii) the transferee is or has been a Designated Business Manager for a period of one year or more of a Franchised Business in good standing;

(f) Franchisee shall, at Franchisor's request, prepare and furnish to the transferee and/or Franchisor such financial reports and other data relating to the Franchised Business and its operations as Franchisor deems reasonably necessary or appropriate for the transferee and/or Franchisor to evaluate the Franchised Business and the proposed transfer. Franchisee authorizes Franchisor to confer with a proposed transferee and furnish it with information concerning the Franchised Business and the terms and conditions of the proposed transfer, and Franchisor may do so without any liability, except for intentional misstatements made to a transferee;

(g) the parties to the proposed transaction will have entered into a binding agreement subject only to the rights of Franchisor set out in Section 17. Franchisor shall be furnished a copy of this binding agreement, and such agreement shall be subject to Franchisor's approval in writing. Franchisee must advise each prospective transferee of this provision and the other terms of this Agreement;

(h) the proposed transferee or the stockholders, partners, members or owners of a beneficial interest in a proposed corporation, partnership, limited liability company or other entity transferee, provide jointly and severally such personal guarantees as Franchisor may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;

(i) the proposed transferee shall have demonstrated to Franchisor's satisfaction that it, he or she will meet in all respects Franchisor's standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote its, his or her full time and best efforts to the operation of the Franchised Business, and any other conditions as Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided with all information about the proposed transferee as Franchisor may reasonably require. Because of the confidential information and trade secrets available to a franchisee, no assignment to a competitor of Franchisor will be permitted; and

(j) the transferee paying all costs of Franchisor with respect to (i) the granting of its approval, as hereinbefore contemplated, including but not limited to all of its legal costs with respect to the preparation and execution of the above noted then-current form of Franchise Agreement, and all other documents then customarily used by Franchisor to grant franchises; and (ii) the transfer, including but not limited to, all professional fees (attorney's fees, broker fees, and the like), leasing expenses, brokerage commissions or fees, document preparation costs and due diligence.

16.8 Notwithstanding anything to the contrary herein contained, Franchisor shall, upon Franchisee's compliance with such requirements as may from time to time be prescribed by Franchisor (including the obtaining of all necessary approvals to the assignment of the Lease, if any, of the Swim Facility), consent to an assignment of Franchisee's right, title and interest in and to this Agreement, and the property and assets owned and used by Franchisee in connection therewith and any other agreement then in effect between Franchisee and Franchisor to a corporation, limited liability company or other business entity which is wholly owned and

controlled by Franchisee, subject to the following (provided that such assignment shall in no way release Franchisee from any liability under this Agreement):

(a) Contemporaneously with such assignment and thereafter upon the appointment or election of any person as director, officer, partner or manager of such corporation, limited liability company or other business entity, such corporation, limited liability company, partnership or other business entity shall cause each shareholder, partner, member, manager, director(s) and officer(s) of the corporation, limited liability company, partnership or other business entity to execute a written agreement with Franchisor under seal, personally guaranteeing full payment and performance of Franchisee's obligations to Franchisor and individually undertaking to be bound, jointly and severally, by all the terms of this Agreement or any new current form of Franchise Agreement and jointly and severally liable;

(b) No shares or interest in the capital of such corporation, limited liability company, partnership or other business entity shall be issued nor shall Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any such shares or interest or offer or attempt to do so or permit the same to be done without Franchisor's prior written consent;

(c) The corporation shall maintain stop transfer instructions against the transfer of shares or membership interests on its records subject to the restrictions of this Section and shall have all outstanding shares or membership interest certificates endorsed with the following legend printed conspicuously upon the face of each share or certificate:

"The transfer of this certificate is subject to the terms and conditions of a certain Franchise Agreement with SafeSplash Brands, LLC d/b/a Streamline Brands. Reference is made to said Franchise Agreement and to the restrictive provisions of the articles of this corporation."

(d) The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by-laws of the corporation, limited liability company, partnership or other business entity shall provide that its objectives or business is confined exclusively to the operation of the Franchised Business as provided for in this Agreement, and recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement, and copies thereof shall be furnished to Franchisor upon request;

(e) Franchisor's consent to a transfer of any interest subject to the restrictions of this Section shall not constitute a waiver of any claim it may have against the assignor, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the assignee;

(f) The corporation, partnership, limited liability company or other business entity shall advise Franchisor and keep Franchisor current as to the names and addresses of the directors, officers, members, partners and shareholder of and those persons

financially involved in the corporation, partnership, limited liability company or other business entity; and

(g) Franchisee agrees to devote its full time and best efforts to manage the day-to-day operations of the Franchised Business unless it has an operational partner or Designated Business Manager approved by Franchisor.

16.9 Upon the death or permanent disability of an individual Franchisee (or the controlling shareholder, member or partner if Franchisee is a legal entity), the personal representative of such person shall transfer all right, title and interest in this Agreement or such interest in Franchisee to any approved third party, which may include an heir or legatee that otherwise satisfies Franchisor's then-current standards and qualifications for new Franchisee. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance, provided such transfer is in accordance with the requirements of this Section 16.9) shall be completed within a reasonable time, not to exceed six months from the date of death or permanent disability (unless extended by probate proceedings), and shall be subject to all the terms and conditions applicable to transfers contained in this Section. Franchisor shall have the right, in Franchisor's sole discretion, to operate the Swim Facility or to appoint a representative or designee to operate the Swim Facility, for a period of up to 180 days, or until such time as Franchisee's interest shall have been transferred to an approved third party, whichever occurs first. Franchisor or the appointed representative shall be entitled to retain all revenues, and shall pay all operating expenses from the operation of the Swim Facility, without the right to seek or require reimbursement by Franchisee's estate or personal representative, during the period of operation of the Swim Facility. Failure to transfer the interest in this Agreement or such interest in Franchisee within said period of time shall constitute a breach of this Agreement and shall entitle Franchisor to terminate this Agreement without further notice or the opportunity to cure. For purposes hereof, the term "**Permanent Disability**" shall mean a mental or physical disability, impairment or condition that prevent Franchisee or Franchisee's controlling shareholder, member or partner from performing the essential functions of Franchisee.

16.10 Franchisee shall grant no security interest in any of the assets of the Franchised Business unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and the option to be substituted as obligor to the secured party and to cure any default of Franchisee, except that any acceleration of indebtedness due to Franchisee's default shall be void.

16.11 Franchisee shall not have the right to grant a subfranchise.

17. OPTION TO PURCHASE — RIGHT OF FIRST OFFER

17.1 Unless otherwise explicitly provided by this Agreement, Franchisor shall be entitled to exercise the rights provided in this Section immediately upon:

(a) The expiration without extension of Franchisee's rights to operate the Franchised Business or the termination for any reason of the License or this Agreement;

(b) Any breach, default or other event that gives Franchisor the right to terminate the License or this Agreement, after expiration of any applicable notice and cure period; or

(c) The receipt by Franchisor of a copy of a written Purchase Offer.

17.2 Upon any event described in Subsection 17.1, Franchisor shall have the option to purchase all of Franchisee's rights, title and interest in the Franchised Business, and all its improvements, furniture, fixtures, equipment and products, and all of Franchisee's accounts receivable, contract rights, work in progress and other business assets.

17.3 The purchase price for assets itemized in Subsection 17.2 will be, subject to Section 17.4: (i) the current fair market value if Subsection 17.1(a) or 17.1(b) is applicable; or (ii) the price specified in the Purchase Offer received by Franchisee if Subsection 17.1(c) is applicable. If Franchisee and Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by Franchisee and Franchisor and an average of the two appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Marks and business system licensed to Franchisee.

17.4 If Franchisor elects to exercise any option to purchase provided in this Section 17, Franchisor will have the right to set off all amounts due from Franchisee under the Franchise Agreement or any other agreements between the parties, any commissions or fees payable to any broker, agent or other intermediary and the cost of the appraisal, if any, against any payment. Franchisee shall also have the right to substitute cash for any other form of consideration specified in the Purchase Offer and to pay in full the entire purchase price at the time of closing.

17.5 Franchisor will notify Franchisee of its intention to exercise or not exercise its rights to purchase ("**Notice of Intent**") within sixty (60) days following an event described in Subsection 17.1(a) or 17.1(b) or within fifteen (15) days following an event described in Subsection 17.1(c). The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by Franchisor if Subsection 17.1(a) or 17.1(b) is applicable. In the event Franchisor is purchasing the assets pursuant to Subsections 17.1(b) or 17.1(b), Franchisee will have fourteen (14) days following receipt of Franchisor's Notice of Intent to object to any of the prices specified therein, and any disputes over pricing shall be resolved through appraisal as specified by Subsection 17.3. If Franchisor declines to exercise its rights under this Section within the fifteen (15) or sixty (60) day period described above, as applicable, Franchisee may thereafter sell or dispose of the Franchised Business to any third party in the event of a sale under Subsection 17.1(b) or 17.1(b) or to the third party identified in the Purchase Offer in the event of a sale under Subsection 17.1(c), but not at a lower price nor on more favorable terms than set forth in the Purchase Offer, if any, or the Notice of Intent and subject to the prior written permission of Franchisor and satisfaction of the other conditions to assignment set forth in Section 16. If the sale to such third party purchaser is not completed within ninety (90) days after Franchisor delivers the Notice of Intent to Franchisee, Franchisor shall again have the right of first offer provided in this Agreement.

17.6 If Franchisor provides Franchisee with its Notice of Intent to exercise its rights under this Section 17, the purchase and sale contemplated in this Section shall be consummated as soon as possible. In the event Franchisor is purchasing the assets pursuant to Subsections 17.1(b) or 17.1(b) , following the delivery of a Notice of Intent as specified in Subsection 17.5, Franchisor or Franchisor's designee shall have the immediate right to take possession of the Franchised Business and to carry on and develop the Franchised Business for the exclusive benefit of Franchisor or its designee.

18. DEFAULT AND TERMINATION

18.1 Franchisor shall have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement and all rights granted Franchisee hereunder (subject to the provisions of applicable state law governing franchise termination and renewal), effective upon receipt of notice by Franchisee, addressed as provided in Section 19, upon the occurrence of any of the following events:

(a) Franchisee fails or refuses to open the Swim Facility on or before the Projected Opening Date;

(b) Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of Franchisor's Operations Manual, Confidential Information or Trade Secrets of Franchisor;

(c) Franchisee voluntarily abandons the Franchised Business for a period of five (5) consecutive days, or any ,shorter period that indicates an intent by Franchisee to discontinue operation of the Franchised Business or Franchisee provides written notice to Franchisor of its intent to abandon the Franchised Business, unless such abandonment is due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee;

(d) Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee;

(e) Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's Franchised Business or any of the property used in the operation of the Franchised Business and is not discharged within five days; or if the real or personal property of Franchisee's Franchised Business shall be sold after levy thereupon by any sheriff, marshal or constable;

(f) Franchisee, the Designated Business Manager, or any owner of greater than ten percent (10%) of the Franchisee entity, is charged or convicted of a any felony charge, or a crime involving moral turpitude, or a felony or misdemeanor of any type against a

child, or any crime or offense that is reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof;

(g) Franchisee fails to pay any amounts due Franchisor or Affiliates within ten (10) days after receiving notice that such fees or amounts are overdue;

(h) Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within ten (10) days after notification from Franchisor;

(i) Franchisee has received two notices of default with respect to Franchisee's obligations hereunder from Franchisor within a twelve (12) month period, regardless of whether the defaults were cured by Franchisee;

(j) Franchisee sells, transfers or otherwise assigns the Franchised Business, an interest in the Franchised Business or Franchisee entity, this Agreement, or a substantial portion of the assets of the Franchised Business owned by Franchisee without complying with the provisions of Section 16;

(k) Franchisee submits on two or more occasions during the Term a report, financial statement, tax return, schedule or other information or supporting record which understates its Swimming Revenue by more than two percent (2%), unless Franchisee demonstrates that such understatement resulted from inadvertent error;

(l) Franchisee fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits such reports more than five days late on two or more occasions during the Term or any Successor Term unless due to circumstances beyond the control of Franchisee;

(m) Franchisee sells or offers for sale any unauthorized merchandise, product or service, engages in any unauthorized business or practice or sells any unauthorized product or service under the Marks or under a name or mark which is confusingly similar to the Marks;

(n) Franchisee contests in any court or proceeding the validity of or Franchisor's ownership of the Marks or copyrighted materials;

(o) Franchisee is a corporation, limited liability company, partnership or other business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate such entity without Franchisor's prior written consent;

(p) Franchisee or its Designated Business Manager fails to successfully complete Franchisor's training or re-training course(s);

(q) Franchisee receives from Franchisor during the Term and any Successor Term three or more notices of default regardless whether such notices of default relate to the same or different defaults, or whether such defaults have been remedied by Franchisee; or

(f) Any misrepresentation under Section 2.9 or any violation of Anti-Terrorism Laws by Franchisee, its Designated Business Manager, its owners, officers, directors, managers, members, partners, agents or employees.

18.2 Franchisor shall have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; (ii) reduce the size of Franchisee's Territory, as determined by Franchisor in Franchisor's discretion, or (iii) terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon thirty (30) days written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure the default during such thirty (30) day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the thirty (30) day period. Defaults shall include, but not be limited to, the following:

(a) Franchisee fails to maintain the then-current operating procedures and standards established by Franchisor as set forth herein or in the Operations Manual or otherwise communicated to Franchisee;

(b) Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

(c) Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual;

(d) Franchisee, or any partnership, joint venture, limited liability company, corporation or other business entity in which Franchisee has a controlling equity interest or which has a controlling interest in Franchisee, defaults under any term of the Lease of the Swim Facility or any other premises used by Franchisee to operate the Franchised Business, any other franchise agreement with Franchisor or any other agreement material to the Franchised Business and such default is not cured within the time specified in such Lease, other franchise agreement or other agreement;

(e) Franchisee fails, refuses or neglects to submit a statement of monthly revenues accompanying the National Advertising and Promotions Fees or any other report required under the Agreement when due;

(f) Franchisee fails, refuses or neglects to accurately report Swimming Revenues, sales information or other information required by Franchisor to be reported; or

(g) Franchisee fails to comply with any other provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor and does not correct such failure within ten (10) days (or thirty (30) days if this is the first non-compliance or breach) after written notice from Franchisor (which shall describe the action that Franchisee must take) is delivered to Franchisee.

18.3 Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such thirty (30) day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such thirty (30) day period,

Franchisee shall be given an additional reasonable period of time to cure the same, but in no event longer than thirty (30) additional days.

18.4 A termination of this Agreement by Franchisee shall be deemed to be a termination without cause, and a breach hereof, by Franchisee. Franchisee agrees that it shall not, on grounds of an alleged nonperformance by Franchisor of any of its obligations or any other reason, withhold payment of any amount due to Franchisor whatsoever or set off amounts owed to Franchisor under this Agreement, against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

18.5 No endorsement or statement on any check or payment of any sum less than the full sum due to Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments made by Franchisee against any past due indebtedness of Franchisee as Franchisor may see fit. Franchisor may set off against any payment due to Franchisee hereunder any outstanding debts of Franchisee to Franchisor, and may, at Franchisor's option, pay Franchisee's trade creditors out of any sum otherwise due to Franchisee.

18.6 Franchisee agrees to pay within five days of the effective date of termination or expiration of the Franchise all amounts owed to Franchisor, the Lessor of the Swim Facility or other premises used in the Franchised Business (if applicable) and Franchisee's trade and other creditors which are then unpaid.

18.7 All advertising contributions, all amounts due for goods purchased by Franchisee from time to time from Franchisor or its Affiliates, and any other amounts owed to Franchisor or its Affiliates by Franchisee pursuant to this Agreement or any other agreement shall bear interest after the due date at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is lower, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment shall not be construed as a waiver by Franchisor of its rights in respect of the default giving rise to such payment and shall be without prejudice to Franchisor's right to terminate this Agreement in respect of such default.

18.8 Should Franchisee, or any partnership or joint venture or corporation in which Franchisee has a controlling equity interest, be a franchisee pursuant to another Franchise Agreement with Franchisor, respecting another franchised SafeSplash Business or Swimtastic Business using the Marks, a default under this Agreement shall constitute a default under such other Franchise Agreement and vice versa, with like remedies available to Franchisor. Should such other Franchise Agreement cease to be valid, binding and in full force and effect for any reason then Franchisor may, at its option, terminate this Agreement and this Agreement shall be forthwith surrendered by Franchisee and terminated, and likewise should this Agreement cease to be valid binding and in full force and effect for any, reason, Franchisor may at its option terminate the other Franchise Agreement and the other Franchise Agreement shall be forthwith surrendered and terminated. In the event that there is more than one Franchisee, or if Franchisee should consist of more than one legal entity, Franchisee's liability hereunder shall be both joint and several. A breach hereof by one such entity or Franchisee shall be deemed to be a breach by both or all.

18.9 Franchisee agrees that upon termination or expiration of this Agreement, it shall take the following action:

(a) Immediately discontinue the use of all Marks, signs, structures, forms of advertising, telephone listings, facsimile numbers, e-mail addresses, the Operations Manual, and all materials, Products and Services of any kind which are identified or associated with the System and return all these materials and Products to Franchisor;

(b) Immediately turn over to Franchisor all materials, including the Operations Manual, customer lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information, Trade Secrets and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property). Under no circumstances shall Franchisee retain any printed or electronic copies of the Operations Manual, Confidential Information or Trade Secrets or portions thereof upon expiration or termination of this Agreement;

(c) Franchisee hereby acknowledges that all telephone numbers, facsimile numbers and Internet addresses used in the operation of the Franchised Business constitute assets of Franchisor, and upon termination or expiration of this Agreement, Franchisee shall take such action within five days to cancel or assign to Franchisor or its designee as determined by Franchisor, all Franchisee's right, title and interest in and to Franchisee's telephone numbers, facsimile numbers and Internet addresses and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number, facsimile number, and Internet and e-mail addresses, and any regular, classified or other telephone directory listing associated with the Marks and to authorize a transfer of same to or at the direction of Franchisor. Franchisee acknowledges as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in, all telephone numbers, facsimile numbers, directory listings and Internet addresses used by Franchisee to promote the Franchised Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. **Attachment E** evidences such appointment;

(d) Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or business name or fictitious name or any other registration or filing containing the Marks so as to delete the Marks and all references to anything associated with the System;

(e) Franchisee shall, at Franchisor's option, immediately assign to Franchisor any interest in which Franchisee has in any Lease or other evidence of title for the Swim Facility. In the event Franchisor does not elect to exercise its option to acquire the Lease or other evidence of for the Swim Facility, then, to the extent, if any, Franchisee is permitted to conduct any business at the Swim Facility pursuant to the terms of this Agreement or a separate written agreement with Franchisor, and acknowledging the distinctiveness of Franchisor's interior design and décor, Franchisee shall make such

modifications or alterations to the premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of such premises from that of other Swim Facilities operating under the System and Marks, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 18.9(e), Franchisor shall have the right to enter the Swim Facility without being guilty of trespass or any other tort, for the purposes of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand;

(f) Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to use any designation of origin, description, representation, trademark, or trade name which suggests or represents a past or present association or connection with Franchisor, the System, or the Marks;

(g) Provide Franchisor the option to purchase as set forth in Section 17; and

(h) Comply with the provisions of Sections 11.1(c) and 11.1(d) and Section 15.

18.10 If, within thirty (30) days after termination or expiration of this Agreement by Franchisor, Franchisee fails to remove all displays of the Marks from the Franchised Business, which are identified or associated with the System, Franchisor may enter the Franchised Business to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials.

18.11 If, within thirty (30) days after termination or expiration of this Agreement Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the System.

18.12 Termination or expiration of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which Franchisor may have against Franchisee, whether such claims or rights arise before or after termination or expiration.

18.13 All obligations of the parties hereto which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Articles 11, 13, 15 and 17, hereof shall survive termination or expiration of this Agreement.

18.14 In the event that this Agreement expires or is terminated for any reason whatsoever and Franchisor is the lender under any loan agreement (“**Loan**”) or the holder of any promissory note (“**Note**”) or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever (“**Security Interest**”) from Franchisee concerning assets used at any time by Franchisee in the Franchised Business or which are situated on the Franchised Business premises, such Loan, Note or Security Interest shall, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

18.15 If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions.

18.16 In the event of termination of the Agreement for any reason whatsoever the parties shall accept the default remedies contained herein as full and final satisfaction of all claims. The parties waive, to the extent permitted by law, any claim against the other for punitive or exemplary damages; except for such punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, unauthorized dissemination of the Confidential Information or Trade Secrets or arising under the indemnification set out in Section 13.

18.17 The rights of the parties hereto are cumulative and no exercise or enforcement by a party of any right or remedy hereunder shall preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.

18.18 Nothing herein shall prevent Franchisor or Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for Franchisor to seek preliminary or permanent injunctive relief, Franchisor may do so without a bond.

18.19 THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN FRANCHISEE’S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

19. CONDEMNATION AND CASUALTY

19.1 Franchisee shall promptly advise Franchisor upon Franchisee’s receipt of a notice of default or termination under Franchisee’s Lease or mortgage, and shall promptly provide Franchisor a copy of the notice. Franchisee shall also give Franchisor notice of any proposed taking of the Swim Facility or any portion thereof through the exercise of the power of eminent domain at the earliest possible time. If the Swim Facility or a substantial part thereof is to be taken, the Franchised Business may be relocated within the Territory specified in **Attachment A**, or elsewhere with Franchisor’s written approval in accordance with Franchisor’s relocation procedures set forth in the Operations Manual. If Franchisee opens a new business as provided above at another location in accordance with Franchisor’s standards and general specifications within one year of the closing of the old Swim Facility, the new Franchised Business shall be deemed to be the Franchised Business licensed under this Agreement. If a condemnation, Lease

termination or mortgage default takes place and a new Franchised Business does not, for any reason, become the Franchised Business as provided in this Section 19.1, then the License shall terminate upon notice by Franchisor.

19.2 If the Swim Facility is damaged for any reason, Franchisee shall expeditiously repair the damage. If the damage or repair requires closing the Franchised Business, Franchisee shall immediately notify Franchisor in writing, and shall:

(a) Relocate the Franchised Business as provided in Subsection 19.1; or

(b) Repair or rebuild the Franchised Business at the Swim Facility in accordance with Franchisor's then existing standards and general specifications, and reopen the Franchised Business for continuous business operations as soon as practicable (but in any event within 12 months after closing the Franchised Business at the Swim Facility), giving Franchisor thirty (30) days advance notice of the date of reopening;

(c) If the Franchised Business is not (or, in the opinion of Franchisor cannot be) reopened in accordance with this Section 19.2, or relocated pursuant to Subsection 19.1, the License shall terminate upon notice to Franchisee.

19.3 The Term will not be extended by any interruption in the Franchised Business's operations, except for an act of God that results in the Franchised Business being closed not less than sixty (60) days nor more than one hundred eighty (180) days. Franchisee must apply for any extension within thirty (30) days following the reopening of the Franchised Business. No event during the Term will excuse Franchisee from paying Strategic Marketing and Promotions Fees as provided in this Agreement.

20. NOTICES

20.1 Any notice of default under this Agreement shall be delivered personally or by courier to the appropriate location. Any other notice, request, demand, approval, consent or other communication which the parties hereto may be required or permitted to be given hereunder shall be in writing and may be given to the party for whom it is intended by personal delivery, facsimile transmission or delivering it to such party by mailing it by prepaid registered mail, or by recognized overnight delivery or courier services, in the case of Franchisor to:

To Franchisor:

SafeSplash Brands, LLC d/b/a Streamline Brands
10463 Park Meadows Dr., Suite 109
Lone Tree, CO 80124
Attention: Managing Director
Phone: (303) 799-1885 x 101

To Franchisee:

Attention: _____
Phone: () _____

Any such notice or other document delivered personally or by facsimile transmission shall be deemed to have been received by and given to the addressee on the day of delivery and any such other notice or other document mailed as aforesaid, shall be deemed to have been received by and given to the addressee on the third (3rd) business day following the date of mailing, and any delivery made by recognized overnight delivery or courier services shall be deemed to be delivered the next business day. Any party may at any time give notice in writing to any other party of any change of address.

21. DISPUTE RESOLUTION

21.1 The parties will first attempt to resolve any dispute relating to or arising out of this Agreement by negotiation. Franchisor will provide a procedure for internal dispute resolution as set forth in the Operations Manual, and the parties acknowledge and agree that this procedure may be revised periodically in Franchisor’s discretion.

21.2 To protect from violations that would cause immediate loss and damages or irreparable harm, Franchisor and Franchisee shall each have the right to seek from a state or federal court located in Denver, Colorado:

- (a) injunctive relief and any related incidental damages;
- (b) an action for disputes or claims related to or based on the Marks;
- (c) enforcement of a covenant not to compete; and
- (d) issues related to the disclosure of or misuse of Confidential Information or Trade Secrets.

21.3 EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, ANY CONTROVERSY OR DISPUTE ARISING OUT OF, OR RELATING TO THE FRANCHISE OR THIS AGREEMENT INCLUDING, BUT NOT LIMITED TO, ANY CLAIM BY FRANCHISEE OR ANY PERSON IN PRIVITY WITH OR CLAIMING THROUGH, ON BEHALF OF OR IN THE RIGHT OF FRANCHISEE, CONCERNING THE ENTRY INTO, PERFORMANCE UNDER, OR TERMINATION OF, THIS AGREEMENT OR ANY OTHER AGREEMENT ENTERED INTO BY FRANCHISOR, OR ITS SUBSIDIARIES OR AFFILIATES, AND FRANCHISEE; ANY CLAIM AGAINST A PAST OR PRESENT EMPLOYEE, OFFICER, DIRECTOR, MEMBER, SHAREHOLDER OR AGENT OF FRANCHISOR; ANY CLAIM OF BREACH OF THIS AGREEMENT; AND ANY CLAIMS ARISING UNDER STATE OR FEDERAL LAWS, SHALL BE SUBMITTED TO FINAL AND BINDING ARBITRATION AS THE SOLE AND EXCLUSIVE REMEDY FOR ANY SUCH CONTROVERSY OR DISPUTE.

“PERSONS IN PRIVITY” WITH OR CLAIMING THROUGH, ON BEHALF OF OR IN THE RIGHT OF FRANCHISEE INCLUDE BUT ARE NOT LIMITED TO, SPOUSES AND OTHER FAMILY MEMBERS, DOMESTIC PARTNERS, HEIRS, EXECUTORS, REPRESENTATIVES, SUCCESSORS AND ASSIGNS. SUBJECT TO THIS SECTION, THE RIGHT AND DUTY OF THE PARTIES TO THIS AGREEMENT TO RESOLVE ANY DISPUTES BY ARBITRATION SHALL BE GOVERNED EXCLUSIVELY BY THE FEDERAL ARBITRATION ACT, AS AMENDED, AND ARBITRATION SHALL TAKE PLACE ACCORDING TO THE COMMERCIAL ARBITRATION RULES (IN EFFECT AS OF THE DATE THE DEMAND FOR ARBITRATION IS FILED) OF, AND UNDER THE AUSPICES OF, THE AMERICAN ARBITRATION ASSOCIATION. THE ARBITRATION, WHICH SHALL BE HELD BEFORE A SINGLE ARBITRATOR, SHALL BE HELD IN THE DENVER, COLORADO OFFICE OF THE AMERICAN ARBITRATION ASSOCIATION, OR AT SUCH OTHER LOCATION AS SHALL BE MUTUALLY AGREED UPON BY THE PARTIES IN WRITING. HOWEVER, ARBITRATION WILL NOT BE REQUIRED TO BE USED FOR ANY DISPUTE WHICH INVOLVES THE TYPE OF DISPUTES IDENTIFIED IN SECTION 21.2. THE PARTIES EXPRESSLY CONSENT TO PERSONAL JURISDICTION IN THE STATE OF COLORADO AND AGREE THAT SUCH COURT(S) WILL HAVE EXCLUSIVE JURISDICTION OVER ANY DETERMINATION OF THE “PREVAILING PARTY” IN ACCORDANCE WITH SUCH ISSUES NOT SUBJECT TO ARBITRATION.

21.4 A single arbitrator shall be selected by the parties from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. subject to the provisions contained in Section 22.3, the parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. the arbitrator shall have no authority to amend or modify the terms of this agreement. The award or decision by the arbitrator shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by such court and to the propriety of venue of such court for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

21.5 Parties to arbitration under this agreement shall not include, by consolidation, joinder or in any other manner, any person other than Franchisee and any Person in Privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Franchisee or any Person in Privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor.

21.6 The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees or area developers. Franchisee agrees not to join or attempt to join other franchisees, area developers, or other third-parties in any arbitration proceeding and to refrain from participating in any “class action” litigation or arbitration proposed or asserted by one or more other franchisees.

21.7 Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or arbitration proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two years from the date of discovery of the conduct or event that forms the basis of the legal action or proceeding.

22. MISCELLANEOUS

22.1 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other applicable federal law, this Agreement shall be interpreted under the laws of the State of Colorado, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Colorado, which laws shall prevail in the event of any conflict of law; provided, however, the parties expressly agree that this Agreement is not intended to confer on any Franchisee that is not a resident of the State of Colorado the benefit of any Colorado law providing specific protection to franchisees residing or operating in the State of Colorado. **FRANCHISEE AND FRANCHISOR HAVE NEGOTIATED REGARDING A FORUM IN WHICH TO RESOLVE ANY DISPUTES WHICH MAY ARISE BETWEEN THEM AND HAVE AGREED TO SELECT A FORUM IN ORDER TO PROMOTE STABILITY IN THEIR RELATIONSHIP. THEREFORE, IF A CLAIM IS ASSERTED IN ANY LEGAL PROCEEDING INVOLVING FRANCHISEE, ITS OFFICERS DIRECTORS, MANAGERS, MEMBERS, OR PARTNERS AND FRANCHISOR, ITS OFFICERS, DIRECTORS, SHAREHOLDERS, MANAGERS, MEMBERS, EMPLOYEES OR AFFILIATES OF BOTH PARTIES AGREE THAT THE EXCLUSIVE VENUE FOR DISPUTES BETWEEN THEM SHALL BE IN THE STATE OF COLORADO AND EACH WAIVE ANY OBJECTION EITHER MAY HAVE TO THE PERSONAL JURISDICTION OF OR VENUE IN THE STATE OF COLORADO. FRANCHISEE IRREVOCABLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND WAIVES ANY OBJECTION FRANCHISEE MAY HAVE TO EITHER THE JURISDICTION OR VENUE IN SUCH COURT. FRANCHISOR AND FRANCHISEE FURTHER WAIVE EACH OF THEIR RIGHTS TO A JURY TRIAL FOR ANY MATTER THAT IS TRIED BEFORE A COURT OF LAW.**

22.2 All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein; all partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

22.3 If either party institutes a legal proceeding, including court proceedings or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs and all of the prevailing party's expenses in connection with any action at law.

22.4 No failure, forbearance, neglect or delay of any kind on the part of Franchisor in connection with the enforcement or exercise of any rights under this Agreement shall affect or diminish Franchisor's right to strictly enforce and take full benefit of each provision of this

Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice with regard to this Agreement by Franchisee or Franchisor's other franchisees shall preclude the strict enforcement of this Agreement in accordance with its literal terms. No waiver by Franchisor of performance of any provision of this Agreement shall constitute or be implied as a waiver of Franchisor's right to enforce that provision at any future time. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, shall be binding upon Franchisee or Franchisor or effective unless in writing signed by Franchisee and Franchisor's CEO, President or Vice President, except that a waiver need be signed only by the party waiving.

22.5 This Agreement, together with the Franchise Disclosure Document, Operations Manual, any written related agreements, all Exhibits, Attachments, and the State Addenda attached to the Disclosure Document as **Exhibit E**, constitutes the entire understanding and agreement between Franchisee and Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, the License, the System or the Franchised Business. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

22.6 The headings of the sections hereof are for convenience only and do not define, limit or construe the contents of the sections of such Sections or other Sections. The term "**Franchisee**" as used herein is applicable to one or more persons, a corporation, limited liability company, a partnership or other business entity, as the case may be, and the singular usage (where applicable) includes the plural and the masculine and neuter usages (where applicable) include the other and the feminine. The term "**Lease**" shall include a sublease, and a renewal or extension of a lease or sublease.

22.7 When calculating the date upon which or the time within which any act is to be done pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded; if the last day of such period is a non-business day, the period in question shall end on the next business day. Time shall be of the essence of this Agreement and of every part thereof.

22.8 Neither party hereto shall be liable for any loss or damage due to any delay in the due performance of the terms hereof (except for the payment of money) by reason of strikes, lockouts and other labor relations, fires, riots, wars, embargoes and civil commotion, or acts of God ("**Force Majeure Event**"). Any such delay shall extend performance only so long as such event is in progress except such Force Majeure Event will not affect or change Franchisee's obligation to pay Strategic Marketing and Promotions Fees when due. Notwithstanding the foregoing, if there is a Force Majeure Event, Franchisor, may in its sole discretion, elect to waive the Strategic Marketing and Promotions Fees during the period of delay caused by the Force Majeure Event or such shorter period.

22.9 Franchisee shall execute and deliver such further instruments, contracts, forms and other documents, and shall perform such further acts, as may be necessary or desirable, to carry out, complete and perform all terms, covenants and obligations herein contained. Franchisee hereby irrevocably appoints Franchisor as his attorney, which appointment is coupled with an interest, and hereby empowers it to execute such instruments regarding the Marks for and in

Franchisee's name in order to give full effect to Sections 11, 13, 16, and 18 of this Agreement. Franchisee hereby declares that the power of attorney herein granted may be exercised during any subsequent legal incapacity on its part.

22.10 This Agreement shall be binding upon, and subject to Section 16 hereof, shall inure to the benefit of, Franchisor's and Franchisee's successors and permitted assigns.

22.11 This Agreement may only be modified or amended by a written document executed by Franchisee and Franchisor. Franchisee acknowledges that Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent in which Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the Marks, and the quality of the System, but under no circumstances will such modifications be made arbitrarily without such determination. Notwithstanding anything herein to the contrary, Franchisor shall have the right unilaterally to reduce the scope of any covenants of Franchisee contained in this Agreement upon notice to Franchisee, whereupon Franchisee shall comply therewith as so modified.

22.12 From time to time, Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of Franchisor or independent contractors which Franchisor has contracted with to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations and duties hereunder.

23. ACKNOWLEDGEMENT

BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT:

1. NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS AGREEMENT AND IN THE FRANCHISOR DISCLOSURE DOCUMENT PROVIDED TO FRANCHISEE BY FRANCHISOR, IS BINDING ON FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT; AND

2. FRANCHISEE HAD A COMPLETE COPY OF THIS AGREEMENT, WITH ALL BLANKS FILLED IN, IN ITS POSSESSION FOR A PERIOD OF TIME NOT LESS THAN SEVEN FULL CALENDAR DAYS, DURING WHICH TIME FRANCHISEE HAD THE OPPORTUNITY TO SUBMIT THE SAME FOR PROFESSIONAL REVIEW AND ADVICE OF FRANCHISEE'S CHOOSING PRIOR TO FREELY EXECUTING THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE TIME AND OPPORTUNITY TO INVESTIGATE FRANCHISOR'S FRANCHISED BUSINESS AND TO CONSULT WITH LEGAL AND FINANCIAL ADVISORS OF ITS CHOICE; AND

3. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE SYSTEM AND RECOGNIZES THAT THE FRANCHISED BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT AND ITS SUCCESS INVOLVES

SUBSTANTIAL BUSINESS RISK AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE FRANCHISED BUSINESS. FRANCHISEE HEREBY ASSUMES THE RESPONSIBILITY FOR ITS SUCCESS OR FAILURE OF THE FRANCHISED BUSINESS VENTURE; AND

4. EXCEPT AS OTHERWISE SET FORTH IN THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISOR HAS NOT PROVIDED ANY STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION OF ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL PURCHASES, SALE, COST, EARNINGS, INCOME OR PROFITS TO FRANCHISEE; AND

5. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY ASSURANCE, WARRANTY OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, EARNINGS OR SUCCESS OF THE FRANCHISED BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

This entire Agreement, including corrections, changes, and all attachments and addenda, will only be binding upon Franchisor when executed or initialed by Franchisor's authorized representative.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date written below.

SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

By: _____

Title: _____

Date (which shall be the “**Effective Date**” of this Agreement): _____

FRANCHISEE:

By: _____

Date: _____

Individually

OR:
(if a corporation or partnership)

Company Name

By: _____

Title: _____

Date: _____

**ATTACHMENT A
TO FRANCHISE AGREEMENT**

TERRITORY AND INITIAL FRANCHISE FEE

1. **Swim Facility.** The business address for the approved Swim Facility is:

2. **Grant of License.** Franchisee is granted the right to own and operate one (1) Franchised Business under the following name and Marks:

SafeSplash®

Swimtastic®

3. **Territory and Location Type.**

The Territory set forth in Section 5.1 of the Agreement shall be:

Hosted Location: a radius of two and one (2½) miles from the above location of the Swim Facility

Dedicated Location: a radius of five (5) miles from the above location of the Swim Facility

4. **Initial Franchise Fee.** Franchisee shall pay to Franchisor an Initial Franchise Fee equal to

Fifty Thousand Dollars (\$50,000.00)

Forty Thousand Dollars (\$40,000.00)

Twenty Five Thousand Dollars (\$25,000.00)

plus, if applicable, all federal, state or municipal taxes due and payable at the time of execution of the Agreement.

5. **Subsequent Initial Franchise Fee for Areal Development Agreements.** Franchisee shall pay to Franchisor a subsequent Initial Franchise Fee equal to

- Forty Five Thousand Dollars (\$45,000.00)
- Forty Thousand Dollars (\$40,000.00)
- Thirty Five Thousand Dollars (\$35,000.00)
- Thirty Thousand Dollars (\$30,000.00)
- Twenty Two Thousand Five Hundred Dollars (\$22,500.00)
- Twenty Thousand Dollars (\$20,000.00)

plus, if applicable, all federal, state or municipal taxes due and payable at the time of execution of the Agreement.

6. **Projected Opening Date.** Franchisee anticipates that Franchisee will open the Swim Facility on or about _____.

FRANCHISOR:

**SAFESPLASH BRANDS, LLC
d/b/a STREAMLINE BRANDS**

By: _____

Title: _____

FRANCHISEE:

NAME: _____

By: _____

Title: _____

**ATTACHMENT B
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Franchise Agreement executed between _____ (“**Franchisee**”) and SafeSplash Brands, LLC d/b/a Streamline Brands (“**Franchisor**”) on the Effective Date (as defined below) (“**Agreement**”) each of the undersigned hereby personally and unconditionally:

1. Guarantees to Franchisor and its successors and assigns, for the Term, including all Interim Periods and Successor Terms thereof, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including but not limited to, the terms of Section 15.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by Franchisor of the foregoing undertaking;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

6. His or her direct and immediate liability under this guaranty shall be joint and several;
7. He or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
8. Such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
9. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any

way modify or amend this guaranty, which shall be continuing and irrevocable during the Term, including renewals thereof.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

GUARANTOR(S):

By: _____

Date: _____ (which shall be the “**Effective Date**” of this Agreement)

By: _____

Date: _____

**ATTACHMENT C
TO FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP**

Franchisee: _____

Trade Name (if different from above): _____

**Form of Ownership
(Check One)**

____ **Individual** ____ **Partnership** ____ **Corporation** ____ **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

NAME OF SHAREHOLDER	OWNERSHIP PERCENTAGE
--------------------------------	---------------------------------

Franchisee acknowledges that this Statement of Ownership applies to the Franchised Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

FRANCHISEE:

By: _____

Title: _____

Date: _____

**ATTACHMENT D
TO FRANCHISE AGREEMENT**

**BY AND BETWEEN SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS
AND _____ (“FRANCHISEE”)**

**EFT AUTHORIZATION AGREEMENT
(DIRECT DEBITS)**

The undersigned depositor (“**Depositor**”) hereby authorizes SafeSplash Brands, LLC d/b/a Streamline Brands (“**Company**”) to initiate credit and debit entries and/or credit and debit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) to debit such account pursuant to Company’s instructions.

Depository

Branch

Address

City, State, Zip Code

Bank Transit/ABA Number

Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity on which to act. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor: _____

By: _____

Title: _____

Date: _____

**ATTACHMENT E
TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS AND
TELEPHONE LISTINGS AND INTERNET ADDRESSES**

THIS ASSIGNMENT is entered into on the Effective Date (as defined below), in accordance with the terms of the SafeSplash Brands, LLC d/b/a Streamline Brands Franchise Agreement (“**Franchise Agreement**”) between _____ (“**Franchisee**”) and SafeSplash Brands, LLC d/b/a Streamline Brands (“**Franchisor**”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a SafeSplash or Swimtastic franchised business (“**Franchised Business**”) located at _____.

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”) and (2) those certain Internet website addresses (“**URLs**”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Franchised Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as “**Telephone Company**”) and/or Franchisee’s Internet service provider (“**ISP**”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and the URLs, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings and the URLs, and Franchisee irrevocably appoints Franchisor as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor, Franchisor shall direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Numbers and Listings and the URLs upon such termination or expiration

and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE:

**SAFESPLASH BRANDS, LLC
D/B/A STREAMLINE BRANDS**

By: _____

Its: _____

Date: _____

(which shall be the "**Effective Date**" of this Assignment)

ASSIGNOR:

NAME: _____

By: _____

Its: _____

**ATTACHMENT F
TO FRANCHISE AGREEMENT**

LEASE ADDENDUM

This Addendum to Lease (“**Addendum**”), dated _____, is entered into by and between _____ (“**Lessor**”), and _____ (“**Lessee**”). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease.

A. The parties hereto have entered into a certain Lease Agreement (“**Lease**”), dated _____, and pertaining to the premises located at _____ (“**Premises**”).

B. Lessor acknowledges that Lessee intends to operate a SafeSplash or Swimtastic franchise from the leased Premises pursuant to a Franchise Agreement (“**Franchise Agreement**”) with SafeSplash Brands, LLC d/b/a Streamline Brands (“**Franchisor**”) under the name “SAFESPLASH SWIM SCHOOL®,” “SWIMTASTIC®” or other name designated by Franchisor (herein referred to as “**Franchised Business**”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

2. Assignment or Subletting. Lessee shall agree to attorn to any assignee of Lessor provided such assignee will agree not to disturb Lessee’s possession of Premises. Lessee shall have the right to assign or sublet all of its right, title and interest in the Lease, at any time during the term of the Lease, including any extensions or renewals thereof, without charge and without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease attached hereto as **Attachment F-1**: (a) to Franchisor or Franchisor’s parent, subsidiary, or affiliate, (b) to a duly authorized franchisee of Franchisor, (c) in connection with a merger, acquisition, reorganization or consolidation, or (d) in connection with the sale of Lessee’s corporate stock or assets. However, no assignment or sublease shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation

of Franchisor or Franchisor's parent, subsidiary or affiliate unless and until the Lease is assigned or sublet to, and accepted in writing by, Franchisor or Franchisor's parent, subsidiary or affiliate. In the event of any assignment or sublease, Lessee shall at all times remain liable under the terms of the Lease. Franchisor shall have the right to reassign or sublease the Lease to another franchisee without the Lessor's consent in accordance with Section 4(a). Lessor understands and agrees that, in connection with Lessee's assignment or subletting of the Lease to a duly authorized franchisee of Franchisor, Franchisor shall be permitted to charge "additional rent" or "percentage rent" or other charges to its franchisee as part of its regular plan of franchising, and Lessor shall not be entitled to any consideration or additional rent as a result of any fees paid to Franchisor by franchisee pursuant to the Lease or otherwise.

3. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, or by a recognized overnight courier or delivery services to the following address:

SafeSplash Brands, LLC d/b/a Streamline Brands
10463 Park Meadows Dr., Suite 109
Lone Tree, CO 80124
Attention: Managing Director
Phone: (303) 799-1885 x 101
Fax: (303) 865-3063

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any extension thereof without Franchisor's prior written consent, which shall be granted or denied in Franchisor's sole discretion, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

4. Termination or Expiration.

(a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign or sublet the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided Franchisee agrees to assume Lessee's obligations and the Lease.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the "SafeSplash Swim School®" and "Swimtastic®" marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

5. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Attachment F-1**.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

6. Sales Reports and Inspection. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business. Lessor acknowledges that the Franchise Agreement grants Franchisor the right of inspection of Lessee's Premises, and Lessor agrees to cooperate with Franchisor's efforts to enforce Franchisor's inspection rights.

7. No Competition by Other Lessees of Lessor. Lessor agrees that it will not do business with nor lease to another business whose primary business is the provision of "learn to swim" lessons for children.

8. No Radius Clause. The radius restriction set forth in the Lease is hereby deleted.

9. No Relocation Clause. Any relocation clause found in the Lease is hereby deleted.

10. Casualty And Condemnation. In the event the Premises are completely or partially damaged by fire or other casualty or are condemned by a governmental agency in whole or in part, such that the Premises cannot, in Lessee's reasonable business judgment, be used by Lessee for their intended purposes, or can only be partially used by Lessee (it being understood that Lessee, in its reasonable business judgment, shall decide whether to remain open prior to the completion of repairs to the Premises) and this Lease is not terminated as otherwise provided in this Lease, there shall be an equitable abatement of rent, any percentage rent and other charges payable by Lessee hereunder for any days the Lessee cannot use the entire Premises. In the event the Premises are not repaired or restored by Lessor within 180 days after the date of the casualty or condemnation, Lessee may elect to terminate this Lease upon 30 days prior written notice to Lessor.

11. Common Areas-No Changes. Lessor shall not change or alter the common areas in any manner which would alter the dimensions or location of the Premises or adversely affect the use, operation or conduct of Lessee's business being conducted in the Premises, adversely affect the accessibility or visibility of the Premises or reduce the existing parking facilities of the Shopping Center by more than 10 %.

12. Hazardous Materials. Lessor represents and warrants that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "**Hazardous Materials**"). Notwithstanding any provision of this Lease to the contrary, Lessee shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Shopping Center, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Lessee. Lessor shall be solely responsible for any changes to the Premises relating to Hazardous Materials, unless those Hazardous Materials were brought onto the Premises by Lessee. Lessor shall indemnify and hold Lessee harmless from and against all liabilities, costs, damages and expenses which Lessee may incur (including reasonable attorneys' fees) as the result of a breach of Lessor's representation and warranty set forth in this paragraph or the presence of Hazardous Materials in or about the Shopping Center, the Building or the Premises, unless those Hazardous Materials were brought onto such areas by Lessee.

13. Insurance and Waiver of Subrogation. Lessee may maintain the required liability insurance in the form of a blanket policy covering other locations of Lessee in addition to the Premises. Lessee may self insure plate glass, so long as Lessee agrees not to hold Lessor liable for any losses resulting to plate glass. Whenever (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty is incurred to the Premises or contents thereof by either party to this Lease, and (ii) such party is covered in whole or in part by insurance with respect to such loss, cost, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, cost, damage or expense to the extent of any amount recovered by such insurance.

14. Lessor Warranties. Lessor represents, covenants and warrants (i) that Lessor has lawful title to the Center and has full right, power and authority to enter into this Lease; (ii) that

the Center is in compliance with the Americans with Disabilities Act (“ADA”); (iii) that the permitted “use” of the Premises does not currently violate the terms of any of Lessor’s insurance policies; (iv) that Lessor currently maintains all risk of physical loss coverage for the full replacement cost of the Center and shall maintain throughout the term of this Lease general liability insurance coverage for the Center consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the Center in the same area; and (v) that so long as Lessee pays all monetary obligations due under this Lease and performs all other covenants contained herein, Lessee shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of this Lease and its use and occupancy thereof shall not be disturbed. Lessor covenants and agrees that Lessor shall take no action that will interfere with Lessee’s intended usage of the Premises. Lessor shall indemnify and hold harmless Lessee and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (x) Lessor’s operation of the Center, (y) Lessor’s breach in the performance of any of its obligations under this Lease, or (z) any violation of law by Lessor or any other act or omission of Lessor or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of this Lease.

15. Lessor Work And Repair. Lessor shall perform all work described in the Lease and Exhibit __ attached hereto and incorporated herein. Lessor shall be responsible for the payment of all tap fees and system development fees incurred in connection with Lessor’s provision of utilities to the Premises. Utilities shall be “stubbed” to the Premises at no cost to Lessee. All Lessor work shall be performed in a workmanlike manner with quality materials in compliance with all laws, codes and all regulations. If Lessor’s work is not performed as herein required, or if such work or the Center is not in compliance with all laws, codes or other regulations, Lessor shall perform the necessary remedial work at its sole cost and expense. Lessor covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Lessee, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural systems including, without limitation, the roof, roof membrane roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

16. Mitigation. Lessor shall use reasonable efforts to mitigate its damages in the event of a Lessee default.

17. Lessee Financing. Lessee shall have the right from time to time during the term of the Lease, and without Lessor’s prior approval, to grant and assign a mortgage or other security interest in Lessee’s interest under this Lease and all of Lessee’s personal property located within the Premises to its lenders in connection with Lessee’s financing arrangements and any lien of Lessor against Lessee’s personal property (whether by statute or under the terms of this Lease) shall be subject and subordinate to such security interest. Lessor shall execute such documents as Lessee’s lenders may reasonably request in connection with any such financing.

18. Continued Business Operation. Lessee may close its business once every five (5) years for a reasonable time to refurbish and redecorate the Premises.

19. Removal Of Trade Dress/Personal Property. Lessor shall permit Lessee fifteen (15) days from the termination or expiration of the Lease to remove Lessee's property. Lessor shall permit Lessee to remove its trade dress within fifteen (15) days after the termination or expiration of the Lease or within fifteen (15) days after Lessee has received proper notice from Lessor of the termination or expiration pursuant to Section __, whichever later occurs.

20. Alterations. Lessor's consent shall not be required for non-structural or non-mechanical alterations, additions or changes to the Premises.

21. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

22. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

23. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

LESSOR:

LESSEE:

By: _____

By: _____

Title: _____

Title: _____

**ATTACHMENT F-1
TO FRANCHISE AGREEMENT**

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of _____ (“**Effective Date**”), the undersigned, _____ (“**Assignor**”), hereby assigns, transfers and sets over unto SafeSplash Brands, LLC d/b/a Streamline Brands (“**Assignee**”) all of Assignor’s right, title and interest as Lessee, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A (“Lease”)** with respect to the premises located at _____ (“**Premises**”). This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the Premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement (“**Franchise Agreement**”) for a SafeSplash franchised business or Swimtastic franchised business between Assignee and Assignor, or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in that event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees or instructs in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

[Signatures on following page]

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

ASSIGNOR:

By: _____

Its: _____

ASSIGNEE:

SAFESPLASH BRANDS, LLC
d/b/a STREAMLINE BRANDS,
a Colorado limited liability company

By: _____

Its: _____

EXHIBIT A

LEASE

With Respect to Premises Located at:

(To Be Attached)

**ATTACHMENT G
TO FRANCHISE AGREEMENT**

HOSTED LOCATION ADDENDUM

This Addendum to the Franchise Agreement (“Addendum”) is made and entered into on the Effective Date (as defined below), by and between SafeSplash Brands, LLC d/b/a Streamline Brands, a Colorado limited liability company (the “Franchisor”), and _____, a _____ (“Franchisee”).

BACKGROUND

A. Franchisor and Franchisee have entered into that certain Franchise Agreement, dated as of the date hereof (“Franchise Agreement”), pursuant to which Franchisee will operate a Franchised Business at the location described in Attachment A to the Franchise Agreement.

B. Franchisor and Franchisee desire to amend the terms of the Franchise Agreement by incorporating the terms of this Addendum into the Franchise Agreement.

AGREEMENT

1. **DEFINITIONS. CAPITALIZED TERMS USED AND NOT DEFINED IN THIS ADDENDUM SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN THE FRANCHISE AGREEMENT.**

2. Construction. Section 9.3 of the Franchise Agreement is deleted in its entirety.

3. License Agreement. Franchisee’s operation of the Franchised Business is subject to the terms and conditions of the License Agreement with the third party, a copy of which has been provided to Franchisee. The terms and conditions of the License Agreement, including all exhibits, amendments, schedules and addenda thereto, are incorporated by reference into the Franchise Agreement.

4. Addendum Binding. This Addendum will be binding upon and inure to the benefit of each party and to each party’s respective successors and assigns.

5. No Further Changes. Except as specifically provided in this Addendum, all of the terms, conditions and provisions of the Franchise Agreement will remain in full force and effect as originally written and signed.

[Signature Page to Follow]

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed this Addendum as of the date first above written.

FRANCHISOR:

**SAFESPLASH BRANDS, LLC
D/B/A STREAMLINE BRANDS**

By: _____

Title: _____

Date: _____

(which shall be the “**Effective Date**”) of
this Addendum

FRANCHISEE:

NAME: _____

By: _____

Title: _____

Date: _____

**ATTACHMENT H
TO FRANCHISE AGREEMENT**

SBA ADDENDUM TO FRANCHISE AGREEMENT

This SBA Addendum to Franchise Agreement (“**SBA Addendum**”) is made and entered into on _____, by and between SafeSplash Brands, LLC d/b/a Streamline Brands, a Colorado limited liability company (“**Franchisor**”) and _____ (“**Franchisee**”).

BACKGROUND

WHEREAS, Franchisor and Franchisee entered into that certain Franchise Agreement on _____, (“**Franchise Agreement**”) pursuant to which Franchisee will operate a SafeSplash franchise or Swimtastic franchise (“**Franchised Business**”) located at _____.

WHEREAS, Franchisor and Franchisee desire to amend the terms of the Franchise Agreement by incorporating the terms of this SBA Addendum into the Franchise Agreement.

WHEREAS, Franchisee has obtained from a lender a loan (“**Loan**”) in which funding is provided with the assistance of the United States Small Business Administration (“**SBA**”). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

WHEREAS, Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.

NOW, WHEREFORE, the Franchisor and Franchisee hereby agree as follows, intending to be bound hereby:

AGREEMENT

1. Definitions. Capitalized terms used and not defined in this Addendum shall have the meanings assigned to them in the Franchise Agreement.

2. The Franchise Agreement is hereby amended as follows:

A. Notwithstanding anything to the contrary in Section 8.5 of the Franchise Agreement, Franchisee shall have the discretion to set pricing for its products and services provided that, subject to applicable antitrust laws, such pricing: (1) is at or below any maximum price cap programs established by Franchisor for the System; or (2) is at or above any minimum price threshold programs established by Franchisor for the System; or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by Franchisor for the System.

B. The following is added to the end of Sections 15.6 & 16. of the Franchise Agreement:
However, the Franchisor may not exercise a right of first refusal:

(a) If a proposed transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed transfer, have an ownership interest in Franchisee or the Franchise, and who have guaranteed Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the SBA (each an "**Owner/ Guarantor**"); or

(b) If a proposed transfer involves a person other than an Owner/Guarantor and the proposed transfer involves a non-controlling ownership interest in Franchisee or the Franchise, unless such non-controlling interest: (1) represents less than a twenty percent (20%) ownership interest in Franchisee or in the Franchise, or (2) Franchisor (in combination with all of Franchisor's franchisees) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program.

Franchisor's right to approve or to disapprove a proposed transfer or transferee, or to exercise its right of first refusal with respect to a transfer of a controlling interest in Franchisee or the Franchise, shall not be affected by any of the foregoing provisions. If Franchisor does not qualify as a small business under SBA regulations, the parties acknowledge and understand that Franchisor's exercise of its right of first refusal may result in an SBA guaranteed loan becoming immediately due and payable.

- C. Notwithstanding anything to the contrary in Sections 16. & 17.9 (e) of the Franchise Agreement, neither Franchisor nor any of its affiliates will have the option to purchase any real estate owned by Franchisee. Franchisor, however, may lease such real estate for the remainder of the Term (excluding additional renewals) for fair market value of such property.
- D. Notwithstanding anything to the contrary in Sections (k) & 17.9 (e) of the Franchise agreement, the Lease Addendum, and Collateral Assignment of Lease, if Franchisee owns the real property upon which the Franchised Business is located, Franchisor (and its assignees or affiliates) only have the right to lease the premises for the remaining Term under the Franchise Agreement (excluding renewals) at fair market value of such property.
- E. Notwithstanding anything to the contrary in the Franchise Agreement, at Franchisee's election, the Franchisee may opt out of the Customer Support Center Services provided by Franchisor whereby registration fees and swim lessons fees only are deposited into Franchisee's business account.
- F. Should Franchisee elect to opt out of the Customer Support Center Services provided by Franchisor and use another center provider, a "Royalty Fee" of eight percent (8%) per month of registrations fees, swim revenues and withdrawal fees will be paid to Franchisor on or before the fifteenth (15th) of the month immediately following the delivery of lessons. If Franchisee elects this option, Franchisee shall deliver by email or other agreed upon methods on or prior to the 10th day of each month, a participation report for the preceding month detailing (i) the total number of participants in such

month, (ii) total payments received from such participants for such month and (iii) the total “Royalty Fee” due to Franchisor for such month.

G. This Addendum automatically terminates on the earliest to occur of the following:

- (i) a Termination occurs under the Franchise Agreement;
- (ii) the Loan is paid in full; or
- (iii) SBA no longer has any interest in the Loan.

3. SBA ADDENDUM BINDING. This SBA Addendum will be binding upon and inure to the benefit of each party and to each party’s respective successors and assigns.

4. NO FURTHER CHANGES. Except as specifically provided in this SBA Addendum, all of the terms, conditions and provisions of the Franchise Agreement will remain in full force and effect as originally written and signed.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed this SBA Addendum as of the date first above written.

FRANCHISOR:

**SAFESPLASH BRANDS, LLC
d/b/a STREAMLINE BRANDS**

By: _____

Title: _____

FRANCHISEE:

NAME: _____

By: _____

Title: _____

**ATTACHMENT I
TO FRANCHISE AGREEMENT**

ENHANCED SERVICES ADDENDUM TO THE FRANCHISE AGREEMENT

This Addendum Services Addendum to the Franchise Agreement (“**Addendum**”) is entered into on _____ (“**Effective Date**”), by and between SafeSplash Brands, LLC d/b/a Streamline Brands, a Colorado limited liability Franchisor (“**Franchisor**”), located at 10463 Park Meadows Dr., Suite 109, Lone Tree, Colorado 80124 and _____ located at _____ (“**Franchisee**”).

WHEREAS, Franchisor and Franchisee have entered into that certain SafeSplash Brands, LLC d/b/a Streamline Brands Franchise Agreement dated _____ (“**Franchise Agreement**”);

WHEREAS, pursuant to the Franchise Agreement, Franchisor has granted Franchisee the right to operate a business which offers “learn to swim” programs for children and adults, birthday parties, summer camps, other swimming-related activities, and the sale of related products (“**Franchised Business**”);

WHEREAS, Franchisee desires to have Franchisor provide enhanced administrative services to the Franchised Business including a customer relationship management system, a call center, billing services, collection services, scheduling services and core marketing services (“**Enhanced Services**”); and

WHEREAS, Franchisor agrees to provide Enhanced Services to the Franchised Business in accordance with the terms and conditions of this Agreement; and

WHEREAS, Franchisor and Franchisee desire to amend the terms of the Franchise Agreement by incorporating the terms of this Addendum into the Franchise Agreement.

NOW, WHEREFORE, the Franchisor and Franchisee hereby agree as follows, intending to be bound hereby:

1. Definitions. Capitalized terms used and not defined in this Agreement will have the meanings set forth in the Franchise Agreement.
2. Newly Created Provision in Franchise Agreement. Franchisor and Franchisee agree that all of the terms and conditions set forth in this Addendum shall be incorporated into the Franchise Agreement as a newly created Section 8.8 within the Franchise Agreement.
3. Enhanced Services. During the Term of the Franchise Agreement, Franchisor agrees to provide, through an Affiliate of Franchisor or a third party designee of Franchisor, the following Enhanced Services to the Franchised Business:

- Registration and billing software: Franchisor will utilize its software platform (currently referred to as “SRS”) as the web application to provide services, manage web-based client interactions, manage customer billings, and provide reporting to Franchisee.
- Call center services: Franchisor will field inbound phone calls and respond to client inquiries about the services, billing, and/or registering for services at the Franchised Business.
- Registration and scheduling services: Franchisor will manage the process of registering clients for a schedule of services offered by the Franchised Business, so long as Franchise provides such schedule of services to Franchisor.
- Billing services: Franchisor will manage the client billings process involving credit card and debit card transactions. Cash or check transactions will be managed by Franchisee and will be reported to Franchisor on a monthly basis.
- Administrative reporting services: Franchisor will provide registration/scheduling and billing reports available for Franchisee via the SRS web portal in near real time.
- Insurance: Franchisor will secure and maintain swimmer liability, misconduct, and accident insurance policy coverage to the Franchised Business.
- Enhanced Marketing: Franchisor will provide strategic marketing consulting, digital marketing campaign management, marketing analytics trend analysis, SEO administration, and email campaign support to the Franchised Business.

4. Monthly Enhanced Services Fee. In consideration of the Enhanced Services to be provided by Franchisor to the Franchised Business hereunder, Franchisee agrees to pay the Enhanced Services Fee, which shall be collected and retained by Franchisor out of the customer payments collected through the Enhanced Services Model process. Franchisee acknowledges and agrees that the Enhanced Services Fee may be modified; provided, however, that such Enhanced Services Fee shall not increase or decrease by more than two percent (2%) each year, and the cumulative increase or decrease in the Enhanced Services Fee shall not exceed ten percent (10%) during the Term of this Agreement. Franchisee further acknowledges and agrees that in the event Franchisee fails or refuses to book the sale of swimming-related services through the Enhanced Services Model, Franchisee must still pay to Franchisor a monthly service fee equal to thirteen percent (13%) of Swimming Revenues for such month.

5. Other Fees. As set forth in the Franchise Agreement, Franchisee authorizes Franchisor to collect all other payments due to Franchisor through the Enhanced Services process, including but not limited to the Royalty, Strategic Marketing and Promotions Fee, and Hosted Location Fee (if applicable).

6. Disclaimer of Warranties. Except as required by law, Franchisee acknowledges and agrees that Franchisee’s use of the Services is entirely at Franchisee’s own discretion and risk. The Services are furnished by Franchisor “as it” and without warranties or conditions, statutory or otherwise, of any kind. Franchisor: (a) expressly disclaims all warranties, whether express, implied, or statutory, including, without limitation, the implied warranties of noninfringement,

title, merchantability, and fitness for a particular purpose; (b) does not warrant that the Services will meet Franchisee's requirements, or that their operation will be timely, uninterrupted, secure, or error-free or that any defects will be corrected; and (c) does not warrant or make any representations or conditions regarding the use or the results of the use of the Services in terms of its accuracy, reliability, timeliness, completeness, or otherwise. Franchisee assumes total responsibility for the use of the Services by Franchisee and any other end users of the Services.

7. Disclaimer of Consequential Damages. Notwithstanding any other provision of the Franchise Agreement, except as required by law, in no event will Franchisor be liable to Franchisee for any special, indirect, incidental, punitive, exemplary, reliance, or consequential damages of any kind, including, but not limited to, compensation, reimbursement, or damages in connection with, arising out of, or relating to, the use, or loss of use of, the services, loss of profits, loss of goodwill, loss of data or content, cost of procurement of substitute goods or services, subsequent or other commercial loss, or for any other reason of any kind, whether based on contract or tort (including, without limitation, negligence or strict liability) even if Franchisor has been advised of the possibility of such damages.

8. Limitation of Liability. Except as required by law, Franchisor will not be liable to Franchisee for damages for breach of any express or implied warranty or condition, breach of contract, negligence, strict liability, or any other legal theory related to the Services. If, notwithstanding the foregoing, Franchisor is found to be liable to Franchisee for any damage or loss which arises under or in connection with the Services, Franchisor's total cumulative liability to Franchisee will in no event exceed the amount of Enhanced Services Fees actually paid by Franchisee for the Services for the six (6) months prior to the occurrence of the event(s) giving rise to Franchisor's liability.

9. Allocation of Liability. Franchisor and Franchisee acknowledge that the disclaimer of warranties, disclaimer of consequential damages, and limitations of liability set forth in this Addendum and in the other provisions of the Franchise Agreement and the allocation of risk herein are an essential element of the bargain between the parties, without which Franchisor would not have entered into this Addendum. Franchisor's pricing reflects this allocation of risk and these limitations.

10. Confidential Information. Franchisee acknowledges that in connection with the provision of the Services, Franchisee may obtain Confidential Information and Trade Secrets of Franchisor. Accordingly, Franchisee acknowledges and agrees that the terms and conditions set forth in the Franchise Agreement relating to Confidential Information and Trade Secrets apply to Franchisee's provision of the Services.

11. Coterminous with Franchise Agreement: No Automatic Renewal. The terms and conditions of this Addendum will continue so long as the Franchise Agreement is in full force and effect. Accordingly, the terms and conditions of this Addendum will be terminated if the Franchise Agreement is terminated or expires. Renewal of the terms and conditions of this Addendum are not automatic upon the execution of a Successor Franchise Agreement by Franchisor and Franchisee. Accordingly, Franchisor and Franchisee may only renew the terms and conditions of this Addendum by entering into a new Addendum to the Successor Franchise Agreement;

provided, however, Franchisor reserves the right to revise the terms and conditions relating to the provisions of Services, including the consideration paid by Franchisee for the Services, in connection with such renewal.

12. Exclusivity. So long as the terms and conditions of this Addendum are in full force and effect, Franchisee agrees that Franchisor (through an Affiliate of Franchisor or a third party designee of Franchisor) will be the exclusive provider of Enhanced Services for the Franchised Business.

13. Assignment. Franchisee cannot assign this Addendum without obtaining Franchisor's prior written consent.

14. Severability. If any provision of this Addendum is found to be unenforceable or contrary to law, it will be modified to the least extent necessary to make it enforceable, and the remaining provisions of this Addendum will remain in full force and effect.

15. Addendum Binding. This Addendum will be binding upon and inure to the benefit of each party and to each party's respective successors and assigns.

16. No Further Changes. Except as specifically provided in this Addendum, all of the terms, conditions and provisions of the Franchise Agreement will remain in full force and effect as originally written and signed. Where the terms of this Addendum and the Franchise Agreement conflict, the terms of the Addendum will prevail.

17. Counterparts. This Addendum may be executed in two counterparts, each of which shall be an original, but taken together shall be deemed one and the same instrument.

[Signature Page to Follow]

IN WITNESS, WHEREOF, the parties have executed this Agreement on the date first written above.

FRANCHISOR:

**SAFESPLASH BRANDS, LLC
d/b/a STREAMLINE BRANDS**

By: _____

Name: _____

Title: _____

FRANCHISEE:

a(n) _____

By: _____

Name: _____

Title: _____

**ATTACHMENT J
TO FRANCHISE AGREEMENT**

ACKNOWLEDGMENT

Franchisee, and its shareholders, members, or partners, as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date, as defined below.

ACCEPTED on the Effective Date.

**FRANCHISOR:
SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS**

By: _____

Its _____

Date: _____
(which shall be the “**Effective Date**” referenced above)

**FRANCHISEE:
NAME:**

By: _____

Its _____

_____ an Individual

Printed Name: _____

Date: _____

_____ an Individual

Printed Name: _____

Date: _____

EXHIBIT C



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

AREA DEVELOPMENT AGREEMENT



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

EXHIBIT C

AREA DEVELOPMENT AGREEMENT

Area Developer: _____

Date: _____

Territory: _____

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ATTACHMENTS:

Attachment A:	Description of Development Territory
Attachment B:	Development Schedule
Attachment C:	Personal Guaranty
Attachment D:	Statement of Shareholders/Members/Partners

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT is made effective as of the Effective Date (as defined below) between SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS, a Colorado limited liability company, located at 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124 (“**Franchisor**”) and _____, located at _____ (“**Area Developer**”).

RECITALS

WHEREAS, Franchisor holds the exclusive franchise rights to a proprietary system which has been developed through significant expenditures of time, skill, effort and money (“**System**”) relating to the establishment, development and operation of the operation of a business offering “learn to swim” programs for children and adults, birthday parties, summer camps, other swimming-related activities, and the sale of related products (“**SafeSplash Business**” or “**Swimtastic Business**,” which are collectively referred to herein as a “**Franchised Business**”).

WHEREAS, the System features use of the Marks (defined below), as well as uniform standards, specifications, methods, policies and procedures for SafeSplash Business and Swimtastic Business operations, training and assistance, and advertising and promotional programs (all as further defined in the Operations Manual), all of which may be changed, improved upon, and further developed occasionally by Franchisor.

WHEREAS, Franchisor, through its dedicated operations and marketing methods, has developed the reputation, public image and goodwill of its System and established a firm foundation for its franchised operations consisting of the highest standards of training, management, supervision, appearance, and quality of services.

WHEREAS, the System is identified by means of certain trademarks, including the trademark “**SAFESPLASH SWIM SCHOOL®**” and “**SWIMTASTIC®**” and any other trade names, service marks, and trademarks as are now, and may hereafter be, designated for use in connection with the System (“**Marks**”).

WHEREAS, Franchisor continues to develop, expand, use, control and add to the Marks and the System for the benefit of and exclusive use by Franchisor and its franchisees in order to identify for the public the source of the products and services marketed thereunder and to represent the System’s high standards of quality and service.

WHEREAS, Area Developer desires to obtain the exclusive right to develop, construct, manage and operate a series of Franchised Businesses under the development schedule described in **Attachment B** attached hereto (“**Development Schedule**”) and within the territory described in **Attachment A** attached hereto (“**Development Territory**”), under the System and Marks, as well as to receive the training and other assistance provided by Franchisor in connection therewith.

WHEREAS, the Area Developer hereby acknowledges that it has read this Agreement and Franchisor’s Franchise Disclosure Document (“**Disclosure Document**”), and that it has no knowledge of any representations about the Franchised Business or about Franchisor or its franchising program or policies made by Franchisor or by its officers, directors, shareholders,

employees or agents which are contrary to the statements in Franchisor’s Disclosure Document or to the terms of this Agreement, and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards at all Franchised Businesses which operate pursuant to the System and thereby to protect and preserve the goodwill of the System and the Marks.

WHEREAS, Area Developer understands and acknowledges the importance of Franchisor’s uniformly high standards of quality and service and the necessity of operating the Franchised Businesses in strict conformity with Franchisor’s quality control standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other party set forth herein, hereby mutually agree as follows:

1. GRANT

1.1 Franchisor hereby grants to Area Developer the right and license to develop, construct, operate and manage _____ () Franchised Businesses in strict accordance with the System and under the Marks within the Development Territory described in **Attachment A**. Each Franchised Business shall be operated according to the terms of the individual franchise agreement (“**Franchise Agreement**”) with respect thereto.

1.2 If the Area Developer is developing Franchised Businesses, and complies with the terms of this Agreement, the Development Schedule, and the individual Franchise Agreement for each Franchised Business, then Franchisor will not franchise or license others, nor will it itself directly or indirectly develop, own, lease, construct or operate in any manner, any SafeSplash Businesses or Swimtastic Businesses in the Development Territory during the term hereof; however, Franchisor reserves the right to sell products and services under the Marks or any other marks, through any other retail location or through any other channels of distribution, including through mail order, catalogue sales or over the Internet. Franchisor also reserves the right to (a) establish, operate or license to any other person or entity the right to establish or operate a SafeSplash Business or Swimtastic Business that is owned or licensed by Franchisor at any location outside the Development Territory; (b) develop, lease and license the use of, at any location inside or outside of the Development Territory, trademarks other than the Marks, in connection with the operation of a system which offers products or services which are similar to or different from those offered under the System, on any terms or conditions which Franchisor deems advisable; (c) merge with, or be acquired by any other business, including a business that competes with SafeSplash Businesses or Swimtastic Businesses operated by Area Developer, or to acquire and convert to the System operated by Franchisor any businesses offering “learn to swim” lessons and the sale of related products located inside or outside of the Development Territory or otherwise operated independently as part of, or in association with, any other system or chain, whether franchised or corporately owned; and (d) implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere, and to issue mandatory policies to coordinate these multi-area marketing programs. Upon the expiration or termination of this Agreement, the Area Developer will no longer have an exclusive Development Territory and each Franchised Business will be limited to operating solely at the

franchised location (“**Franchised Location**”) described in the individual Franchise Agreement. Area Developer understands, acknowledges and agrees that as a Franchisee, Area Developer will not receive any exclusive or protected territorial rights other than the territory granted with each Franchised Business at each Franchised Location.

1.3 This Agreement is not a franchise agreement and Area Developer shall have no right to use in any manner the Marks or System by virtue hereof. Each Franchised Business will be governed by the individual Franchise Agreement signed by Franchisor and Area Developer for each Franchised Business.

1.4 The Area Developer must contribute some amount of its personal capital to the development of each Franchised Business and must own at least a 51% equity interest in each Franchised Business developed hereunder. In addition, Area Developer shall ensure that a person having at least a 10% beneficial equity interest in the Franchisee (“**Designated Business Manager**”) shall at all times devote his or her full time and attention to managing, supervising, and developing each Franchised Business and that the person is at all times identified to Franchisor. Area Developer shall identify all equity owners of Area Developer by completing the Statement of Shareholders/Members/Partners attached to this Agreement as **Attachment D**. Area Developer shall provide Franchisor with an updated form of **Attachment D** within 10 business days of any change in the equity ownership of Area Developer. The failure of Area Developer to provide Franchisor with an updated **Attachment D** within the time frame specified in this Section 1.4 shall constitute a material default of this Agreement.

2. TERM

Unless sooner terminated pursuant to the provisions of Section 7, the term of this Agreement shall expire upon the earlier of (a) ten (10) years from the Effective Date, or (b) completion of the term of the Development Schedule. Franchisor, in its sole discretion, may permit Area Developer to renew this Agreement for an additional term; provided that, without limiting the foregoing, the Area Developer has not defaulted in its obligations under this Agreement or any other agreement with Franchisor or any affiliate of Franchisor, and the parties agree in writing to a new Development Schedule.

3. FRANCHISE AGREEMENT, INITIAL FRANCHISE FEE AND INITIAL TRAINING

3.1 With respect to each Franchised Business to be developed under this Agreement:

(a) As soon as Area Developer locates a site within the Development Territory that it believes is suitable for a Franchised Business in accordance with Franchisor’s site selection criteria, Area Developer shall submit to Franchisor the information about the proposed location including, without limitation, lease terms, land acquisition terms, demographic criteria and preliminary site plans showing building orientation, proposed unit location, parking layout, and certain other information, as Franchisor may require periodically in Franchisor’s operations manual (“**Operations Manual**”). If Area Developer proposes that another entity will own and operate the Franchised Business, Area Developer must also submit information to Franchisor regarding the proposed franchisee entity. Franchisor reserves the right to request as much additional information regarding

the site and the proposed franchisee entity as it deems necessary, in its sole discretion, and Area Developer agrees to provide the information immediately upon request.

(b) Should Franchisor grant preliminary authorization to proceed with the site location per Section 3.1(a) above, it will give its written authorization to the Area Developer to proceed with architectural drawings and final site plans containing the information as Franchisor requires. The preliminary authorization for the site location shall not constitute final authorization of the site for the Franchised Business, or of the entity proposed as franchisee. Upon receipt of the site location authorization, Area Developer should make an offer to secure the site via purchase or lease, which offer must be contingent upon final approval by Franchisor of the site and of the proposed franchisee entity.

(c) Should Franchisor provide final site authorization and approve of the proposed franchisee entity for a Franchised Business, Franchisor and Area Developer (or its affiliate) shall promptly enter into an individual Franchise Agreement for this Franchised Business before the date Area Developer begins construction on the Franchised Location, which agreement shall be in the form of Franchisor's then-current form of Franchise Agreement. The terms of the individual Franchise Agreement will then govern the further development and build-out of the Franchised Business.

3.2 Area Developer shall pay to Franchisor an Initial Franchise Fee for each Franchised Business to be developed hereunder. The initial franchise fee ("**Initial Franchise Fee**") will be as follows:

(a) Dedicated Facility - Regardless as to the number of Franchised Businesses you commit to develop that will be operated in a Large Format Dedicated Facility, the Initial Franchise Fee for your first Franchised Business is Fifty Thousand Dollars (\$50,000). The Initial Franchise Fee for the second and third Franchised Business is Forty-Five Thousand Dollars (\$45,000) per Franchised Business. The Initial Franchise Fee for the fourth, fifth, and any subsequent Franchised Business is Forty Thousand Dollars (\$40,000) for each such Franchised Business. The Initial Franchise Fee for the first Franchised Business to be developed under the Area Development Agreement as well as Five Thousand Dollars (\$5,000) for all subsequent Franchises are due when you sign the Area Development Agreement. All amounts collected shall be deemed fully earned immediately upon receipt and shall be non-refundable, regardless of whether Area Developer opens any of the Franchised Businesses it is obligated to open in the Development Territory.

(b) Hosted Facility - Regardless as to the number of Franchised Businesses you commit to develop that will be operated in a Hosted Facility, the Initial Franchise Fee for your first Franchised Business is Twenty-Five Thousand Dollars (\$25,000). The Initial Franchise Fee for the second and third Franchised Business is Twenty-Two Thousand Five Hundred Dollars (\$22,500) for each such Franchised Business. The Initial Franchise Fee for the fourth, fifth, and any subsequent Franchised Business is Twenty Thousand Dollars (\$20,000) for each such Franchised Business. The Initial Franchise Fee for the first Franchised Business to be developed under the Area Development Agreement as well as Five Thousand Dollars (\$5,000) for all subsequent Franchises are due when you sign the Area Development Agreement. All amounts collected shall be deemed fully earned immediately upon receipt and shall be non-refundable, regardless of whether Area

Developer opens any of the Franchised Businesses it is obligated to open in the Development Territory.

3.3 Franchisor shall provide the Area Developer with Franchisor's then-current training program and on-site opening assistance for each Franchised Business to be developed hereunder.

4. DEVELOPMENT SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

4.1 Area Developer shall exercise the development rights granted under this Agreement only by entering into a separate Franchise Agreement with Franchisor for each Franchised Business for which a development right is granted. The Franchise Agreement to be executed for the first Franchised Business to be developed by Area Developer under this Agreement shall be executed and delivered, and the Initial Franchise Fee for the first Franchised Business and Five Thousand Dollars (\$5,000) for each subsequent Franchise shall be paid, to Franchisor concurrently with the execution and delivery of this Agreement. All subsequent Franchised Businesses developed under this Agreement shall be established and operated pursuant to the form of Franchise Agreement then being used by Franchisor for a Franchised Business. Area Developer acknowledges that the then-current form of Franchise Agreement may differ from the form attached, and may include different economic terms, including, but not limited to, higher Service Fees and advertising contributions.

4.2 Development Schedule.

(a) Acknowledging that time is of the essence, Area Developer agrees to exercise its development rights according to Section 3.1 and according to the Development Schedule set forth on **Attachment B**, which schedule designates the number of Franchised Businesses in the Development Territory to be established and in operation by Area Developer upon the expiration of each of the designated development periods ("**Development Periods**").

(b) During any Development Period, Area Developer may, with Franchisor's prior written consent, develop more than the number of Franchised Businesses that Area Developer is required to develop during that Development Period. Any Franchised Businesses developed during a Development Period in excess of the minimum number of Franchised Businesses required to be developed upon expiration of that Development Period shall be applied to satisfy Area Developer's development obligation during the next succeeding Development Period. Area Developer shall not open more than the cumulative total number of Franchised Businesses Area Developer is obligated to develop under this Agreement, as set forth above in the Development Schedule; provided, however, that Area Developer may be permitted to open Franchised Businesses in excess of the number permitted by the Development Schedule if, in Franchisor's sole discretion, Franchisor determines that the Development Territory can support additional Franchised Businesses and Area Developer receives Franchisor's advanced written permission to develop more Franchised Businesses. Area Developer shall pay Franchisor the then-current Initial

Franchise Fee applicable at the time Area Developer signs a Franchise Agreement for any additional Franchised Businesses.

(c) If during the term of this Agreement, Area Developer ceases to operate any Franchised Business developed under this Agreement for any reason, Area Developer shall develop a replacement Franchised Business to fulfill Area Developer's obligation to have open and in operation the required number of Franchised Businesses upon the expiration of each Development Period. The replacement Franchised Business shall be developed within a reasonable time not to exceed twelve months to be agreed upon by the parties after Area Developer ceases to operate the Franchised Business to be replaced. If during the term of this Agreement, Area Developer, in accordance with the terms of any Franchise Agreement for a Franchised Business developed under this Agreement, transfers its interest in such Franchised Business, the transferred Franchised Business shall continue to be counted in determining whether Area Developer has complied with the Development Schedule so long as it continues to be operated as a Franchised Business. If the transferred Franchised Business ceases to be operated as a Franchised Business during the term of this Agreement, Area Developer shall develop a replacement Franchised Business within a reasonable time, not to exceed twelve months, after the transferred Franchised Business ceases to be operated as a Franchised Business. In either case, the reasonable time period shall apply to the development of the replacement Franchised Business only and, in Franchisor's sole discretion, extend the term of the applicable Development Period to the end of the mutually agreed upon time period; provided that in no event shall such time period exceed twelve months.

(d) Opening Schedule.

(i) Area Developer shall open each Franchised Business and shall commence business in accordance with the Development Schedule set forth on **Attachment B**, unless, subject to Franchisor's approval, Area Developer obtains an extension of the Development Period from Franchisor to complete construction and commence operation of a particular Franchised Business. Each extension shall be for an additional 30-day period commencing upon the expiration of the applicable Development Period, including any previous extensions thereof ("**Extension Date**"). No more than two extensions of any Development Period will be permitted. If an extension of a Development Period is granted by Franchisor, the Opening Date for the Franchised Business (as defined in the Franchise Agreement) shall be extended to the Extension Date. No extension of any Development Period shall affect the duration of any other Development Period or any of Area Developer's other development obligations. If an extension is requested in the final Development Period, the term of this Agreement shall be extended to the Extension Date, and thereafter Area Developer shall have no further rights under this Agreement except as provided in Section 2. The provisions of this Section 3.2(d)(i) do not apply to the development of a replacement Franchised Business under Section 3.2(c). Each extension may be conditioned upon payment of an extension fee ("**Extension Fee**") as set forth in the Operations Manual.

(ii) Area Developer shall notify Franchisor in writing at least 30 days prior to the Projected Opening Date (defined below) for a Franchised Business if Area Developer will be unable to complete construction and commence operation of the Franchised Business by the expiration date of the Development Period in which such Franchised Business was to have been opened. In such notice, Area Developer shall request that the Franchisor consider its request for an extension and shall include a description of the reasons for its failure to develop the Franchised Business in a timely manner and the expected date of completion of construction and opening, if the extension were to be granted, along with payment of the Extension Fee if required.

(e) Failure by Area Developer to adhere to the Development Schedule (including any extensions approved by Franchisor) or to adhere to any time period for the development of replacement Franchised Businesses as set forth in Section 3.2(c) shall constitute a material event of default under this Agreement.

4.3 Area Developer acknowledges that the projected opening dates (“**Projected Opening Dates**”) for each Franchised Business set forth on **Attachment B** are reasonable and consistent with the requirements of the Development Schedule. Area Developer shall execute a Franchise Agreement for each Franchised Business at or prior to the applicable execution deadline (“**Execution Deadline**”) set forth on **Attachment B**. Area Developer and Franchisor agree that, except with respect to the Franchise Agreements executed concurrently herewith, the Execution Deadline shall be a date no later than nine (9) months prior to the Projected Opening Date for each subsequent Franchised Business to be developed.

5. LOCATION OF FRANCHISED BUSINESSES

The location of each Franchised Business shall be selected by the Area Developer in accordance with the terms set forth in each Franchise Agreement signed by Area Developer, within the Development Territory, subject to Franchisor’s prior authorization as set forth in Section 3 hereof. The establishment of any proposed site by Area Developer before approval of Franchisor shall be the sole risk and responsibility of Area Developer and shall not obligate Franchisor in any way to authorize the same. The authorization of a proposed site by Franchisor does not in any way constitute a warranty or representation by Franchisor as to the suitability of the site for location of a Franchised Business.

6. FRANCHISE AGREEMENT

Area Developer shall not commence construction on, or open any Franchised Business until, among other things, the entire Initial Franchise Fee for said Franchised Business has been paid in full and the individual Franchise Agreement for said Franchised Business has been signed by both the Area Developer and Franchisor.

7. DEFAULT AND TERMINATION

Area Developer shall be in default under this Agreement should Area Developer (or its affiliate): (a) fail to comply with the Development Schedule; (b) fail to perform any of its obligations under this Agreement or any individual Franchise Agreement; (c) cease to be a

franchisee of Franchisor in good standing; or (d) fail to comply with the provisions on transfer contained herein.

Upon the default, Franchisor shall have the right, at its option, and in its sole discretion, to do any or all of the following:

- 7.1 terminate this Agreement;
- 7.2 terminate the territorial exclusivity granted to Area Developer;
- 7.3 reduce the size of the Area Developer's Development Territory or the number of Franchised Businesses Area Developer may develop in the Development Territory; or
- 7.4 accelerate the Development Schedule on immediate written notice.

In addition, if any individual Franchise Agreement issued to Area Developer or an approved affiliate of Area Developer, whether or not issued pursuant to this Agreement, is terminated for any reason, Franchisor shall have the right to terminate this Agreement on immediate written notice to Area Developer. Upon termination or expiration of the term of this Agreement, this Agreement shall be of no further effect, and Franchisor shall have the right to itself open, or license others to open, Franchised Businesses within the Development Territory. For purposes of this Section 7, any Franchise Agreement issued by Franchisor to Area Developer or its approved affiliates, or any corporation, partnership or joint venture, or their affiliates, in which Area Developer or any stockholder, partner or joint venturer of Area Developer, has any direct or indirect ownership or participation interest, shall be deemed a Franchise Agreement issued to Area Developer.

8. ASSIGNMENT

8.1 Franchisor shall have the absolute right to transfer or assign all or any part of its rights or obligations hereunder to any person or legal entity which assumes its obligation under this Agreement and Franchisor shall thereby be released from any and all further liability to Area Developer.

8.2 By Area Developer.

(a) Area Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Area Developer and are granted in reliance upon the personal qualifications of Area Developer or Area Developer's principals. Area Developer has represented to Franchisor that Area Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of transferring the development and option rights hereunder.

(b) Neither Area Developer nor any partner, member, or shareholder thereof shall, without Franchisor's prior written consent, directly or indirectly assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in Area Developer. Any proposed assignment occurring by operation of law or

otherwise, including any assignment by a trustee in bankruptcy, without Franchisor's prior written consent, shall be a material default of this Agreement.

(c) Any assignment, transfer or other disposition by the Area Developer of a Franchised Business within the Development Territory will be governed by the Franchise Agreement to which the Franchised Business is bound.

(d) Subject to the other provisions of Section 8 herein, including Section 8.2(c) above and Section 8.2(e) below, if Area Developer wishes to sell, transfer or otherwise assign any portion, or all, of the Development Territory, the Area Developer shall notify Franchisor, which may approve or disapprove the same in its sole discretion, and in addition Franchisor may require any or all of the following as conditions of its approval:

(i) All of the Area Developer's accrued monetary obligations and all other outstanding obligations to Franchisor, its affiliates and suppliers must be fully paid and satisfied;

(ii) The Area Developer must not be in default of any provision of its Franchise Agreements, any amendments thereof or successors thereto, or any other agreement between the Area Developer and Franchisor, its subsidiaries or affiliates;

(iii) The Area Developer and each of its affiliates, shareholders, members, partners, officers and directors must sign a general release, under seal, the consideration for which shall be the approval of the transfer, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, officers, directors, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

(iv) The transferee must enter into a written assignment, under seal and in a form satisfactory to Franchisor, assuming and agreeing to discharge all of the Area Developer's obligations under the relevant Franchise Agreements and, if deemed necessary by Franchisor, the transferee's principals, individually, shall guarantee the performance of all these obligations in writing in a form satisfactory to Franchisor;

(v) The transferee must demonstrate to Franchisor's satisfaction that the transferee meets Franchisor's then-current educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to open and operate the Franchised Businesses (as may be evidenced by prior related experience or otherwise); has at least the same managerial and financial acumen required of new Area Developers, and has sufficient equity capital, as determined by Franchisor in Franchisor's sole discretion, to open and operate the Franchised Businesses required under the terms of this Area Development Agreement;

(vi) At Franchisor's option, the transferee must sign (and, upon Franchisor's request, shall cause all interested parties to sign), for a term ending on

the expiration date of the Franchise Agreement(s) and with the renewal term as may be provided by the Franchise Agreement(s), the standard form of Franchise Agreement and Area Development Agreement then being offered to new Area Developers and any other ancillary agreements as Franchisor may require for the Franchised Businesses, which agreements shall supersede the Franchise Agreements and the Area Development Agreement between the Area Developer and Franchisor in all respects and the terms of which agreements may differ from the terms of the Franchise Agreements and Area Development Agreement, including, without limitation, the implementation of other fees and different Service Fees;

(vii) The Area Developer and its principals must remain liable for all direct and indirect obligations to Franchisor in connection with the Franchised Businesses before the effective date of transfer and will continue to remain responsible for their obligations of nondisclosure, noncompetition and indemnification as provided in the Franchise Agreements and Personal Guaranty, attached into this Agreement as **Attachment C**, and shall sign any and all instruments reasonably requested by Franchisor to further evidence this liability; and

(viii) Area Developer or its approved transferee shall pay to Franchisor, at the time of said transfer, a transfer fee (“**Development Transfer Fee**”) equal to Twenty Five Hundred Dollars (\$2,500.00) for each unopened Franchised Business to be transferred, and Seven Thousand Five Hundred Dollars (\$7,500.00), or such other amount as required by the terms of each individual Franchise Agreement, for each Franchised Business which is open and operating at the time Area Developer notifies Franchisor of its intent to transfer or assign this Agreement (which transfer or assignment shall be in compliance with the terms of each open Franchised Business’s individual Franchise Agreement), to cover Franchisor’s administrative and other expenses in connection with the transfer of the Franchised Businesses by the Area Developer.

(e) If Area Developer or its principals shall at any time determine to sell, transfer or otherwise dispose of all or part of the rights under this Agreement or an ownership interest in Area Developer, and Area Developer or its principals shall obtain a bona fide, signed written offer from a responsible and fully disclosed purchaser, Area Developer shall notify Franchisor in writing of each offer, and Franchisor shall have the right and option, exercisable within a period of 30 days from the date of delivery of this offer, by written notice to Area Developer or its owners, to purchase the rights under this Agreement or this ownership interest for the price and on the terms and conditions contained in said purchaser’s offer. If Franchisor does not exercise its right of first refusal, Area Developer or its principals may complete the sale of Area Developer or this ownership interest, subject to Franchisor’s approval of the purchaser and all other conditions set forth in this Section 8.2, provided that if this sale is not completed within 120 days after delivery of this offer to Franchisor, Franchisor shall again have the right of first refusal herein provided. In the event that the Area Developer wishes to publicly offer its shares in any partnership or corporation which has an ownership interest in the Area

Developer, said public offering shall be subject to the approval of Franchisor, this approval to not be unreasonably withheld.

8.3 Each shareholder, member, or partner of the corporation, limited liability company, or partnership which is granted the rights to serve as the Area Developer hereunder shall be a party to a shareholders' agreement, operating agreement, or partnership agreement which shall provide, inter alia, that upon any dissolution of the corporation, limited liability company, or partnership, or upon any divorce decree among the parties who are also shareholders, members, or partners, that ownership of the shares, membership interest, or partnership interest shall be transferred to the shareholder, member, or partner for agreed upon consideration, which has primary responsibility for sales and marketing activities, typically the President, following any dissolution or decree. The form and content of the shareholders' agreement, operating agreement, or partnership agreement must be approved by Franchisor before execution. Area Developer's failure to comply with this Section 8.3 shall constitute a material default of this Agreement.

9. FORCE MAJEURE

In the event that Area Developer is unable to comply with the Development Schedule due to strike, riot, civil disorder, war, failure to supply, fire, natural catastrophe or other similar events beyond its control, and upon notice to Franchisor, the Development Schedule and this Agreement shall be extended for a corresponding period, not to exceed 90 days; provided, however, that this Section 9 shall not extend the time for payment of any monetary obligations owed to Franchisor.

10. CONFIDENTIALITY

10.1 Nothing contained in this Agreement shall be construed to require Franchisor to divulge to Area Developer any trade secrets, techniques, methods or processes except the material contained in Franchisor's Operations Manuals and training materials, and then only pursuant to the terms, conditions and restrictions contained in the applicable Franchise Agreement. Area Developer acknowledges that its knowledge of Franchisor's know-how, processes, techniques, information and other proprietary data is derived entirely from information disclosed to it by Franchisor and that the information is proprietary, confidential and a trade secret of Franchisor. Area Developer agrees to adhere fully and strictly to the confidentiality of the information and to exercise the highest degree of diligence in safeguarding Franchisor's trade secrets during and after the term of this Agreement. Area Developer shall divulge the material only to its employees and agents and only to the extent necessary to permit the efficient operation of the Franchised Businesses. It is expressly agreed that the ownership of all the items and property is and shall remain vested solely in Franchisor.

10.2 Area Developer agrees that all terms of this Agreement shall remain confidential and shall not make any public announcement, issue any press release or publicity, make any confirmation of statements made by third parties concerning the terms of this Agreement, or make any other disclosures other than the existence of this Agreement without the prior written consent of Franchisor unless compelled by law or ordered to do so by a court of competent jurisdiction. It is agreed and understood that Area Developer may disclose the terms of this Agreement to its professional advisors and lenders. Franchisor shall be free to make the disclosure of the terms of

this Agreement as it determines, in its sole discretion, to be in the best interest of Franchisor or the System.

11. NONCOMPETITION

11.1 Area Developer has heretofore specifically acknowledged that, pursuant to this Agreement, Area Developer will receive valuable specialized Confidential Information and information regarding the business of Franchisor, and its System. Area Developer covenants that during the term of this Agreement and subject to the post-term provisions contained herein, except as otherwise approved in writing by Franchisor, Area Developer shall not, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partners or corporations:

(a) Divert or attempt to divert any business or customer of the Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Marks or the System;

(b) Employ or seek to employ any person who is at that time employed by Franchisor or by Area Developer or any other Area Developer or franchisee of Franchisor, or otherwise directly or indirectly induce this person to leave his or her employment; or

(c) Own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business offering "learn to swim" lessons and the sale of related products ("**Competitive Business**").

11.2 Area Developer covenants and agrees that that, except as otherwise approved in writing by Franchisor, Area Developer shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two years thereafter, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any Competitive Business in: (1) the Development Territory or any other franchisee's or licensee's territory; (2) within 100 miles of the Development Territory or any other franchisee's or licensee's territory; or (3) within 100 miles of any Franchisor or Affiliate-owned Franchised Business.

11.3 Sections 11.1 and 11.2 shall not apply to ownership by Area Developer of less than a 10% beneficial interest in the outstanding equity securities of any publicly-held corporation provided that Area Developer has no management responsibility or advisory responsibility with such publicly-traded company.

11.4 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Section 11 are held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Area Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of this covenant

that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 11.

11.5 Area Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 11.1 and 11.2 in this Agreement, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof, and Area Developer agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable.

11.6 Area Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 11. Area Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 11 provided Franchisor prevails in any or all of its claims against Area Developer.

11.7 Area Developer acknowledges that Area Developer's violation of the terms of this Section 11 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer accordingly consents to the issuance of an injunction by any court of competent jurisdiction or arbitrator having jurisdiction over the Agreement prohibiting any conduct by Area Developer in violation of the terms of this Section 11.

11.8 At Franchisor's request, Area Developer shall require and obtain execution of covenants similar to those set forth in this Section 11 (including covenants applicable upon the termination of a person's relationship with Area Developer) from any or all of the following persons: (a) all directors and managers of each Franchised Business; (b) all officers, directors and holders of a beneficial interest of 5% or more of the securities of Area Developer and of any corporation directly or indirectly controlling Area Developer if Area Developer is a corporation; and (c) the members or general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of 5% or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner) if Area Developer is a limited liability company or partnership. All covenants required by this Section 11 shall be in forms satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of these covenants with the independent right to enforce them. Failure by Area Developer to obtain execution of a covenant required by this Section 11 shall constitute a material default under Section 7 hereunder.

12. ENTIRE AGREEMENT

This Agreement, along with the Franchise Disclosure Document, constitutes the entire understanding of the parties with respect to the development of the Development Territory, and shall not be modified except by a written agreement signed by the parties hereto. Nothing in the Area Development Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. Where this Agreement and any Franchise Agreement between the parties conflict with respect to initial training, the amount or payment terms of Initial Franchise Fees or equity interests held by the franchisee or operating partners and unit managers, the terms of this Agreement shall govern. Under no circumstances do

the parties intend that this Agreement be interpreted in a way as to grant Area Developer any rights to grant sub-franchises in the Development Territory.

13. QUARTERLY REPORTS

Area Developer agrees that it shall provide to Franchisor a quarterly report of its activities and progress in developing and establishing Franchised Businesses as provided herein. The quarterly reports shall be submitted no later than the 5th day following the end of the preceding quarter during the term of this Agreement.

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 It is acknowledged and agreed that Area Developer and Franchisor are independent contractors and nothing contained herein shall be construed as constituting Area Developer as the agent, partner or legal representative of Franchisor for any purpose whatsoever. Area Developer shall enter into contracts for the development of the Development Territory contemplated by this Agreement at its sole risk and expense and shall be solely responsible for the direction, control and management of its agents and employees. Area Developer acknowledges that it does not have authority to incur any obligations, responsibilities or liabilities on behalf of Franchisor, or to bind Franchisor by any representations or warranties, and agrees not to hold itself out as having this authority.

14.2 Area Developer agrees to protect, defend, indemnify and hold Franchisor harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, directly or indirectly incurred as a result of, arising from, out of, or in connection with Area Developer's carrying out its obligations hereunder.

15. COMPLIANCE WITH APPLICABLE LAWS

Area Developer shall develop all Franchised Businesses in the Development Territory in accordance and compliance with all applicable federal, state and local statutes, laws, including all child care laws, child safety laws, and laws related to the operation of amusement parks and facilities, ordinances and regulations (where applicable) and agrees to promptly pay all financial obligations incurred in connection therewith.

16. CHANGE IN DEVELOPMENT TERRITORY

The parties acknowledge that the development of the Development Territory as anticipated hereunder has been determined according to the needs of the Area Developer's targeted market in the Development Territory, as determined by Franchisor, as of the date of execution of this Agreement. The Area Developer understands that, if there is an increased public demand for the products and services offered by Franchisor for any reason, Franchisor will expect the Area Developer to establish additional Franchised Businesses within the Development Territory. While Franchisor will not require the Area Developer to establish the additional Franchised Businesses, Franchisor will strongly encourage Area Developer to do so. Any additional Franchised Business shall be governed by Franchisor's then-current form of individual Franchise Agreement.

17. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their heirs, successors, permitted assigns and personal representatives.

18. APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, which laws shall govern in the event of any conflict of laws, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.). The parties expressly consent to personal jurisdiction in the State of Colorado and agree that, except as set forth in Section 21, the state and federal court(s) located in Denver, Colorado will have exclusive jurisdiction for the purposes of carrying out this provision.

19. RECEIPT OF DOCUMENTS

Area Developer acknowledges receipt of the Disclosure Document, Area Development Agreement, Franchise Agreement, and other contracts for the Franchised Business at least 14 days before execution hereof or payment of any monies.

20. NOTICE

Whenever this Agreement requires notice, it shall be in writing and shall be sent by registered or certified mail, return receipt requested, to the other party at the addresses set forth below, unless written notice is given of a change of address.

All notices to Area Developer shall be conclusively deemed to have been received by Area Developer upon the delivery or attempted delivery of this notice to Area Developer’s address listed herein, or the changed address.

To Franchisor:

SafeSplash Brands, LLC d/b/a Streamline Brands
10463 Park Meadows Dr., Suite 109
Lone Tree, CO 80124
Attention: Managing Director
Phone: (303) 799-1885 x 101

To Area Developer:

Attention: _____
Phone: (____) _____

21. DISPUTE RESOLUTION

21.1 The parties will first attempt to resolve any dispute relating to or arising out of this Agreement by negotiation. Franchisor will provide a procedure for internal dispute resolution as set forth in the Operations Manual, and the parties acknowledge and agree that this procedure may be revised periodically in Franchisor's discretion.

21.2 To protect from violations that would cause immediate loss and damages or irreparable harm, Franchisor and Area Developer shall each have the right to seek from a state or federal court located in Denver, Colorado, as more fully set forth in Section 21.1:

- (a) injunctive relief and any related incidental damages;
- (b) an action for disputes or claims related to or based on the Marks;
- (c) enforcement of a covenant not to compete; and
- (d) issues related to the disclosure of or misuse of confidential information or trade secrets.

21.1 EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, ANY CONTROVERSY OR DISPUTE ARISING OUT OF, OR RELATING TO THE FRANCHISE OR THIS AGREEMENT INCLUDING, BUT NOT LIMITED TO, ANY CLAIM BY AREA DEVELOPER OR ANY PERSON IN PRIVITY WITH OR CLAIMING THROUGH, ON BEHALF OF OR IN THE RIGHT OF AREA DEVELOPER, CONCERNING THE ENTRY INTO, PERFORMANCE UNDER, OR TERMINATION OF, THIS AGREEMENT OR ANY OTHER AGREEMENT ENTERED INTO BY FRANCHISOR, OR ITS SUBSIDIARIES OR AFFILIATES, AND AREA DEVELOPER; ANY CLAIM AGAINST A PAST OR PRESENT EMPLOYEE, OFFICER, DIRECTOR, MEMBER, SHAREHOLDER OR AGENT OF FRANCHISOR; ANY CLAIM OF BREACH OF THIS AGREEMENT; AND ANY CLAIMS ARISING UNDER STATE OR FEDERAL LAWS, SHALL BE SUBMITTED TO FINAL AND BINDING ARBITRATION AS THE SOLE AND EXCLUSIVE REMEDY FOR ANY SUCH CONTROVERSY OR DISPUTE. "PERSONS IN PRIVITY" WITH OR CLAIMING THROUGH, ON BEHALF OF OR IN THE RIGHT OF AREA DEVELOPER INCLUDE BUT ARE NOT LIMITED TO, SPOUSES AND OTHER FAMILY MEMBERS, DOMESTIC PARTNERS, HEIRS, EXECUTORS, REPRESENTATIVES, SUCCESSORS AND ASSIGNS. SUBJECT TO THIS SECTION, THE RIGHT AND DUTY OF THE PARTIES TO THIS AGREEMENT TO RESOLVE ANY DISPUTES BY ARBITRATION SHALL BE GOVERNED EXCLUSIVELY BY THE FEDERAL ARBITRATION ACT, AS AMENDED, AND ARBITRATION SHALL TAKE PLACE ACCORDING TO THE COMMERCIAL ARBITRATION RULES (IN EFFECT AS OF THE DATE THE DEMAND FOR ARBITRATION IS FILED) OF, AND UNDER THE AUSPICES OF, THE AMERICAN ARBITRATION ASSOCIATION. THE ARBITRATION, WHICH SHALL BE HELD BEFORE A SINGLE ARBITRATOR, SHALL BE HELD IN THE DENVER, COLORADO OFFICE OF THE AMERICAN ARBITRATION ASSOCIATION, OR AT SUCH OTHER LOCATION AS SHALL BE MUTUALLY AGREED UPON BY THE PARTIES IN

WRITING. FRANCHISOR AND FRANCHISEE FURTHER WAIVE EACH OF THEIR RIGHTS TO A JURY TRIAL FOR ANY MATTER THAT IS TRIED BEFORE A COURT OF LAW.

21.2 A single arbitrator shall be selected by the parties from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. Subject to the provisions contained in Section 21.5, the parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this agreement. The award or decision by the arbitrator shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by such court and to the propriety of venue of such court for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

21.3 If either party institutes a legal proceeding, including court proceedings or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs and all of the prevailing party's expenses in connection with any action at law.

21.4 Parties to arbitration under this agreement shall not include, by consolidation, joinder or in any other manner, any person other than Area Developer and any Person in Privity with or claiming through, in the right of or on behalf of Area Developer or Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Area Developer or any Person in Privity with or claiming through, in the right of or on behalf of Area Developer or Franchisor.

21.5 The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between Franchisor and Area Developer and no other franchisees or area developers. Area Developer agrees not to join or attempt to join other franchisees, area developers, or other third-parties in any arbitration proceeding and to refrain from participating in any "class action" litigation or arbitration proposed or asserted by one or more other franchisees.

21.6 Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or arbitration proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two years from the date of discovery of the conduct or event that forms the basis of the legal action or proceeding.

22. MODIFICATION BY FRANCHISOR

Franchisor may modify and update its Operations Manual, the Marks and the System unilaterally under any conditions and to any extent which Franchisor, in the exercise of its sole discretion, deems necessary to meet competition, protect trademarks or trade name, or improve the

quality of the products or services provided through the Franchised Businesses, and Area Developer shall exclusively incur the costs of any change in the Franchised Business or the System which has been caused by this modification. In the event that any improvement or addition to the Operations Manual, the System or the Marks is developed by Area Developer, then Area Developer agrees to assign all right, title, and interest to such improvement or addition or, if such assignment is prohibited by law, to grant to Franchisor an irrevocable, world-wide, exclusive, royalty-free license, with the right to sub-license the improvement or addition.

23. ACKNOWLEDGEMENTS

23.1 Area Developer acknowledges and recognizes that different terms and conditions, including different fee structures, may pertain to different area development agreements and franchise agreements offered in the past, contemporaneously herewith, or in the future, and that Franchisor does not represent that all area development agreements or franchise agreements are or will be identical.

23.2 Area Developer acknowledges that it is not, nor is it intended to be, a third party beneficiary of this Agreement or any other agreement to which Franchisor is a party.

23.3 Area Developer represents to Franchisor that it has the business acumen, corporate authority, and financial wherewithal to enter into this Agreement and to perform all of its obligations hereunder and furthermore that the execution of this Agreement is not in contravention of any other written or oral obligation of the Area Developer.

23.4 Area Developer acknowledges that it received from Franchisor this Agreement with all blanks filled in at least five business days before the execution of this Agreement.

23.5 Area Developer acknowledges and accepts the following:

THE SUCCESS OF THE AREA DEVELOPER IN MANAGING AND OPERATING MULTIPLE FRANCHISED BUSINESSES IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, AREA DEVELOPER'S INDEPENDENT BUSINESS ABILITY. AREA DEVELOPER HAS BEEN GIVEN THE OPPORTUNITY AND BEEN ENCOURAGED TO OBTAIN INDEPENDENT ADVICE FROM LEGAL AND OTHER PROFESSIONALS BEFORE ENTERING INTO THIS AGREEMENT. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESSES RESTS SOLELY WITH AREA DEVELOPER. AREA DEVELOPER HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE AREA DEVELOPER TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN. FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES,

PROFITS OR SERVICES OF THE BUSINESS VENTURE TO AREA DEVELOPER AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER AREA DEVELOPER'S BUSINESS. AREA DEVELOPER ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN.

(Remainder of Page Intentionally Blank)

IN WITNESS, WHEREOF, the parties hereto have duly signed and delivered this Agreement on the day and year first written above.

FRANCHISOR:

**SAFESPLASH BRANDS, LLC
d/b/a STREAMLINE BRANDS**

By: _____

Name: _____

Title: _____

AREA DEVELOPER:

a(n) _____

By: _____

Name: _____

Title: _____

AREA DEVELOPMENT AGREEMENT
ATTACHMENT A
DESCRIPTION OF DEVELOPMENT TERRITORY

ATTACHMENT A

DESCRIPTION OF THE DEVELOPMENT TERRITORY

AREA DEVELOPMENT AGREEMENT
ATTACHMENT B
DEVELOPMENT SCHEDULE

ATTACHMENT B
DEVELOPMENT SCHEDULE

Franchised Business	Location Brand	Location	Location Type	Execution Deadline	Projected Opening Date
1					
2					
3					
4					
5					

AREA DEVELOPMENT AGREEMENT
ATTACHMENT C
PERSONAL GUARANTY

ATTACHMENT C

PERSONAL GUARANTY

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement, and any revisions, modifications, addenda and amendments thereto, (hereinafter collectively the “**Agreement**”) dated _____, by and between **SafeSplash Brands, LLC d/b/a Streamline Brands**, a Colorado limited liability company (“**Franchisor**”) and _____ (“**Area Developer**”), each of the undersigned Personal Guarantors agrees as follows:

1. The Personal Guarantors do hereby jointly and severally unconditionally guaranty the full, prompt and complete performance of the Area Developer under the terms, covenants and conditions of the Agreement, including without limitation, compliance with all confidentiality requirements, protection and preservation of confidential information, compliance with all non-compete provisions, compliance with the terms of any and all other agreements signed by Area Developer in order to open and operate the Franchised Businesses (as defined in the Agreement), and the complete and prompt payment of all indebtedness to Franchisor under the Agreement. The word “**indebtedness**” is used herein in its most comprehensive sense and includes, without limitation, any and all advances, debts, obligations and liabilities of the Area Developer, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Personal Guarantors are independent of the obligations of the Area Developer and a separate action or actions may be brought and prosecuted against any or all of the Personal Guarantors, whether or not actions are brought against the Area Developer or whether the Area Developer is joined in any action.

3. Franchisor shall not be obligated to inquire into the power or authority of the Area Developer or its partners or the officers, directors, agents, members or managers acting or purporting to act on the Area Developer’s behalf and any obligation or indebtedness made or created in reliance upon the exercise of this power and authority shall be guaranteed hereunder. Where the Personal Guarantors are corporations, limited liability companies, or partnerships it shall be conclusively presumed that the Personal Guarantors and the shareholders, members, partners, agents, officers and directors acting on their behalf have the express authority to bind these corporations, limited liability companies, or partnerships and that these corporations, limited liability companies, or partnerships have the express power to act as the Personal Guarantors pursuant to this Personal Guaranty and that this action directly promotes the business and is in the interest of these corporations, limited liability companies, or partnerships.

4. Franchisor, its successors and assigns, may occasionally, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or

any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between the Area Developer and Franchisor resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Personal Guaranty shall be enforceable by and against the respective administrators, executors, successors and assigns of the Personal Guarantors and the death of any Personal Guarantor shall not terminate the liability of the Personal Guarantor or limit the liability of the other Personal Guarantors hereunder.

7. If more than one person has signed this Personal Guaranty, the term “**the undersigned**,” as used herein shall refer to each person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

IN WITNESS, WHEREOF, each of the undersigned has signed this Personal Guaranty under seal effective as of _____.

By: _____ By: _____

Name: _____ Name: _____

Home Address _____ Home Address _____

Mobile Telephone: _____ Mobile Telephone: _____

Business Telephone: _____ Business Telephone: _____

Date: _____ Date: _____

AREA DEVELOPMENT AGREEMENT
ATTACHMENT D
**STATEMENT OF SHAREHOLDERS/
MEMBERS/PARTNERS**

ATTACHMENT D

STATEMENT OF SHAREHOLDERS/MEMBERS/PARTNERS

Franchisee: _____

Trade Name (if different from above): _____

**Form of Ownership
(Check One)**

____ **Individual** ____ **Partnership** ____ **Corporation** ____ **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

NAME OF SHAREHOLDER	OWNERSHIP PERCENTAGE
--------------------------------	---------------------------------

Franchisee acknowledges that this Statement of Ownership applies to the Franchised Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

FRANCHISEE:

By: _____

Title: _____

Date: _____

EXHIBIT D



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

**NON-DISCLOSURE AND
NON-COMPETITION AGREEMENT**

EXHIBIT D
SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS
NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (“**Agreement**”) is made and entered into this ____ day of _____, 20___, by and between **SafeSplash Brands, LLC**, d/b/a STREAMLINE BRANDS, a Colorado limited liability company (“**Company**”), located at 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124, and _____ (“**Associate**”), who resides at _____ . All initially capitalized terms not otherwise defined shall have the meanings specified in the Franchise agreement.

RECITALS

- A. The Company is engaged in the business of selling franchises for the operation of a business offering “learn to swim” programs for children and adults, birthday parties, summer camps, other swimming-related activities, and the sale of related products (“**SafeSplash Businesses**” or “**Swimtastic Businesses**” which are referred to collectively herein as “**Franchised Businesses**”). The Franchised Businesses are operated under the Company’s trademark “SAFESPLASH” or “SWIMTASTIC” and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the “**Marks**”);
- B. The Company has developed methods for establishing, operating and promoting Franchised Businesses in accordance with the Company’s distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Company (“**Confidential Information**” and “**Trade Secrets**”) and such Confidential Information and Trade Secrets as may be further developed from time to time by the Company (“**System**”);
- C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of sports nutrition supplements and other products and services available, which goodwill and reputation have been and will continue to be of major benefit to the Company;
- D. Associate desires to become involved with the Company or a franchisee of the Company in the capacity of an officer, partner, director, agent, Manager, employee or as a beneficial owner of the Franchised Business, or is an immediate family member or domestic partner of a principal owning a Franchised Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee’s Obligations form; and
- E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Company and other franchisees of the Company. Associate agrees to the terms of this Agreement as partial consideration for the Company’s willingness to allow Associate to engage in a business relationship with Company or a Franchisee of the Company using the Company’s Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained within and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Definitions.

(a) “**Associate**” shall mean the individual or entity described on page 1 of this Agreement and the Associate’s managers, officers, beneficial owners, directors, employees, shareholders, partners, members, principals immediate family members and domestic partners.

(b) “**Authorized Territory**” shall have the meaning defined in the Franchise Agreement.

(c) “**Competitive Business**” as used in this Agreement means any business operating in competition with any business offering “learn to swim” lessons and the sale of related products; provided, however, Associate will not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent in the aggregate 10% or less of that class of securities issued and outstanding.

(d) “**Confidential Information**” shall mean without limitation, all knowledge, know-how, standards, formulas, methods and procedures related to the establishment and operation of the Franchised Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information that the Company or its affiliates designates as confidential including all information contained in the Company’s Operations Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, or other communications from the Company or its affiliates, which may be changed or supplemented from time to time.

(e) “**Franchise Agreement**” shall mean the franchise agreement between Company and _____ (“**Franchisee**”) dated _____ as amended or renewed from time to time.

(f) “**Authorized Territory**” shall have the meaning defined in the Franchise Agreement.

(g) “**Term**” shall have the meaning defined in the Franchise Agreement.

(h) “**Trade Secret(s)**” shall mean information, including a formula, customer lists, pattern, compilation, program, device, method, technique or process related to the Franchised Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and the Company acknowledge that the Confidential Information and Trade Secrets that are developed and utilized in connection with the operation of the Franchised Business is unique and the exclusive property of the Company or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Company or its affiliates. Associate further acknowledges that the Company or its affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchised Business, any of the Confidential Information of the Company or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was communicated to Associate through no fault of Associate; (c) information that was in Associate's possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if Associate has notified the Company before disclosure and used Associate's best efforts, and afforded the Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed.

5. Nondisclosure of Trade Secrets. During the Term and any renewal Term of the Franchise Agreement and for as long as such information constitutes a Trade Secret, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchised Business, any of the Trade Secrets of the Company or its affiliates.

6. Noncompetition Covenant. Associate acknowledges that, in addition to the license of the Marks hereunder, the Company has also licensed commercially valuable information that comprises and is a part of the Franchised Business, including without limitation, the Confidential Information and Trade Secrets and that the value of this information derives not only from the time, effort and money that went into its compilation, but from the usage of the same by all franchisees of the Company using the Marks and System. Associate therefore agrees that other than the Franchised Business licensed under a Franchise Agreement, the Associate, will not during the Term and renewal Term of the Franchise Agreement:

(a) have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;

(b) perform services as a director, partner, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any customer or account of the Franchised Business, the Company's business, the business of any affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

(d) without the Company's express written permission, which may be granted or denied in the Company's sole discretion, become an exclusive distributor for any third-party vendor or obtain exclusive distribution rights for any non-SafeSplash or Swimtastic products.

7. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, Associate agrees that, for a period of two years commencing on the effective date of termination or expiration of the Franchise Agreement, or the date on which Associate or the Franchisee, ceases to conduct business, whichever is later, the Associate will not have any direct or indirect interest (through any immediate family member of Associate or its owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, manager, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating: (1) within the Authorized Territory or any other franchisee's or licensee's territory; (2) within 100 miles of the Authorized Territory or any other franchisee's or licensee's territory; or (3) within 100 miles of any Company or affiliate-owned SafeSplash or Swimtastic Business. The restrictions of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 10% or less of the number of shares of that class of securities issued and outstanding. Associate expressly acknowledges that Associate possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive Associate of Associate's personal goodwill or ability to earn a living.

8. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling \$500 or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

9. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions in this Agreement are reasonable and necessary for the protection of the Confidential Information

and Trade Secrets and that any violation of this Agreement would cause substantial and irreparable injury to Company, and that Company would not have entered into a business relationship with Associate or the Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information and Trade Secrets. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit Associate to disclose any such Confidential Information or Trade Secrets in any circumstances.

10. Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

12. Entire Agreement. This instrument contains the entire agreement of Associate and the Company relating to the matters included in the agreement. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

13. Governing Law. This instrument shall be governed by and construed under the laws of the State of Colorado.

14. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Colorado, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Colorado. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Colorado. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

15. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

16. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

IN WITNESS, WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:

**SafeSplash Brands, LLC
d/b/a Streamline Brands**

By: _____

Name: _____

Its: _____

ASSOCIATE:

Name: _____

By: _____

EXHIBIT E



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

OPERATIONS MANUAL TABLE OF CONTENTS

**(SAFESPLASH: APPROXIMATELY 138 TOTAL PAGES)
AND
(SWIMTASTIC: APPROXIMATELY 418 TOTAL PAGES)**



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The Operations Manual contains approximately 138 pages.

Swimtastic Operations Manual

Standard Operating Procedures

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The Operations Manual contains approximately 418 pages.

EXHIBIT F



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

**LIST OF CURRENT FRANCHISEES, LICENSEES, AND
COMPANY-OWNED AND AFFILIATE-OWNED LOCATIONS**

EXHIBIT F
SAFESPLASH BRANDS, LLC

LIST OF CURRENT FRANCHISEES AND LICENSEES

CURRENT SAFESPLASH FRANCHISEES AS OF ISSUANCE DATE

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Cumbres, MX
Felix Cuevas, MX
Hermosillo, MX
Interlomas, MX
La Rioja, MX
León, MX
Loreto, MX
M. Angel de Quevedo, MX
Mérida, MX
Meteppec, MX
Monterrey, MX
Obrero Mundial, MX
Palmas, MX
Patriotismo
Pedregal, MX
Puebla, MX
San Angel, MX
San Jeronimo, MX
Santa Fe, MX
Satelite, MX
Sonata, MX
Sports World, MX
Tecamachalco, MX
Tijuana, MX
Universidad, MX
Valle, MX
Veracruz, MX
Xola, MX
Zona Esmeralda, MX

CURRENT SAFESPLASH LICENSEES AS OF ISSUANCE DATE

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3 Hosted Location: Cape Coral, Fort Myers, and Bonita Springs, FL
5400 Plantation Road
Captive, FL 33924
barrett@swimtastic.com
262-549-7946

Mark & Connie Welp

Swim Like a Champion
1 Hosted Location: University Park, FL
4626 Balboa Park Loop
Bradenton, FL 34211
262-613-7079

Lindsay Pursglove

Swim University
1 Hosted Location: Naples, FL
1007 Bay Drive Apt. 107
Miami Beach, FL 33141
239-260-4926

Nebraska

Dave Sall

2DSS, Inc.
1 Dedicated Location: Omaha, NE
2920 N. 118th Street
Omaha, NE 68164
dave@swimtastic.com
402-496-7946

Sanjay Garapati

Wise Monkey, Inc.
1 Dedicated Location: Lincoln, NE
7911 Pioneers Blvd.
Lincoln, NE 68506
sanjay@swimtastic.com
402-489-7946

Dave Sall & Sanjay Garapati

L2S, LLC
2 Dedicated Locations: Omaha, NE (These locations are not yet open)
2920 N. 118th Street
Omaha, NE 68164
dave@swimtastic.com
402-496-7946

Wisconsin

Kara Kampa

SwimComp, Inc.
1 Dedicated Location: Franklin, WI
9702 Airways Ct.
Franklin, WI 53132
kara@swimtastic.com
414-421-7946

Susan Wainscott

SusanBarrett, LLC
2 Dedicated Locations: Waukasha & Menasha
900 Tesch Ct.
Waukasha, WI 53186
barrett@swimtastic.com
262-549-7946

CURRENT SWIMLABS FRANCHISEES AS OF ISSUANCE DATE

California

Darin Mai

Cutting-Edge Aquatics, Inc
1 Location (This location is not yet open)
5009 Windplay Dr. Ste E
El Dorado Hills, CA 95762
dmai@swimlabs.com
916-792-7858

Colorado

Karl Stewart

SwimLabs Fort Collins, LLC
1 Location: Fort Collins, CO
46530 Royal Vista Circle
Fort Collins, CO 80528
karl@swimlabs.com
970-682- 1692

Mike Mann

Swim Labs HC, LLC
2 Locations: Highlands Ranch, CO and Boulder, CO
5640 E. County Line Pl., Ste B100
Highlands Ranch, CO 80126
mmann@swimlabs.com
303-798-7946

Heather Haugen

Propulsion Inc
1 Location: Littleton, CO (This unit is not yet open)
8500 W. Crestline Ave., Unit I
Littleton, Colorado 80123
hhaugen@swimlabs.com
720-699-0001

Georgia

Jim Allison

Five 4Him Performance, Inc
1 Location: Roswell, GA (This unit is not yet open)
10500 Alpharetta Highway,
Roswell, GA 30076
jallison@swimlabs.com
678-697-8252

New York

Rodney Weinstein

Westchester Swim Studios Inc

1 Location: Elmsford, NY (This unit is not yet open)

3 Westchester Plaza

Elmsford, NY 10523

rjweinstein@gmail.com

914-953-1703

Texas

Timothy Bauer and Ken Gray

TK Swim School, LLC

1 Location: Spring, TX (This unit is not yet open)

23715 Tristan Bay Ct

Spring, TX 77386

Tmbswim@aol.com, coachkengrey62@yahoo.com

281-224-9054

Mehdi Balouchestani

LANMEK, Inc.

1 Location: Sugarland, TX (This unit is not yet open)

5903 Pendelton Place Drive

Sugar Land, TX 77479

mbalouchestani@yahoo.com

713-240-6564

Utah

Kyle Lambson

Aquatic Animals LLC

1 Location: Sandy, UT

834 East 9400 South #67

Sandy, Utah 84094

klambson@swimlabs.com

801-553-7172

Turkey

ASXA Sportif LTD STI

SwimLabs Türkiye

1 Location: Istanbul, Turkey

MKM Uğur Mumcu Cad. No:8

Kat -2 Akatlar- Beşiktaş / İstanbul

bilgi@swimlabs.com.tr

0212-351-77-27

CURRENT SWIMLABS LICENSEES

California

Mason Bailey

1 Location: Encinitas, CA
519 Encinitas Blvd #100
Encinitas, CA 92024
mtbailey@swimlabs.com
760-230-2500

Michael Mann and Karl Stewart

SwimPro LLC
1 Location: Lake Forest, CA
20918 Bake Parkway, Ste 100
Lake Forest, CA 92630
karl@swimlabs.com, mmann@swimlabs.com
949-716-6370

Virginia

Paris & Dan Jacobs

Machine Aquatics, LLC
1 Location: Vienna, VA
204-D Mill Street NE
Vienna, VA 22180
paris@machineaquatics.com
703-281-2104

Washington

Chris Chalmers, Andy Hill

Swim Performance, LLC
1 Location: Issaquah, WA
1555 NW Mall St
Issaquah, WA 98027
cpchalmers@gmail.com, andy.hill@swimlabsNW.com
425-654-0910

CURRENT SAFESPLASH COMPANY-OWNED AND AFFILIATE-OWNED LOCATIONS

California

San Jose / Crane Court - 1610 Crane Court, San Jose, CA 95112
San Jose / Newhall - 610 Newhall Drive, San Jose, CA 95110
Mountain View - 1040 Grant Road, Suite 165, Mountain View, CA 94040
Antioch - 4099 Lone Tree Way, Antioch, CA 94509
Concord - 5294 Clayton Rd., Concord, CA 94521
Fairfield / Dover - 3001 Dover Ave, Fairfield, CA 94533
Fairfield / Rancho Solano - 3254 Rancho Solano Pkwy, Fairfield, CA 94534
Pittsburg - 4300 Delta Gateway Blvd, Pittsburg, CA 94565
Vacaville / Browns Valley - 3446 Browns Valley Rd., Vacaville, CA 95688
Vacaville / Elmira - 615 Elmira Road, Vacaville, CA 95687

Colorado

Lone Tree - 12240 Lioness Way, Parker, CO 80134
Parker and Arapahoe - 5900 E. Briarwood Circle, Aurora, CO 80016
Aurora - 5930 S Gun Club Rd., Aurora, CO 80016
Highlands Ranch - 333 Dad Clark Drive, Highlands Ranch, CO 80126
Abilene - 1450 S. Abilene, Aurora, CO 80012

Texas

San Antonio / Babcock - 8003 Babcock Rd., San Antonio, TX 78240
San Antonio / Bulverde - 17138 Bulverde Rd., San Antonio, TX 78247
San Antonio / NW Loop 410 - 7427 NW Loop 410, San Antonio, TX 78245
San Antonio / N Loop 1640 W - 1339 N Loop 1640 W, San Antonio, TX 78258

EXHIBIT G



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

**LIST OF FRANCHISEES
WHO HAVE LEFT THE SYSTEM**

EXHIBIT G
SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

LIST OF FRANCHISEES WHO
HAVE LEFT THE SYSTEM

California

Aaron Gudmudson

AG Aquatics, LLC

2 Hosted Locations: Long Beach Bellflower I, Long Beach Bellflower II

3099 W. Chapman Ave., Suite 112, Orange, CA 92868

aaron@safesplash.com

303-799-1885 extension 120

EXHIBIT H



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

FINANCIAL STATEMENTS

**REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS FOR
SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**



Assurance | Tax | Advisory

SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
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9605 S. Kingston Ct. Suite 200
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303-721-6131
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
SafeSplash Brands, LLC
Lone Tree, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of SafeSplash Brands, LLC DBA Streamline Brands, which comprise the balance sheet as of December 31, 2016, and the related statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of SafeSplash Brands, LLC DBA Streamline Brands as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of SafeSplash Brands, LLC as of December 31, 2015, were audited by another auditor whose report dated May 16, 2016 expressed an unmodified opinion on those statements.

R. Chey, May 1, 2017

Englewood, Colorado
February 20, 2017

SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
BALANCE SHEETS

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 26,457	\$ 22,332
Accounts receivable, net allowance for doubtful accounts of \$4,157 and \$0, respectively	255,675	71,642
Due from parent company	143,505	255,833
Prepaid expenses	65,104	83,958
Total current assets	<u>490,741</u>	<u>433,765</u>
OTHER ASSETS		
Goodwill	292,500	292,500
Franchise formation	-	21,179
Trademarks	2,654	-
Accumulated amortization	-	(6,544)
Total other assets	<u>295,154</u>	<u>307,135</u>
TOTAL ASSETS	<u>\$ 785,895</u>	<u>\$ 740,900</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	\$ 122,413	\$ 93,436
Deferred franchise fees	120,000	-
Due to affiliates	39,673	49,439
Total liabilities	<u>282,086</u>	<u>142,875</u>
MEMBERS' EQUITY	<u>503,809</u>	<u>598,025</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 785,895</u>	<u>\$ 740,900</u>

SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2016	2015
REVENUES		
Franchise fees	\$ 526,076	\$ 631,500
Other	94,895	-
Total revenues	<u>620,971</u>	<u>631,500</u>
OPERATING EXPENSES		
Applied corporate overhead	244,757	155,887
Legal and professional fees	145,602	60,947
Conference and meetings	108,913	32,572
Marketing	74,545	7,022
Provision for bad debts	42,029	-
National advertising	35,565	-
Taxes and licenses	27,253	85
Franchise registry fees	23,359	9,725
Miscellaneous	8,840	7,788
Travel and entertainment	4,347	4,231
Amortization	-	5,662
Total operating expenses	<u>715,210</u>	<u>283,919</u>
INCOME (LOSS) FROM OPERATIONS	(94,239)	347,581
OTHER INCOME	<u>23</u>	<u>162</u>
NET INCOME (LOSS)	<u>\$ (94,216)</u>	<u>\$ 347,743</u>

The accompanying notes are an integral part of these financial statements.

**SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
 STATEMENTS OF CHANGES IN MEMBERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>SafeSplash Holdings, LLC</u>	<u>Susan Barrett, LLC</u>	<u>Members' Totals</u>
Balance, December 31, 2014	\$ 79,282	\$ -	\$ 79,282
Member contributions	-	171,000	171,000
Net income	<u>354,581</u>	<u>(6,838)</u>	<u>347,743</u>
Balance, December 31, 2015	433,863	164,162	598,025
Net loss	<u>(87,621)</u>	<u>(6,595)</u>	<u>(94,216)</u>
Balance, December 31, 2016	<u>\$ 346,242</u>	<u>\$ 157,567</u>	<u>\$ 503,809</u>

SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (94,216)	\$ 347,743
Non-cash items-		
Amortization	-	5,662
Provision for bad debts	4,157	-
Franchise registry fees	14,635	-
(Increase) decrease in-		
Accounts receivable	(188,190)	(51,642)
Due from parent company	112,328	-
Prepaid expenses	18,854	(83,958)
Increase (decrease) in-		
Accounts payable and accrued expenses	28,977	32,686
Deferred franchise fees	120,000	-
Due to affiliates	(9,766)	49,439
Due to parent company	-	(335,401)
Net cash provided by (used in) operating activities	<u>6,779</u>	<u>(35,471)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of goodwill	-	(60,750)
Trademark creation	(2,654)	-
Net cash used in investing activities	<u>(2,654)</u>	<u>(60,750)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,125	(96,221)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,332</u>	<u>118,553</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 26,457</u>	<u>\$ 22,332</u>

NON-CASH INVESTING AND FINANCING ACTIVITIES

During 2015, the Company purchased Swimtastic Corporation for consideration totaling \$292,500. Of the total purchase consideration, \$60,750 was in cash, \$60,750 was in accounts payable, and 7,527 member units were issued for \$171,000.

SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

SafeSplash Brands, LLC DBA Streamline Brands (the Company) is incorporated in the State of Colorado and operates as a franchisor and franchising entity. The Company is owned 93% by SafeSplash Holdings, LLC (the Parent), and 7% by Susan Barrett, LLC. The Company offers franchises for the use of the trademark “SafeSplash Swim School” and “Swimtastic Swim School” and for the operation of “learn to swim” programs for children and adults, birthday parties, summer camps, and other swimming related activities.

The Company offers Franchise Agreements under two formats: a dedicated location format where the franchisee has a free-standing location; and, a hosted location format where the franchisee leases a swimming pool from a third party fitness center, health club, dive shop or recreational facility. The Company franchises throughout the United States and Mexico.

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For cash flow purposes, the Company considers cash and temporary investments with original maturities of three months or less, to be cash and cash equivalents. The Company maintains deposits at various financial institutions, which may at times exceed amounts covered by insurance from the Federal Deposit Insurance Corporation. The Company evaluates the creditworthiness of the financial institution in determining the risk associated with these balances. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Revenue Recognition

Initial franchise fees are recognized upon the opening of the franchised location when the Company has materially performed all of the Company’s initial services, unless otherwise specified per the executed franchise agreement. Area development franchise fees are recognized in relation to the expense incurred with the opening of each new franchise. Amounts collected in advance of the period in which revenue is recognized are recorded as a liability under deferred franchise fees on the balance sheets.

Royalties are recognized as revenue in the month in which franchisee services are rendered.

SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and includes consideration of the creditworthiness and financial condition of those specific customers. The Company records an allowance to reduce the specific receivables to the amount that is reasonably believed to be collectible. The Company also records an allowance for receivables based on multiple factors including historical experience with bad debts, the financial condition of the Company's customers, and the aging of such receivables. Amounts are considered past due based upon contractual terms. Accounts are written-off when they are deemed uncollectible based on management's judgement.

The activity in the allowance for doubtful accounts is as follows for the years ended December 31:

	2016	2015
Balance, beginning of year	\$ -	\$ -
Provision for bad debts	42,029	-
Write-offs	(37,872)	-
Balance, end of year	<u>\$ 4,157</u>	<u>\$ -</u>

Advertising and Marketing

Advertising and marketing is expensed as incurred and amounted to \$110,110 and \$7,022 for the years ended December 31, 2016 and 2015, respectively, and is included in marketing and national advertising expenses on the statements of operations.

Income Taxes

The Company has elected to be taxed as a partnership under the Internal Revenue Code for federal income tax purposes. Accordingly, no federal income tax provision or state income taxes, to the extent possible, have been recorded in the financial statements, as all items of income and expense generated by the Company are reported on the members' personal income tax returns. The Company has no federal or state tax examinations in process as of December 31, 2016.

Concentrations

The Company grants credit in the normal course of business to customers. Five customers accounted for approximately 77% of accounts receivable and two customers accounted for approximately 58% of franchise fees as of and for the year ended December 31, 2016. Five customers accounted for approximately 100% of accounts receivable and approximately 80% of franchise fees as of and for the year ended December 31, 2015.

Goodwill

The Company recorded goodwill in connection with the acquisition of Swimtastic Corporation in November 2015. The Company, in accordance with Financial Accounting Standards Board ASC 350, *Goodwill and Other Intangible Assets* (FASB ASC 350), evaluates goodwill annually for impairment or more frequently if impairment indicators arise. The Company did not record any impairment during the years ended December 31, 2016 and 2015.

SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trademarks

The Company created a trademark in January 2016. The Company, in accordance with FASB ASC 350, intended to continually renew the trademark which has been determined to have an indefinite life.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year financial statement presentation.

B. ACCOUNTS RECEIVABLE, NET

The following summarizes accounts receivable at December 31:

	2016	2015
Accounts receivable, trade	\$ 259,832	\$ 71,642
Allowance for doubtful accounts	(4,157)	-
	<u>\$ 255,675</u>	<u>\$ 71,642</u>

Management has determined that certain amounts are not fully collectible and has recorded an allowance for doubtful accounts at December 31, 2016.

C. MEMBERS' EQUITY

The Company is authorized to issue 107,527 member units, of which 107,527 units were issued and outstanding at December 31, 2016 and 2015, respectively.

D. FRANCHISE REVENUE

In general, the Company's franchise agreements provide for the payment of a franchise fee for each opened location. Initial franchise fees, which may be up to \$30,000, are generally recognized when substantially all services or conditions relating to the franchise sale have been performed or satisfied by the Company. The Company sold 18 individual franchise licenses in the United States and sold 32 area development franchise agreements in Mexico for the year ended December 31, 2016. The Company sold 36 individual franchise licenses for the year ended December 31, 2015. Total United States franchises in operation totaled 96 and 87 for the years ended December 31, 2016 and 2015, respectively. Of the franchises in operation, 22 and 21 were owned and operated by the Company for the years ended December 31, 2016 and 2015, respectively.

SAFESPLASH BRANDS, LLC DBA STREAMLINE BRANDS
NOTES TO FINANCIAL STATEMENTS

E. CONTRACTS WITH CUSTOMERS

Royalty Contract

In 2016, the Company entered into a contract with a customer in which the Company is to receive six percent of monthly revenue as royalty payments for the operation and use of the SafeSplash brand name. Royalty revenue totaled \$9,963 for the year ended December 31, 2016 and is included in other revenues on the statements of operations.

National Advertising Fund

In 2016, the Company started collection of national advertising fees which allows the Company to collect up to two percent of a franchisees' monthly revenue and dedicate that to current and future advertising and marketing expenses. National advertising revenue totaled \$79,099 for the year ended December 31, 2016 and is included in other revenues on the statements of operations.

F. RELATED PARTY TRANSACTIONS

In 2016, the Parent company allocates certain expense as applied corporate overhead. These expenses generally consist of payroll, commissions, and other operational expenses. The Parent company allocated \$244,757 and \$155,887 for the years ended December 31, 2016 and 2015, respectively. The Parent company will also collect certain franchise fees on behalf of the Company. Amounts owed to the Company by the Parent totaled \$143,505 and \$255,833 at December 31, 2016 and 2015, respectively.

The Company enters into numerous operating agreements with affiliated companies. The net effect of these transactions resulted in due to affiliates of \$39,673 and \$49,438 at December 31, 2016 and 2015, respectively. In addition, the Company incurred accrued expenses totaling \$88,605 and \$21,711, which is included in accounts payable and accrued expenses on the balance sheets at December 31, 2016 and 2015, respectively.

G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 20, 2017, the date on which the financial statements were available to be issued.

In February 2017, the Company entered into an asset purchase agreement to acquire SwimLabs & Rehab Holding Company, Inc. and SwimLabs International, LLC in exchange for member units in the Company.

SafeSplash Brands, LLC

Financial Statements

December 31, 2015

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GREEN ACCOUNTING SOLUTIONS, PC

719.964.3063

WWW.GREENCPAS.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
of SafeSplash Brands, LLC

I have audited the accompanying financial statements of SafeSplash Brands, LLC (a Colorado Limited Liability Company) as of December 31, 2015, which is comprised of the balance sheet as of December 31, 2015 and the related statements of (loss) and changes in members' equity and cash flows for the period ended December 31, 2015, and the related notes to the financial statements. I did not audit the financial statements of SafeSplash Brands, LLC, which statements reflect total assets of \$158,850 as of December 31, 2014 and total revenues of \$60,000 for the period from inception on January 14, 2014 to December 31, 2014. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for SafeSplash Brands, LLC, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those audit standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained and the report of other auditors provide a reasonable basis for my audit opinion.

3

12757 Mt. Harvard Dr.
Peyton, CO 80831
719.964.3063

719.964.3063

Opinion

In my opinion, based on my audit and the report of other auditors, the consolidated financial statements referred to above, present fairly, in all material aspects, the financial position of SafeSplash Brands, LLC as of December 31, 2015 and 2014, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

GreenAccounting Solutions, PC

Peyton, Colorado
May 16, 2016

SAFESPLASH BRANDS, LLC
BALANCE SHEET
December 31, 2015 and 2014

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 22,332	\$ 118,553
Accounts Receivable	71,642	20,000
Due from Parent Company	255,833	-
Prepaid Expenses	83,958	-
	433,765	138,553
OTHER NONCURRENT ASSETS		
Goodwill	292,500	
Franchise Formation	21,179	21,179
Accumulated Amortization	(6,544)	(882)
	307,135	20,297
TOTAL ASSETS	\$ 740,900	\$ 158,850
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 71,725	\$ -
Due to Parent Company	-	79,568
Due to Affiliates	49,439	-
Other Current Liabilities	21,711	-
	142,875	79,568
MEMBERS' EQUITY	598,025	79,282
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 740,900	\$ 158,850

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SAFESPLASH BRANDS, LLC
STATEMENT OF INCOME
Years ended December 31, 2015 and 2014

	2015	2014
Revenue	\$ 631,500	\$ 60,000
Expenses		
Amortization	5,662	882
Applied Corporate Overhead	155,887	79,568
Bank & Merchant Service Charges	14	-
Conferences & Meetings	32,572	-
Consulting	5,142	-
Dues & Subscriptions	140	-
Education	750	-
Franchise Registry Fees	9,725	-
Legal & Professional Services	60,947	-
Marketing	7,022	-
Meals and Entertainment	854	366
Office Supplies	77	-
Postage & Delivery	137	-
Recruiting	688	-
Software	840	-
Travel	3,377	-
Taxes & Licenses	85	-
	<u>283,919</u>	<u>80,816</u>
Income (Loss) from Operations	347,581	(20,816)
Interest income	<u>162</u>	<u>98</u>
Net Income (Loss)	<u>\$ 347,743</u>	<u>\$ (20,718)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SAFESPLASH BRANDS, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
December 31, 2015 and 2014

	SafeSplash Holdings, LLC	Susan Barrett, LLC	TOTAL MEMBERS' EQUITY
Member's Contribution	\$ 100,000		
(Loss) for the period from inception (January 15, 2014) to December 31, 2014	<u>(20,718)</u>	<u> </u>	<u> </u>
Member's Equity - December 31, 2014	<u>79,282</u>	<u>-</u>	<u>-</u>
Additional Paid-In Capital		171,000	171,000
Income for the year ended December 31, 2015	<u>354,581</u>	<u>(6,838)</u>	<u>347,743</u>
Members' Equity - December 31, 2015	<u>\$ 433,863</u>	<u>\$ 164,162</u>	<u>\$ 598,025</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SafeSplash Brands, LLC
Statement of Cash Flows
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 347,743	\$ (20,718)
Adjustments to reconcile net income (loss) provided by (used in) operating activities:		
Amortization	5,662	882
Net Changes in Assets and Liabilities:		
Accounts Receivable	(51,642)	(20,000)
Prepays	(83,958)	-
Accounts Payable	10,975	-
Other Current Liabilities	21,711	-
Franchise Formation	-	(21,179)
Due to (from) Affiliates	49,439	-
Due to (from) Parent Company	(335,401)	79,568
	<u>(35,471)</u>	<u>18,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Goodwill	<u>(60,750)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Member's Contribution	<u>-</u>	<u>100,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(96,221)	118,553
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>118,553</u>	<u>-</u>
CASH AND CASH EQUIVALENTS- END OF PERIOD	<u>\$ 22,332</u>	<u>\$ 118,553</u>

Noncash investing and financing transactions consisting of the cost of purchasing the franchisor Swimtastic, Inc. (NOTE 2). Of the total invested, \$60,750 was paid in cash prior to December 31, 2015, \$60,750 accrued and paid in 2016, and additional paid-in capital of \$171,000 granted on the date of purchase, November 13, 2015.

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SAESPLASH BRANDS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1 Summary of significant Accounting Policies and Nature of Business

Nature of Business

SafeSplash Brands, LLC (the "Company"), a Colorado Limited Liability Company, operates as the franchising entity for its 93% owner, SafeSplash Holdings, LLC, as well as its minority owner, Susan Barrett, LLC, who at December 31, 2015, held a 7% interest in SafeSplash Brands, LLC. The Company offers franchises for the use of the trademark "SafeSplash" and for the operation of "learn to swim" programs for children and adults, birthday parties, summer camps, and other swimming related activities.

The Company offers Franchise Agreements under two formats: a dedicated location format where the franchisee has a free-standing location; and, a hosted location format where the franchisee leases a swimming pool from a third party fitness centers, health clubs, dive shops and recreational facilities. The Company intends to franchise swimming pools throughout the United States, and plans to begin franchising in Mexico in 2016.

The Company was formed on January 4, 2014, and funded on January 15, 2014.

At December 31, 2015, the Company did not have any company-owned outlets as such outlets are operated by affiliates.

Estimates

The preparation of financial statements in conformity with generally accepted principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual reports could differ from those estimates.

Cash and Cash Equivalents

For the purposes of these financial statements, cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Concentration of Credit Risk

Revenue from two franchises accounted for 100% of the Company's revenue for the period ended December 31, 2014. At December 31, 2014, revenues from four franchises accounted for 100% of the Company's total receivables.

Revenue from ten franchises accounted for 100% of the Company's revenue for the period ended December 31, 2015, of which five franchises comprised, on an individual basis, at least ten percent of gross revenues per customer at the balance sheet date. At December 31, 2015, revenues from five franchises accounted for 100% of the Company's total receivables.

Franchise Formation

Franchise formation costs are capitalized and amortized over ten years.

Revenue Recognition

Franchise agreements have a term of ten years and, if certain conditions are satisfied, an additional ten

SAESPLASH BRANDS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1 Summary of Significant Accounting Policies and Nature of Business (Continued)

Revenue Recognition (Continued)

year term is available. The Company provides the "SafeSplash" trademark, various proprietary systems, and utilizes an affiliated company, SafeSplash HQ, LLC to offer and outsource back office customer service center in exchange for service fees up to 20% of swimming related revenue.

Area development fees are recognized in relation to the expenses incurred with the opening of each new swimming pool.

2 Goodwill

On November 13, 2015, the Company acquired 100 percent of the assets of Swimtastic Corporation. The results of Swimtastic's operations have been included in the consolidated financial statements since that date. Swimtastic, Inc. is a franchisor of swim schools.

SafeSplash Brands, LLC paid a total of \$121,500, half of which was paid in cash and half of which was accrued at the balance sheet date and paid in 2016. SafeSplash Brands, LLC purchased the outstanding assets of Swimtastic, Inc. The acquisition consisted of assuming the customer base of Swimtastic, Inc. The purchase price purchase price resulted in \$292,500 allocable to goodwill, and \$171,000 in additional paid-in capital granted to the former owner of Swimtastic, Inc.'s shareholder, Susan Barrett, LLC.

3 Franchising

In general, the Company's franchise agreements provide for the payment of a franchise fee for each opened location. Initial franchise fees, which may be up to \$30,000, are generally recognized when substantially all services or conditions relating to the franchise sale have been performed or satisfied by the Company.

The Company sold 36 individual franchise licenses during 2015, and initial franchise fee revenues amounted to \$631,500 for the year ended December 31, 2015.

Franchise fee revenue for 2015 consists of the following:

Initial franchise fees	\$	631,500
Total franchise fee revenue	\$	<u>631,500</u>

Initial franchise fee revenue is recognized upon the opening of the franchised location when the Company has performed all of the Company's initial services, unless otherwise specified per executed franchise agreement.

4 Related Party Transactions

The Company's majority owner controls eight other limited liability companies with operations similar to those of the Company. Each of the eight LLCs are controlled by the parent company, SafeSplash Holdings, LLC. Transactions between the Company and the parent and its affiliates are recorded on the balance sheet on a net basis, and the net of such transactions was \$285,963 and (\$79,568) as of December 31, 2015 and 2014, respectively.

SAESPLASH BRANDS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

4 Related Party Transactions (Continued)

The Company's parent company, SafeSplash Holdings, LLC, allocated expenses on a direct and pro rata basis. Salaries are paid at the parent company level then allocated amongst the Company and other LLCs in the controlled group.

Applied Corporate Overhead consisted of the following:

Bank Service Charges	2
Conferences & Events	15,585
Consulting Fees	34,313
Franchise Registration	775
Insurance	398
Legal & Professional	53,114
Marketing	24,911
Meals & Entertainment	4,229
Miscellaneous	756
Office Supplies	388
Payroll Processing Fees	593
Payroll Taxes	1,371
Postage & Delivery	162
Recruiting	1,034
Salaries & Wages	\$ 16,737
Telephone	475
Travel	1,044
	<hr/>
	\$ 155,887

SAFESPLASH BRANDS, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2014

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MARTIN, VEJVODA AND ASSOCIATES

INCORPORATED

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member
of Safesplash Brands, LLC

We have audited the accompanying financial statements of SafeSplash Brands, LLC (a Colorado Limited Liability Company) as of December 31, 2014, which comprise the balance sheet as of December 31, 2014, and the related statements of (loss) and changes in member's equity and cash flows for the period from inception (January 15, 2014) to December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SafeSplash Brands, LLC as of December 31, 2014, and the results of its operations and cash flows for the period from inception (January 15, 2014) to December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Martin, Vevoda and Associates

Denver, Colorado
April 28, 2015

SAFESPLASH BRANDS, LLC

BALANCE SHEET
DECEMBER 31, 2014

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents		\$118,553
Accounts Receivable		20,000
OTHER ASSETS		
Franchise Formation	\$21,179	
Accumulated Amortization	<u>(882)</u>	
Total Other Assets		<u>20,297</u>
TOTAL ASSETS		<u>\$158,850</u>

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES		
Due to Parent Company		\$ 79,568
MEMBER'S EQUITY		
		<u>79,282</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY		<u>\$158,850</u>

See accompanying notes to the financial statements.

SAFESPLASH BRANDS, LLC

STATEMENT OF (LOSS)
FOR THE PERIOD FROM INCEPTION (JANUARY 15, 2014) TO DECEMBER 31, 2014

REVENUE		\$60,000
EXPENSES		
Applied Corporate Overhead	\$79,568	
Meals and Entertainment	366	
Amortization	<u>882</u>	
Total Expenses		<u>80,816</u>
(LOSS) FROM OPERATIONS		(20,816)
INTEREST INCOME		<u>98</u>
NET (LOSS)		<u>\$(20,718)</u>

See accompanying notes to financial statements.

SAFESPLASH BRANDS, LLC

STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE PERIOD FROM INCEPTION (JANUARY 15, 2014) TO DECEMBER 31, 2014

INITIAL MEMBER'S CONTRIBUTION - BEGINNING OF PERIOD	\$100,000
(LOSS) FOR THE PERIOD FROM INCEPTION (JANUARY 15, 2014) TO DECEMBER 31, 2014	<u>(20,718)</u>
MEMBER'S EQUITY - END OF PERIOD	<u>\$ 79,282</u>

See accompanying notes to financial statements.

SAFESPLASH BRANDS, LLC

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCEPTION (JANUARY 15, 2014) TO DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net (Loss)	\$ (20,718)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:	
Amortization	882
Net Changes in Assets and Liabilities:	
Accounts Receivable	(20,000)
Franchise Formation	(21,179)
Due to Parent Company	<u>79,568</u>
Net Cash Provided By (Used In) Operating Activities	18,553
CASH FLOWS FROM FINANCING ACTIVITIES:	
Initial Member's Contribution	<u>100,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	118,553
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$118,553</u>

See accompanying notes to financial statements.

SAFESPLASH BRANDS, LLC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1 Summary of Significant Accounting Policies and Nature of Business

Nature of Business

SafeSplash Brands, LLC (the "Company"), a Colorado Limited Liability Company, operates as the franchising entity for its 100% owner, SafeSplash Holdings, LLC. The Company offers franchises for the use of the trademark "SafeSplash" and for the operation of "learn to swim" programs for children and adults, birthday parties, summer camps, and other swimming-related activities.

The Company offers Franchise Agreements under two formats: a dedicated location format where the franchisee has a free-standing location; and, a hosted location format where the franchisee leases a swimming pool from a third party fitness center or health club. The Company intends to franchise its swimming pools throughout the United States.

The Company was formed on January 4, 2014, and funded on January 15, 2014.

At December 31, 2014, the Company did not have any dedicated or hosted franchisees.

Estimates

The preparation of financial statements in conformity with generally accepted principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual reports could differ from those estimates.

Cash and Cash Equivalents

For the purposes of these financial statements, cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Concentration of Credit Risk

Revenue from two customers accounted for 100% of the Company's revenue for the period ended December 31, 2014. At December 31, 2014, receivables from one customer comprised 100% of the Company's total receivables.

Franchise Formation

Franchise formation costs are capitalized and amortized over ten years.

Revenue Recognition

Franchise agreements have a term of ten years and, if certain conditions are satisfied, an additional ten-year term is available. The Company provides the "SafeSplash" trademark, various proprietary systems, and utilizes an affiliated company, SafeSplash HQ, LLC to offer an outsourced back office customer service center in exchange for service fees up to 20% of swimming-related revenue.

SAFESPLASH BRANDS, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

1 Summary of Significant Accounting Policies and Nature of Business (Continued)

Revenue Recognition (Continued)

Initial franchise fee revenue is recognized upon the opening of the franchised swimming pool when the Company has performed all of the Company's initial services.

Area development fees are recognized in relation to the expenses incurred with the opening of each new swimming pool.

2 2014 Operations

During the period ended December 31, 2014, the Company signed two owner-operator agreements before the Franchise Disclosure Document was finalized. One owner-operator agreement was for a free-standing location, and the other owner-operator agreement was for a hosted location. It is the Company's intent to transfer these two owner-operator agreements into franchising agreements during 2015.

The commencement fees of \$60,000, recognized as revenue in 2014, were fully earned by the Company during the period ended December 31, 2014.

3 Subsequent Events

Subsequent events have been evaluated through April 28, 2015, the date the financial statements were available to be issued.

SAFESPLASH BRANDS, LLC

FINANCIAL STATEMENT

JANUARY 15, 2014

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MARTIN, VEJVODA AND ASSOCIATES

INCORPORATED

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member
of SafeSplash Brands, LLC

We have audited the accompanying balance sheet of SafeSplash Brands, LLC (a Colorado Limited Liability Company) as of January 15, 2014, the initial opening balance of the Company, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this balance sheet in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this balance sheet based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of SafeSplash Brands, LLC as of January 15, 2014, in accordance with accounting principles generally accepted in the United States of America.

Martin, Vejvoda and Associates

Denver, Colorado
January 17, 2014

SAFESPLASH BRANDS, LLC

BALANCE SHEET
JANUARY 15, 2014

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents

\$100,000

MEMBER'S EQUITY

MEMBER'S EQUITY

\$100,000

See accompanying note to the financial statement.

SAFESPLASH BRANDS, LLC

NOTE TO FINANCIAL STATEMENT
JANUARY 15, 2014

1 Nature of Business

The Company is the franchising entity for its 100% owner, SafeSplash Holdings, LLC.

The Company was formed on January 15, 2014, and this is its opening balance sheet audit.

EXHIBIT I



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

STATEMENT OF FRANCHISEE

EXHIBIT I
SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

STATEMENT OF FRANCHISEE

**[Note: Dates and Answers Must be Provided by the
Prospective Franchisee]**

In order to make sure that no misunderstanding exists between you, the Franchisee, and us, SafeSplash Brands, LLC d/b/a/ Streamline Brands (also called “**Streamline**,” the “**Franchisor**,” “**SafeSplash**,” “**Swimtastic**,” or “**we**”) and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

A. The following dates are true and correct:

- | Date | Initials | |
|----------------|----------|--|
| 1. _____, ____ | _____ | The date on which I received a Franchise Disclosure Document regarding the Franchised Business. |
| 2. _____, ____ | _____ | The date of my first face-to-face meeting with Marketing Representative to discuss a possible purchase of a Franchised Business. |
| 3. _____, ____ | _____ | The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed. |
| 4. _____, ____ | _____ | The date on which I signed the Franchise Agreement. |
| 5. _____, ____ | _____ | The earliest date on which I delivered cash, check or other consideration to the Marketing Representative or an officer of SafeSplash Brands, LLC. |

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, “side agreements,” options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly listed in the Franchise Agreement or an attached written Addendum signed by me and SafeSplash except as follows: _____

Initial _____

(If none, you should note NONE and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, “side agreements” or otherwise which expanded upon or were

inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of the Franchisor, were made to me by any person or entity, nor have I relied in any way on same, except as follows: _____

Initial _____

(If none, you should note NONE and initial.)

3. Except as listed in ITEM 19 of the SafeSplash Brands, LLC d/b/a Streamline Brands Franchise Disclosure Document, no oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise,) which stated or suggested a specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from Franchised Businesses, was made to me by any person or entity, nor have I relied in any way on any such, except as follows: _____

Initial _____

(If none, you should note NONE and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as described in the Franchise Agreement or any attached written Addendum signed by me and the Franchisor: _____

Initial _____

(If none, you should note NONE and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of such individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and the Franchisor has strongly recommended that I obtain such independent advice. I have also been strongly advised by the Franchisor to discuss my proposed purchase of a Franchised Business with any existing SafeSplash or Swimtastic Franchisees prior to signing any binding documents or paying any sums and the Franchisor has supplied me with a list of all existing franchisees if any exist.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk or loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a Franchised Business or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guaranty against possible loss or failure in this or any other business; and e) the most important factors in the success of any Franchised Business, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform SafeSplash Brands, LLC d/b/a Streamline Brands (Phone: (303) 799-1885) and our Managing Director.

You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish any oral or written information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or information from which such items might be ascertained), from franchise or non-franchised units, that no such results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

This Statement of Franchisee is not intended to limit any rights you may have under local law.

PROSPECTIVE FRANCHISEE:

MARKETING REPRESENTATIVE:

_____ Date

_____ Date

(Printed Name)

(Printed Name)

REVIEWED BY FRANCHISOR:

By: _____

Date

(Printed Name)

Its: _____

EXHIBIT J



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

STATE-SPECIFIC ADDENDUM

EXHIBIT J
SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

STATE LAW ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND
STATEMENT OF FRANCHISEE

The following modifications are to the SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated _____, and Statement of Franchisee.

CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Neither the franchisor nor any person or franchise broker identified in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or nation securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

The Franchise Agreement contains a covenant not to compete which, in the case of the Franchise Agreement extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur at the Denver, Colorado office of the American Arbitration Association, or at such other location as shall be mutually agreed upon by the parties in writing with the costs being borne equally between the parties, except that the parties each shall bear all of their own costs of arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Colorado. This provision may not be enforceable under California law.

Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of the Franchise Agreement, or the Area Representative Agreement.

The Franchise Agreement requires you to sign a general release of claims if you transfer your franchise or your Area Development Agreement. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

Item 19 is amended by the addition of the following language:

“The earnings claims figures do not reflect the cost of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. Franchisees or former franchised, listed in the offering circular, may be one source of this information.”

HAWAII

The following is added to the Cover Page:

“THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED WITHIN THE FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL

PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.”

The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:

D. This proposed registration is effective in the following states:

California, Florida, Indiana, Kentucky, Maryland, Michigan, Minnesota, New York, Rhode Island, South Dakota, Utah, Virginia, and Washington

E. This proposed registration is or will shortly be on file in the following states:

None

F. States which have refused, by order or otherwise, to register these franchises are:

None

G. States which have revoked or suspended the right to offer the franchises are:

None

H. States in which the proposed registration of these franchises has been withdrawn are:

None

ILLINOIS

Any provision in the Franchise Agreement or Area Development Agreement that designates’ jurisdiction, limitation on actions, or venue, with the exception of arbitration proceedings, in a forum outside the State of Illinois are amended to state that Illinois law governs claims arising under the Illinois Franchise Disclosure Act or the Franchise Agreement.

The governing law or choice of law clause described in the Franchise Disclosure Document and contained in the Franchise Agreement and Area Development Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application of the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly.

Section 5(2) of the Illinois Franchise Disclosure Act requires 14 calendar days' disclosure prior to the signing of a binding agreement or the payment of any fees to us. ITEM 23 of the Franchise Disclosure Document is amended accordingly, to the extent required by Illinois law.

Section 16.07 of the Franchise Agreement is supplemented to state that "any legal action or arbitration proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation whichever shall first expire."

The "Summary" column in ITEM 17.t. of the Franchise Disclosure Document is deleted in its entirety and the following is substituted in its place:

"Only terms of the Franchise Disclosure Document and Franchise Agreement are binding (subject to FTC or Federal law). Any other promises may not be enforceable."

Section 21.05 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

"The parties intend this Agreement and all attached exhibits to be the full and complete agreement between Franchisor and Franchisee and the entire integration of all their understandings of every nature concerning the matters contained in this Agreement or in any way related, whether occurring before or contemporaneously with the execution of this Agreement. No agreements, representations, negotiations, promises, commitments, inducements, assurances, terms, conditions, or covenants of any nature exist between the parties except as specifically described in this Agreement and the Franchise Disclosure Document, whether pertaining to this Agreement or to any future, further or additional rights of the parties. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing."

Article 22 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

"BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. FRANCHISEE ACKNOWLEDGES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED IN THIS AGREEMENT INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON FRANCHISEE'S ABILITY AS AN INDEPENDENT

BUSINESSPERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS.”

INDIANA

The “Summary” column in ITEM 17.r. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

“No competing business for two (2) years within the Protected Territory.”

The “Summary” column in ITEM 17.t. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

“Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.”

The “Summary” column in ITEM 17.u. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

“Except for certain claims, all disputes must be arbitrated in Indiana. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.”

The “Summary” column in ITEM 17.v. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

“Litigation regarding Franchise Agreement in Indiana; other litigation in Colorado. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.”

The “Summary” column in ITEM 17.w. of the Franchise Disclosure Document is deleted and the following is inserted in its place:

“Indiana law applies to disputes covered by Indiana franchise laws; otherwise Colorado law applies.”

The following is hereby added at the end of Section 20.03 of the Franchise Agreement:

“excluding only such claims as the Franchisee may have that have arisen under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act.”

Section 14.02 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

“14.2 Covenants Not to Compete. During the term of this Agreement and for two (2) years after termination, transfer, or expiration of this Agreement for any reason, neither Franchisee, nor persons associated with Franchisee, including owners, Managers, employees or agents, may participate directly or indirectly or serve in any capacity in any business engaged in the sale of services or products the same as, similar to, or competitive with the System. This covenant not to compete applies: (i) during the term of the Agreement, within any state in which Franchisor, Franchisor’s affiliates, or franchisees do business; and after termination within the Franchisee’s Protected Territory; (ii) on the Internet; and (iii) in any other Multi-Area Marketing channels used by Franchisor.

This covenant not to compete is given in part in consideration for training and access to Franchisor’s Trade Secrets, and which, if used in a competitive business without paying royalties and other payments, would give Franchisee an unfair advantage over Franchisor and Franchisor’s franchisees and affiliates. The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in other jurisdictions, or the enforceability of the remainder of this Agreement.”

Section 20.03 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

“20.03 Arbitration. Except as specifically provided under this Agreement, any dispute or claim relating to or arising out of this Agreement must be resolved exclusively by mandatory arbitration by and in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“AAA”) or another arbitration service agreed to by the parties. Arbitration will be conducted solely on an individual, not a class-wide, basis, unless all parties so agree. No award in arbitration involving Franchisor will have any effect of

preclusion or collateral estoppel in any other adjudication or arbitration. The proceedings will be conducted at a location in the state of Indiana mutually agreed upon by the parties in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association and shall be heard by one arbitrator in accordance with such rules. Each party shall bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. The decision of the arbitrator shall be final and binding. This language has been included in this Franchise Agreement as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.”

Section 21.01 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

“21.1. Governing Law/Consent to Venue and Jurisdiction. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*) or other federal law, disputes related to a breach of this Agreement governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act shall be governed thereby and all other matters regarding this Agreement shall be interpreted under the laws of the State of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Colorado, which laws shall prevail in the event of any conflict of law. This language has been included in this Franchise Agreement as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act. With respect to disputes not related to a breach of this Agreement, Franchisee and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship.

Therefore, if a claim is asserted in any legal proceeding involving Franchisee, its officers, directors, managers or partners (collectively, “**Franchisee Affiliates**”) and Franchisor, its Affiliates and their respective officers, directors and sales employees (collectively, “**Franchisor Affiliates**”) the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado or the Denver, Colorado office of the AAA and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado or the Denver, Colorado office of the AAA, Franchisor, Franchisor Affiliates, Franchisee and Franchisee Affiliates each waive their rights to a trial by jury.”

The following is hereby added at the end of Section 21.05 of the Franchise Agreement:

“Notwithstanding anything to the contrary in this provision, Franchisee does not waive any right under the Indiana statutes with regard to prior representations made by the Franchisor.”

Section 5 of the Nondisclosure And Noncompetition Agreement hereby deleted in its entirety and the following is substituted in its place:

“5. Post-Termination Covenant Not to Compete. Upon termination or expiration of this Agreement for any reason, Associate and any of its managers, officers, directors, shareholders, and partners agree that, for a period of 2 years commencing on the effective date of termination or expiration, or the date on which Associate ceases to conduct business, whichever is later, neither Associate, Associate’s manager, nor any of Associate’s officers, directors, shareholders, managers, members or partners will have any direct or indirect interest (through any immediate family member of Associate or its owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating within the Protected Territory. The restrictions of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 10% or less of the number of shares of that class of securities issued and outstanding. Associate and its officers; directors, shareholders, managers, members and partners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

Section 11 of the Nondisclosure And Noncompetition Agreement hereby deleted in its entirety and the following is substituted in its place:

“11. Governing Law. Except to the extent governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act, this instrument shall be governed by and construed under the laws of the State of Colorado.”

Section 12 of the Nondisclosure and Noncompetition Agreement, “Jurisdiction and Venue,” is hereby deleted in its entirety.

MARYLAND

ITEM 17 of the Franchise Disclosure Document and sections of the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, shall not apply to liability under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document is amended to state that the release in the acknowledgement of termination shall not apply to liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement and Statement of Franchisee is amended to state that “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of any liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

ITEM 17 of the Franchise Disclosure Document and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

The following sentence is added to the end of Article 19 of the Franchise Agreement and Article 14 of the Area Development Agreement:

“Provided, however, that this provision is not limited to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Laws.”

ITEM 17 of the Franchise Disclosure Document is hereby amended to the extent required under the Maryland Franchise Registration and Disclosure Laws.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 *et seq.*).

MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING

PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if: (i) the term of the franchise is less than 5 years and (ii) you are prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months' advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of us or our subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

ITEM 13 of the Franchise Disclosure Document and Section 10 of the Franchise Agreement are amended to state that we will protect you against claims of infringement or unfair competition regarding your use of the Marks when your right to use the Marks requires protection.

The Franchise Disclosure Document and Franchise Agreement are amended to state that we will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Section 20.07 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Section 20.7 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or arbitration proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years from the date of discovery of the conduct or event that forms the basis of the legal action or proceeding other than claims arising under Minn. Stat. §§ 80C.01-80C.22, which must be brought or instituted within a period of three (3) years from the date of discovery of the conduct or event that forms the basis of the legal action or proceeding under Minn. Stat. §§ 80C.01-80C.22.

NEW YORK

The cover page of the Franchise Disclosure Document will be supplemented with the following, inserted at the bottom of the cover page:

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE DESCRIBED IN THIS PROSPECTUS. THE FRANCHISOR HAS BEEN IN EXISTENCE SINCE JANUARY 4, 2014.

ITEM 3 of the Franchise Disclosure Document is modified to read as follows:

Neither SafeSplash Brands, LLC, its predecessor, a person identified in ITEM 2, or an Affiliate offering franchises under SafeSplash, LLC's principal trademark has an administrative, criminal or civil action pending against it alleging a fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

Neither SafeSplash Brands, LLC, its predecessor, a person identified in ITEM 2, or an Affiliate offering franchises under SafeSplash Brands, LLC's principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging a violation of a franchise, antifraud or securities law; fraud, embezzlement fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

Neither SafeSplash Brands, LLC, its predecessor, a person identified in ITEM 2, or an Affiliate offering franchises under SafeSplash Brands, LLC's principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any to the business activity as a result of an action brought by a public agency or department, including without limitation, action affecting a license as a real estate broker or sales agent.

ITEM 4 of the Franchise Disclosure Document is modified to read as follows:

Neither SafeSplash Brands, LLC, its Affiliates, its predecessor, officers or general partner during the ten (10) year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer or a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

The following sentence is added to the end of the first paragraph of ITEM 5 of the Franchise Disclosure Document:

“We use the proceeds from your payment of the initial franchise fee to defray our costs and expenses for providing training and assistance to you and for other expenses.”

The first paragraph of ITEM 17 of the Franchise Disclosure Document is modified to read as follows:

“THESE TABLES LIST CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT.”

ITEM 17.w of the Franchise Disclosure Document is revised to read as follows:

“The foregoing choice of law should not be considered a waiver of any right conferred upon either the Franchisor or upon the Franchisee by the GBL of the State of New York, Article 33. This language has been included in this Franchise Disclosure Document as a condition of registration. The Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law provisions and other dispute resolution provisions.”

The following shall be added at the end of Sections 20.03 of the Franchise Agreement:

“Provided, however, that all rights enjoyed by the Franchisee and any causes of action arising in the Franchisee’s favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in

force; it being the intent of this proviso that the non-waiver provision of GBL 687.4 and 687.5 be satisfied.”

After the first sentence of Section 12.02 of the Franchise Agreement, the following sentence shall be added:

“However, Franchisee shall not be required to indemnify Franchisor for any liabilities which arose as a result of Franchisor’s breach of this Agreement or other civil wrongs committed by Franchisor.”

The following shall be added to Section 21.01 of the Franchise Agreement:

“However, the foregoing choice of law shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law. This language has been included in this Franchise Disclosure Document as a condition of registration. Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement including all choice of law provisions, are fully enforceable. Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law provisions and other dispute resolution provisions.”

FRANCHISOR REPRESENTS THAT IT HAS NOT KNOWINGLY OMITTED FROM THE PROSPECTUS ANY MATERIAL FACT, NOR DOES THE PROSPECTUS CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA

Sections of Franchise Disclosure Document and Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement, Nondisclosure and Non-Competition Agreement, contain a covenant not to compete which may not be enforceable under North Dakota law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of trial by jury, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Section 21.03 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

“Section 21.3 Enforcement Costs. In the event either party is required to incur any direct or indirect costs, accounting and legal fees, or administrative expenses (“Enforcement Costs”), to enforce its rights under this Agreement, the prevailing party shall be entitled to reimbursement of such Enforcement Costs within five (5) days of the day the prevailing party presents the other party with an invoice for such Enforcement Costs.”

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The Franchise Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

WASHINGTON

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

Arbitration shall take place in the state of Washington, but only if “in-state” arbitration is a valid requirement of the Washington Franchise Investment Protection Act. Arbitration may also occur in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed in accordance with a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

The State Cover Page of the Franchise Disclosure Document is amended to add the following risk factors:

FRANCHISOR HAS LIMITED FINANCIAL RESOURCES WHICH MIGHT NOT BE ADEQUATE TO FUND ITS PRE-OPENING OBLIGATIONS TO EACH FRANCHISEE AND PAY OPERATING EXPENSES.

FRANCHISOR IS A DEVELOPMENT STATE COMPANY WITH A LIMITED FRANCHISE OPERATING HISTORY.

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated _____, the Area Development Agreement (if any) dated _____, and of the Franchise Disclosure Document.

DATED _____.

FRANCHISOR:

FRANCHISEE:

SAFESPLASH BRANDS, LLC

By: _____

By: _____

Title: _____

Title: _____

EXHIBIT K



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

EQUIPMENT LEASE

EQUIPMENT LEASE

THIS EQUIPMENT LEASE (this "Lease") is entered into as of _____, by the Lessor and the Lessee named in Article 1.

ARTICLE 1 DEFINITIONS AND BASIC PROVISIONS

The following definitions and basic provisions apply to this Lease:

1.1 *Lessor:* SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS, a Colorado limited liability company whose address is 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124.

1.2 *Lessee:* _____, a _____ whose address is _____.

1.3 *Equipment:* The items of equipment listed on Exhibit A attached to this Lease, together with all accessions thereto, all replacements therefor and all repairs and additions incorporated therein or affixed thereto.

1.4 *Term:* A period of ten (10) years, beginning on _____, 20__ and ending on _____, 20__.

1.5 *Basic Rent:* The sum of \$_____ per month, plus applicable sales and use taxes, payable in advance on the first day of each calendar month during the Term of this Lease. Lessor acknowledges receipt of the first month's installment of Basic Rent, subject to collection of any check given in payment thereof.

1.6 *Location:* The SafeSplash or Swimtastic Swim Facility located at _____.

ARTICLE 2 LEASE OF EQUIPMENT; LESSOR'S COVENANT

2.1 *Lease of Equipment.* Upon the terms and conditions set forth in this Lease, and for the Term of this Lease, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Equipment.

2.2 *Lessor's Covenant.* Lessor covenants that so long as Lessee faithfully performs Lessee's obligations under this Lease, Lessee will not be disturbed in Lessee's possession of the Equipment during the Term of this Lease by Lessor or by anyone claiming by, through or under Lessor.

ARTICLE 3
LESSEE'S REPRESENTATIONS AND WARRANTIES

3.1 *Organizational Status and Capacity.* Lessee represents and warrants to Lessor that it is duly organized and in good standing under the laws of the state of its incorporation. Lessee represents and warrants to Lessor that it has legal capacity under its organizational documents to acquire, own and operate the Equipment and to enter into and perform Lessee's obligations under this Lease.

3.2 *No Conflict with Other Agreements.* Lessee represents and warrants to Lessor that Lessee's execution and delivery of this Lease does not conflict with, or violate or constitute a default under, or result in the imposition or extension of any lien or security interest created pursuant to, any other agreement by which Lessee or the property of Lessee is bound.

3.3 *No Material Litigation.* Lessee represents and warrants to Lessor that Lessee is not a party to any litigation or other administrative or judicial proceeding that, if determined adversely to Lessee, would materially adversely affect Lessee's financial condition or Lessee's ability to perform Lessee's obligations under this Lease.

3.4 *Environmental Compliance.* Lessee represents and warrants to Lessor that Lessee has obtained all permits, licenses and other authorizations pertaining to the Equipment and Lessee's other properties that are required under federal, state and local laws relating to pollution or protection of the environment, including laws relating to emissions, discharges, releases of threatened releases of pollutants, contaminants, hazardous or toxic materials or wastes ("Environmental Laws"). Lessee is in full compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in the Environmental Laws or contained in any plan, order, decree, judgment or notice. Lessee is not aware of, and Lessee has not received notice of, any events, conditions, circumstances, activities, practices, incidents, actions or plans which may interfere, with or prevent continued compliance or which may give rise to any liability under any Environmental Laws or the common law.

ARTICLE 4
LESSEE'S COVENANTS

4.1 *Payment of Rent; Net Lease.* Lessee shall make each payment of Basic Rent and other rent due provided for in this Lease on the date on which each such payment is due. This Lease is a net lease, and Lessor and Lessee agree that as between the parties, Lessee shall be responsible for all costs and expenses of any nature whatsoever relating to the possession and operation of the Equipment. All payments, reimbursements and other amounts to be paid by Lessee under provisions of this Lease, whether to Lessor or to a third party, shall be considered as rent. Lessee's obligation to pay Basic Rent and all other amounts payable by Lessee hereunder shall (except as otherwise expressly provided in this Lease with respect to such other amounts) be absolute and unconditional under all circumstances, and shall not be affected by any circumstance whatsoever, including but not limited to (a) the existence of any setoff, counterclaim, abatement, recoupment, defense or other right that Lessee may have as against Lessor, any seller or manufacturer of any item of Equipment or any other person or entity for any reason whatsoever;

(b) any defect in the condition, design, operation or fitness for use of any item of Equipment or any part thereof or the existence of any security interest, lien, encumbrance or rights of another with respect to any item of Equipment or any part thereof; (c) any damage to or loss or destruction of any item of Equipment or any part thereof or any interruption or cessation in the use or possession of any item of Equipment or any part thereof by Lessee for any reason whatsoever; (d) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee, Lessor, or any other person or entity; or (e) any other event or circumstance whatsoever, whether or not similar to any of the foregoing.

4.2 *Equipment Selected by Lessee; Disclaimer of Warranties.* Lessee acknowledges that Lessee has selected each item of Equipment based upon Lessee's own investigation and judgment. Lessee disclaims any reliance upon any statements or representations made by Lessor. ***Lessee acknowledges that Lessor makes and has made no warranty with respect to the Equipment, express or implied, and that Lessor specifically disclaims any warranty of merchantability and any warranty of fitness for a particular purpose and any liability for consequential damages arising out of the use of or the inability to use the equipment.*** Lessee agrees to make the rental and other payments required hereunder without regard to the condition of the Equipment and to look only to persons other than Lessor (such as the manufacturer, vendor or carrier of the Equipment) should any item of Equipment for any reason fail to perform to Lessee's satisfaction. So long as no Event of Default has occurred and is continuing, Lessor agrees, to the extent they are assignable, to assign to Lessee, without any recourse to Lessor, any warranty received by Lessor from any third party. Lessor will provide reasonable cooperation, without expense or liability to Lessor, with Lessee's efforts to enforce any such warranty that is not assignable.

4.3 *Title to Equipment.* Title to the Equipment shall at all times remain in Lessor, and Lessee at Lessee's expense shall protect and defend the title of Lessor and keep it free of all claims and liens other than the rights of Lessee hereunder and claims and liens created by or arising through Lessor. The Equipment shall remain personal property regardless of its attachment to real property, and Lessee agrees to take such action at Lessee's initiative and Lessee's expense as may be necessary to prevent any third party from acquiring any interest in the Equipment as a result of its attachment to real property.

4.4 *Equipment to Remain at Location.* The Equipment will be located at all times during the Term of this Lease at the Location specified in Section 1.6. Lessee shall not cause or allow any item of Equipment to be removed from the Location without the prior written consent of Lessor.

4.5 *No Modification of Equipment.* Lessee shall not, without the prior written consent of Lessor, make or allow to be made any modification of or addition to the Equipment. Any such modification or addition, whether or not made with Lessor's consent, shall immediately become Lessor's property and, upon termination of Lessee's right to possession of the Equipment for any reason, shall be surrendered to Lessor.

4.6 *No Assignment or Other Transfer by Lessee.* Without Lessor's prior written consent, Lessee will not sell, assign, sublet, pledge or otherwise encumber, or permit a lien arising through Lessee to exist on or against, any interest in this Lease or any item of Equipment. Lessor

may assign its interest in this Lease and sell or grant a security interest in all or any part of the Equipment without notice to or the consent of Lessee.

4.7 *Inspection.* Lessor may inspect the Equipment at any time and from time to time during regular business hours upon reasonable advance notice to Lessee.

4.8 *Repairs.* Lessee will use the Equipment with due care and for the purpose for which it is intended. Lessee will maintain the Equipment in good repair, condition and working order and will furnish all parts and services required therefor, all at Lessee's expense. All parts so furnished shall immediately become the property of Lessor and part of the Equipment for all purposes of this Lease.

4.9 *Laws and Taxes.* Lessee shall comply with all laws and regulations relating to the Equipment and its use and shall promptly pay when due all sales, use, property, excise and other taxes and all license and registration fees now or hereafter imposed by any governmental body or agency upon the Equipment or its use or the rentals payable hereunder; *provided*, that Lessee shall not be obligated to pay any taxes on or measured by Lessor's net income. Upon request by Lessor, Lessee shall prepare and file all tax returns relating to taxes for which Lessee is responsible hereunder which Lessee is permitted to file under the laws of the applicable taxing jurisdiction.

4.10 *Insurance.* Lessee shall obtain and maintain on or with respect to the Equipment at Lessee's own expense (a) liability insurance insuring against liability for bodily injury and physical damage with a minimum limit in the amount determined by Lessor, and (b) physical damage insurance insuring against loss or damage to the Equipment in an amount not less than the full replacement value of the Equipment. Lessee shall furnish Lessor a certificate of insurance evidencing the issuance of a policy or policies to Lessee in at least the minimum amounts required herein, naming Lessor as an additional insured thereunder for the liability coverage and as loss payee for the physical damage coverage. Each such policy shall be in such form and with such insurers as may be satisfactory to Lessor, and shall contain a clause requiring the insurer to give to Lessor at least 30 days' prior written notice of the cancellation of such policy or any reduction in the coverage provided thereunder, and a clause specifying that no action or misrepresentation by Lessee shall invalidate or reduce the coverage under such policy as against Lessor. Lessor shall be under no duty to ascertain the existence of or to examine any such policy or to advise Lessee in the event any such policy shall not comply with the requirements hereof.

4.11 *Indemnity.* Lessee shall indemnify Lessor against, and save Lessor harmless from, any and all liability and expense arising out of the ordering, ownership, use, condition, or operation of any item of Equipment during the term of this Lease, including liability for death or injury to persons, damage to property, strict liability under the laws or judicial decisions of any state or the United States or any other jurisdiction, and attorneys' fees and other legal expenses incurred in defending any claim brought to assert or enforce any such liability or expense, but excluding any liability for which Lessee is not responsible under Section 4.9.

4.12 *Loss or Damage.* In the event any item of Equipment shall become lost, stolen, destroyed, damaged beyond repair or rendered permanently unfit for use for any reason, or in the event of condemnation or seizure of any item of Equipment, Lessee shall promptly pay to Lessor an amount equal to Lessor's Loss (as defined in Section 7.8) attributable to such item of Equipment. Upon payment of such amount to Lessor, such item shall become the property of

Lessee, and Lessor will transfer to Lessee, without recourse or warranty, all of Lessor's right, title and interest therein, the Basic Rent with respect to such item shall terminate, and the payments of Basic Rent on the remaining items shall be reduced accordingly. Lessee shall pay any sales or use taxes due on such transfer. Any insurance or condemnation proceeds received by Lessor shall be credited to Lessee's obligation under this paragraph and Lessor shall be entitled to any surplus. Unless otherwise agreed in writing by all parties, the amount of Basic Rent that is attributable to any item of Equipment shall be conclusively deemed to be equal to the Basic Rent specified in Section 1.5, multiplied by a fraction, the numerator of which is the original cost to Lessor of such item of Equipment and the denominator of which is the aggregate original cost to Lessor of all of the Equipment.

4.13 Return of Equipment. Upon the expiration or earlier termination of this Lease, unless the purchase option provided for below in Section 5.1 is exercised by Lessee, Lessee will immediately deliver the Equipment to Lessor in the same condition as when delivered to Lessee, ordinary wear and tear excepted, at such location or locations as Lessor shall designate. Lessee shall pay all transportation and other expenses relating to such delivery.

4.14 Further Assurances; UCC Financing Statements. Lessee will promptly execute and deliver to Lessor such further documents and take such further action as Lessor may request in order to carry out more effectively the intentions of the parties in entering into this Lease. Without limiting the scope of the preceding sentence, Lessee specifically authorizes Lessor to file any Uniform Commercial Code financing statements, and amendments and supplements thereto and continuations thereof, that Lessor may consider appropriate as precautionary measures to protect Lessor's interest in the Equipment.

4.15 Payment of Expenses. Lessee shall reimburse Lessor upon request for all legal fees and other costs and expenses, up to a maximum of \$5,000 in the aggregate, incurred by Lessor in connection with this Lease or filings made in connection with this Lease, including but not limited to costs of document preparation, UCC and title search expenses, and documentary stamps and similar fees.

4.16 Late Charges. If any rent is not paid within ten days after the date on which it was due, Lessor may impose a late charge of 5% of the amount of the delinquent installment or, if less, the highest late charge permitted by applicable law. Payments thereafter received shall be applied first to unpaid late charges, then to delinquent installments of Basic Rent and then to current installments of Basic Rent.

4.17 Holding Over. If Lessee continues in possession of the Equipment after the expiration of the term of this Lease by lapse of time, with Lessor's consent but without written agreement providing otherwise, then this Lease shall be deemed to be a lease from month to month, at a monthly Basic Rent equal to 125% of the monthly installment of Basic Rent for the final month of the term, and subject to all of the other provisions and conditions of this Lease. Nothing in this section shall be construed to permit exercise of the purchase option provided for in Section 5.1 after the time for such exercise has passed.

ARTICLE 5
LESSEE'S OPTION TO PURCHASE

5.1 *Option to Purchase.* Provided that, as of the scheduled expiration date of this Lease, (a) no Event of Default has occurred and is continuing, and (b) this Lease has not been terminated by any party, Lessee shall have the right and option to purchase all, but not less than all, of the Equipment then subject to this Lease, on the first business day after the last day of the term of this Lease, at a price equal to the then fair market value of such Equipment plus any applicable sales, use, transfer, documentary, recording and other taxes imposed as a result of or in connection with the sale (other than net income taxes attributable to such sale). Such option may be exercised, if at all, by notice given by Lessee to Lessor not more than 12 months nor less than six months before the scheduled expiration date of this Lease. Such notice, if given, shall be irrevocable and shall obligate Lessee to purchase the Equipment immediately following the expiration of this Lease.

5.2 *Determination of Fair Market Value.* The fair market value of the Equipment subject to Lessee's purchase option shall be as reasonably determined by Lessor. In determining such fair market value, Lessor will take into account written quotations obtained, if available, from at least two sources of previously-owned equipment comparable to the Equipment in question.

5.3 *Transfer of Title.* If Lessee exercises the purchase option provided for in Section 5.1, Lessor shall, upon receipt of the purchase price in immediately available federal funds, together with evidence reasonably satisfactory to Lessor that all taxes, fees and charges required to be paid by Lessee have been or will be timely paid, execute and deliver to Lessee a bill of sale transferring to Lessee title to the Equipment then subject to this Lease. Such bill of sale shall expressly provide that Lessor is transferring such Equipment "as is" and "where is", without representation or warranty of any kind, express or implied; *provided*, that such bill of sale shall contain Lessor's warranty that the Equipment transferred is free and clear of any lien or security interest created by or arising through Lessor other than liens securing payment of taxes for which Lessee is responsible.

ARTICLE 6
EVENTS OF DEFAULT

Each of the following events shall constitute an "Event of Default" under this Lease:

6.1 *Late Payment.* The failure by Lessee to make any payment under this Lease when due or within ten days thereafter;

6.2 *Cessation of Business.* The cessation by Lessee to do business as a going concern, or the making by Lessee of an assignment for the benefit of creditors;

6.3 *Bankruptcy Proceedings.* The filing by or against Lessee, or by or against any guarantor of this Lease, or by or against any partner in Lessee if Lessee is a partnership, of a petition for liquidation, reorganization or other relief under any chapter or provision of the federal Bankruptcy Code or any other present or future federal, state or foreign bankruptcy or insolvency law, or the appointment of a trustee, receiver or liquidator for Lessee, guarantor or partner or for all or a substantial part of its assets;

6.4 *Misrepresentation.* The determination by Lessor that any statement or warranty contained in this Lease or in any financial statement or other information submitted to Lessor by Lessee is untrue or misleading in any material respect;

6.5 *Default Under Other Obligation.* The occurrence of a default or event of default under any other present or future obligation owed by Lessee to Lessor, if such default or event of default is not cured within any grace period applicable thereto;

6.6 *Other Defaults.* The failure by Lessee to observe or perform any other agreement to be observed or performed by Lessee hereunder, if such failure shall continue for ten calendar days after Lessor has given written notice thereof to Lessee; or

6.7 *Cross Default.* The default by Lessee under any other agreement with Lessor, if such default is not cured within the time specified in such other agreement.

ARTICLE 7 LESSOR'S REMEDIES

Immediately upon or at any time after the occurrence of any Event of Default, Lessor may exercise any remedy available at law or in equity, including but not limited to those listed below, in such sequence or combination as Lessor may determine in Lessor's sole discretion, and without being required to demonstrate any actual impairment of Lessor's security.

7.1 *Performance of Defaulted Obligations.* Lessor may perform any act or pay any sum, the nonperformance or nonpayment of which is or would be an Event of Default by Lessee, in which event Lessee shall reimburse Lessor upon demand for all costs and expenses incurred by Lessor in performing such act or paying such sum.

7.2 *Termination of Lease.* Lessor may, by written notice to Lessee, terminate this Lease and declare an amount equal to Lessor's Loss (as defined in Section 7.8) as of the date of such notice to be immediately due and payable, and the same shall thereupon be and become immediately due and payable without further notice or demand. All rights of Lessee to use the Equipment shall terminate but Lessee shall be and remain liable as provided in this Article 7. Notwithstanding the foregoing, upon the occurrence of an Event of Default of the nature described in Section 6.3, Lessee's rights to possession of the Equipment shall automatically terminate, and an amount equal to Lessor's Loss as of the date of such occurrence shall automatically be and become immediately due and payable in full without notice or demand of any kind. Lessee shall at its expense promptly deliver the Equipment to Lessor at a location or locations designated by Lessor. Lessor may also enter upon the premises where the Equipment is located and take immediate possession of and remove the same with or without instituting legal proceedings.

7.3 *Lessor's Option to Retain or Dispose of Equipment.* If Lessor repossesses the Equipment, Lessor shall either retain the Equipment in full satisfaction of Lessee's obligations hereunder, or sell or lease each item of Equipment in such manner and upon such terms as Lessor may in its sole discretion determine. The proceeds of such sale or lease shall be applied to reimburse Lessor for Lessor's Loss and any additional amount due under Sections 7.5 and 7.6 below. Lessor shall be entitled to any surplus and Lessee shall remain liable for any deficiency.

7.4 *Court Action.* Lessor may proceed by appropriate court action to enforce performance by Lessee of the applicable covenants of this Lease or to recover, for breach of this Lease, Lessor's Loss as of the date Lessor's Loss is declared due and payable hereunder; provided, however, that upon recovery and collection in full of Lessor's Loss from Lessee in any such action without having repossessed and disposed of the Equipment, Lessor shall transfer all of Lessor's interest in the Equipment to Lessee, without recourse or warranty, at its then location, upon payment of any additional amount due under Sections 7.5 and 7.6 below.

7.5 *Interest on Lessor's Loss.* Lessor may recover interest on the unpaid balance of Lessor's Loss from the date it becomes payable until fully paid at an annual rate equal to the lesser of 18% or the highest rate permitted by law.

7.6 *Recovery of Other Expenses.* Lessor may exercise any other right or remedy available to it by law or by agreement, and may in any event recover legal fees and other expenses incurred by reason of an Event of Default and the exercise of any remedy hereunder, including expenses of repossession, repair, storage, transportation, and disposition of the Equipment.

7.7 *Other Remedies.* Lessor may exercise any other right or remedy available to Lessor by law or by agreement, and may in any event recover legal fees and other expenses incurred by reason of an Event of Default and the exercise of any remedy hereunder, including expenses of repossession, repair, storage, transportation and disposition of the Equipment. No remedy given in this Article 7 is intended to be exclusive, and each shall be cumulative but only to the extent necessary to permit Lessor to recover amounts for which Lessee is liable hereunder.

7.8 *Definition of "Lessor's Loss".* The term "Lessor's Loss" means as of any date an amount equal to the sum of (a) the amount of all Basic Rent and other amounts payable by Lessee hereunder due but unpaid as of such date, plus (b) the aggregate present value, as of such date, of all unpaid installments of Basic Rent for the balance of the term of this Lease not yet due as of such date, computed using a discount rate equal to 5% per year, plus (c) 10% of the cost of the Equipment subject to this Lease as of such date.

ARTICLE 8 MISCELLANEOUS PROVISIONS

8.1 *Notices.* Any notice required or permitted to be given under this Lease shall be in writing and shall be deemed given (a) on personal delivery, (b) on the first business day after receipted delivery to a courier service that guarantees next-business-day delivery, under circumstances such that the guarantee is applicable, (c) two business hours after transmission by industry-standard facsimile machine, provided receipt of the transmission is confirmed by telephone, or (d) on the third business day after mailing, by certified or registered United States mail, return receipt requested, directed to the intended recipient of such notice in accordance with the following:

If to Lessor: SafeSplash Brands, LLC d/b/a Streamline Brands
10463 Park Meadows Dr., Suite 109
Lone Tree, CO 80124
Attention: President
Fax: (303) 865 3063

If to Lessee: _____

Attention: _____
Fax (____) _____

Any party may change such party's address for notices or copies of notices by notice to the other parties in accordance with this section.

8.2 *No Implied Waivers.* No waiver of Lessee's obligations, conditions or covenants shall be effective unless the waiver is in writing and is signed by Lessor. Neither failure to exercise any remedy which Lessor may have under this Lease nor any acquiescence in a default of Lessee by Lessor shall constitute a waiver of any obligation of Lessee, including the obligation as to which Lessee is in default. No waiver of any provision of this Lease shall be construed as a waiver of any other provision, and no waiver of any provision on one occasion shall be construed as a waiver of the same provision on any other occasion. Lessor shall be entitled to pursue any remedy available to it under this Lease until Lessee has rendered complete performance of all obligations under this Lease.

8.3 *Non-Cancelable Lease.* This Lease cannot be canceled or terminated except as expressly provided herein.

8.4 *Survival of Indemnities.* Lessee's obligations under Sections 4.9 and 4.11 and under Article 7 shall survive termination of this Lease.

8.5 *Severability.* Any provision of this Lease which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions of this Lease, and any such unenforceability in any jurisdiction shall not render such provision unenforceable in any other jurisdiction.

8.6 *Governing Law.* This Lease shall be construed and enforced in accordance with the substantive laws of the State of Colorado, without regard to choice of law rules. Lessor and Lessee expressly consent to the jurisdiction of the state and federal courts in Colorado for purposes of any action arising under or relating to this Lease.

8.7 *Entire Agreement.* This Lease constitutes the final and complete agreement of the parties with respect to Lessee's possession and use of the Equipment, and supersedes any prior discussions, negotiations, understandings or agreements, either oral or written. It may not be modified except by an agreement executed and delivered by each party to this Lease.

8.8 *Counterparts.* This Lease may be executed in two or more counterparts, all of which shall, upon execution and delivery of an identical counterpart by each party, constitute a single agreement.

8.9 *Facsimile Signatures.* Each party agrees to be bound by such party's signature on a counterpart of this Lease transmitted by facsimile to the same extent as though such counterpart, manually signed by such party, had been physically delivered to the intended recipient of the facsimile transmission, and agrees to accept the signature of any other party hereto, transmitted by facsimile, as equivalent to a manually signed original signature. However, each party also agrees to provide such manually signed counterparts of this Lease as may reasonably be requested by any other party.

Signed and delivered as of the date first mentioned above.

LESSOR:

SAFESPLASH BRANDS, LLC

By: _____

Name: _____

Title: _____

LESSEE:

By: _____

Name: _____

Title: _____

EXHIBIT A
to
EQUIPMENT LEASE

(Description of Leased Equipment)

EXHIBIT L



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

SAMPLE GENERAL RELEASE

GENERAL RELEASE

This General Release (“**Release**”) made on _____, by and between SafeSplash Brands, LLC d/b/a Streamline Brands, a limited liability company formed under the laws of the State of Colorado (“**Franchisor**”), and each of the undersigned individuals/partnerships/corporations/limited liability companies (jointly and severally, the “**Franchisee**”).

WITNESSETH:

WHEREAS, Franchisee acquired from Franchisor the right to operate a franchise (“**Franchised Business**”) pursuant to the SafeSplash Brands, LLC d/b/a Streamline Brands Franchise Agreement between Franchisor and Franchisee dated _____ (“**Franchise Agreement**”);

WHEREAS, Franchisee has elected to assign and transfer the Franchise Agreement and all Franchisee's rights thereunder in accordance with the terms of the Franchise Agreement; and

WHEREAS, Franchisor has agreed to consent to such assignment and transfer on condition that, among other things, Franchisee execute this Release.

NOW, in consideration of the above, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Franchisee and Franchisor hereby agree as follows:

1. Release. Franchisee hereby absolutely and forever releases and discharges Franchisor and its Related Parties (as defined below), from and against any and all Claims (as defined below) of Franchisee arising out of or relating to the offer or sale of the Franchise Agreement, including violations of any federal or state law, rule, or regulation pertaining thereto. “**Related Parties**” means predecessors, affiliates, agents, employees, successors, assigns, and their respective officers, directors, shareholders, heirs, executors, and representatives. “**Claims**” means any and all claims, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, whether now known or unknown, suspected or unsuspected, at law or in equity, which the releasing party now has, owns or holds, at any time before this time ever had, owned or held, or at any time after this time has, owns or holds. Franchisee hereby irrevocably covenants not to assert, or to initiate any suit or proceeding based in whole or in part upon any Claim released hereunder.

2. Entire Agreement. This Release supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. This Release may not be amended except in a writing signed by all of the parties. No representations, warranties, agreements, or covenants have been made with respect to this Release, and in executing this Release, none of the parties is relying upon any representation, warranty, agreement, or covenant not set forth herein.

3. Acknowledgement. Each of the parties certifies to the other that it has read all of this Release and fully understands all of the same and that it has executed this Release after having had the opportunity to obtain legal advice as to such party's rights from legal counsel of its choice.

4. Power and Authority. Each of the parties represents and warrants to the other that it has the full power and authority to execute this Release, and to do any and all things reasonably required hereunder. Nothing herein shall constitute an admission of any liability or wrongdoing by any party hereto.

5. No Assignment. Franchisee represents and warrants to Franchisor that it has not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the released matters which are called for to be released by this Release now or in the future, that it is aware of no third party who contends or claims otherwise, and that it shall not after this time purport to assign, transfer, or convey any such claim.

6. Choice of Law. This Release shall be construed in accordance with and all disputes hereunder shall be governed by the laws of the State of Colorado. If any legal action is necessary to enforce the terms and conditions of this Release, the parties hereby agree that any action sought to be brought by either party, shall be brought in the appropriate state or federal court covering Denver, Colorado, with jurisdiction over the matter.

IN WITNESS, WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Release in multiple copies the day and year first above written.

SAFESPLASH BRANDS, LLC

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

EXHIBIT M



**SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS
PROMISSORY NOTE AND SECURITY AGREEMENT**

EXHIBIT M
SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

PROMISSORY NOTE

\$ _____

Date: _____

For Value Received, the undersigned _____, (“**Maker**”) hereby promises to pay to the order of SAFESPLASH BRANDS, LLC D/B/A STREAMLINE BRANDS, a Colorado limited liability company (“**Payee**”), at its office located at 10463 Park Meadows Drive, Suite 109, Lone Tree, Colorado 80124, or at such other place or to such other party or parties as a holder of this Promissory Note may, from time to time designate, in lawful money of the United States of America, the principal sum of _____ Dollars (\$ _____)), with interest thereon from the date hereof at the rate of ___%, per annum on the unpaid balance of said principal sum until paid (to be adjusted annually thereafter).

Maker promises to pay the principal and interest in equal installments (“**Principal and Interest Payments**”) of _____ Dollars (\$ _____) each, on the first day of each and every month, beginning on the first day of the month immediately following the Maker’s completion of training at the Colorado office of the Payee and continuing until the first day of the forty-eighth (48th) month immediately following the Maker’s completion of training at the Colorado office of the Payee, or until all principal and interest are fully paid, in accordance with the appropriate amortization schedule attached hereto as **Exhibit A**. Maker agrees that all such Principal and Interest Payments shall be tendered to Payee via ACH electronic withdrawal on their respective due dates.

It is agreed that each Principal and Interest Payment, when paid, shall be credited first on interest then due and the remainder on principal, and interest shall thereupon cease upon the principal then credited. Should the interest not be so paid, it shall, at the sole option of the holder of this Promissory Note, become a part of the principal and thereafter bear like interest as the principal. Any payment not received by the 10th day of the month shall bear interest at the highest legal rate allowed by law, and shall be subject to a late payment fee of \$200.00 for each payment not paid by the 10th of each month. Any amounts incurred herein as interest or late payments shall either be paid as consideration for the reinstatement of this Promissory Note, or at Payee’s sole discretion, added to the principal balance of the Promissory Note. No additions to the Promissory Note shall extend the final payment date set forth in this Promissory Note. A copy of the amortization schedule for each repayment period under this Promissory Note is attached hereto as **Exhibit A**, and incorporated by reference as though fully set forth herein.

The acceptance by Payee of payment after any default hereunder shall not operate to extend the time of payment of any amount(s) then remaining unpaid hereunder and shall not be considered a waiver of any of the other rights of Payee, hereunder.

This Promissory Note and/or pledged collateral, as indicated in **Exhibit B** (“**Security Agreement**”) attached hereto, and all other obligations, direct or contingent, of any such Maker or endorser hereof to Payee, shall become due and payable immediately at the option of the holder

of this Promissory Note, without demand or notice upon the happening of any of the following events:

- (a) The failure to pay when due any installment of the principal and interest of this Promissory Note.
- (b) The failure to timely keep or properly perform any of the recitals, covenants, conditions, representations, warranties, obligations or guarantees contained in any agreement between Maker and Payee.
- (c) The levy of any attachment, execution, or any other process against all or any other part of the assets of the Maker.
- (d) The failure to pay, withhold, collect or remit any tax or tax deficiency when assessed or due.
- (e) The suspension of the business of Maker, or the making of a general assignment for the benefit of creditors, or the commencement of proceedings for dissolution or liquidation, or the commencement of proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law or statute of the federal or state governments, or the adjudication as a bankrupt or insolvent, or the involuntary appointment of a receiver, or applications therefore, or the making of a bulk sale or the giving of notice of intention to do so.
- (f) At any time when, in the sole opinion of Payee, Maker's financial responsibility shall become impaired or unsatisfactory.

In the event an attorney is employed by the holder of this Promissory Note to enforce any of its terms, then the losing party in any lawsuit shall pay reasonable costs and attorneys' fees in connection therewith and such amount shall be secured hereby.

The undersigned shall all be deemed Makers and will be jointly, severally, and individually liable as Makers.

There shall be no penalty for pre-payment of any portion of this Promissory Note prior to its maturity.

A DEFAULT ON THIS PROMISSORY NOTE SHALL BE A DEFAULT OF THE FRANCHISE AGREEMENT.

This Promissory Note is to be construed in accordance with the laws of the State of Colorado. Venue and jurisdiction is expressly declared to be in the State of Colorado.

MAKER: _____
Signature

Print Name

Signature

Print Name

EXHIBIT N



SAFESPLASH BRANDS, LLC d/b/a STREAMLINE BRANDS

RECEIPT

