

FRANCHISE DISCLOSURE DOCUMENT



Water Babies US Franchise LLC
a Delaware limited liability company
115 E Pennsylvania Ave, Suite 16
Southern Pines, NC 28387
833-268-5650
waterbabiesusa.com

Water Babies US Franchise LLC (“**Water Babies**”) is offering franchises for the use of the design mark WATER BABIES® and related trademarks and service marks for the operation of a business offering swimming and water survival instruction services to babies, toddlers, and children and the sale of underwater photographic services and retail product sales from one or more rented pools (“**Water Babies Business**”).

The total investment necessary to begin operation of a Water Babies franchised business is ~~\$107,710~~109,210 to ~~\$153,242~~156,242, including \$83,985 that must be paid to the franchisor.

The total investment necessary to enter into a Multi-Unit Development Agreement for the right to develop three (3) Water Babies franchised businesses and to begin operations as a Multi-Unit Developer is ~~\$186,710~~188,210 to ~~\$232,242~~235,242. This includes \$162,985 that must be paid to the franchisor.

The 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 with, or make any payment to, the franchisor or an affiliate in connection with the franchise sale. **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 Carl Higgins at 115 E Pennsylvania Ave, Suite 16, Southern Pines, NC 28387 at carl.higgins@waterbabies.co.uk, 833-268-5650.

The terms of your contract will govern your franchise relationship. Don’t 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,” is available from the FTC. You can contact the FTC at 1-877-FTCHELP 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. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date: May 28, 2025

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement and multi-unit development agreement requires you to resolve disputes with the franchisor by arbitration or litigation only in North Carolina. Out-of-state ~~mediation~~, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in North Carolina than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if you r franchise fails.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than the prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
5. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

ITEM 1
THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document “**Water Babies**” or “**we**” means Water Babies US Franchise LLC, the “**Franchisor**”. “**You**” means the person, corporation, partnership or other business entity that buys the franchise, the “**Franchisee**”. “**You**” also means your owners if you are a business entity.

The Franchisor

Water Babies US Franchise LLC is a Delaware limited liability company formed on January 13, 2025. We do not do business under any other name. Our principal business address is 115 E Pennsylvania Ave, Suite 16, Southern Pines, NC 28387. We have been offering franchises for Water Babies Businesses in the United States since May 2025, but have never operated a Water Babies Business. We have not previously offered franchises in any line of business, nor do we engage in any other business.

Our agent for service of process in Delaware is VCORP AGENT SERVICES, INC. located at 108 W. 13th Street, Suite 100, Wilmington, DE 19801. Our other agents for service of process are disclosed on **Exhibit E**.

Our Parent, Predecessor and Affiliates

Our parent company is Water Babies US TopCo LLC (“**TopCo**”). TopCo is a Delaware limited liability company formed on January 13, 2025. TopCo’s address is 115 E Pennsylvania Ave, Suite 16, Southern Pines, NC 28387. TopCo provides management services and training services to us and our Affiliates. Water Babies US Franchise LLC will provide the training services, including, but not limited to, Point of Sale operations, and facilities management.

Our predecessor is Water Babies Group Limited (“**Water Babies UK**”). Water Babies UK is a limited liability company located at Winslade House, Winslade Park, Clyst St Mary, Exeter EX5 1FY, United Kingdom. Water Babies UK has offered Water Babies franchises in the United Kingdom since 2004 and has franchisees in the United Kingdom, Republic of Ireland, Holland and Canada. Water Babies UK has also offered franchises in a system called “Water Bumps” providing pre and postnatal exercise in water from 2014 to 2018.

We have one affiliate company (“**Affiliate**”) Water Babies Holdings Inc. (“**WB Holdings**”). WB Holdings is a Delaware corporation formed on October 28, 2024. WB Holdings’ address is 115 E Pennsylvania Ave, Suite 16, Southern Pines, NC 28387.

Our parent company and Affiliates do not franchise in this or any other line of business.

The Business

We offer franchises for the use of our WATER BABIES and SWIMVINCIBLE trademarks, trade names, service marks and logos (“**Marks**”) for the operation of Water Babies Businesses. The franchise is operated under a business format per a unique system, including our valuable know-how, information, trade secrets, training methods, Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of Water Babies Businesses (“**System**”). We reserve the right to change or otherwise modify the System at any time. Each Water Babies Business offers

swimming and water survival instruction services to babies, toddlers, and children and the sale of underwater photographic services and retail product sales from one or more rented pools in the territory.

~~You must operate your Water Babies Business per our standard business operating practices and sign our standard franchise agreement (“Franchise Agreement”). Your Water Babies Business must offer authorized services and products, specifically including swimming and water survival instruction services and the sale of underwater photographic services. We reserve the right to add, modify, or delete any services or products that you must offer or sell at your Water Babies Business at any time. You must also obtain all necessary permits, licenses and approvals to operate your Water Babies Business.~~

We offer one type of Franchise, which is available to those persons who we deem qualified to operate a Water Babies Business. You may operate one Water Babies Business for each Franchise Agreement you sign with us. We also offer to select qualified persons the opportunity to acquire the right to develop Water Babies Businesses in multiple Territories. ~~We retain the right to choose to award or not to award a Water Babies Franchise to any prospective franchisee, and to cease discussions regarding the awarding of a Franchise at any time, regardless of the stage of the Franchise award process or the time and money spent by you or any other prospective franchisee.~~

~~We will use commercially reasonable efforts to grant no more than one license to a franchisee for every 50,000 people aged 9 and under (as determined by the most recent U.S. Census Bureau report) in a designated geographical area (“Population Limit”). We will use the most recent population information available in the U.S. Census Data, or other population statistical sources of our choosing, to determine populations. The designated geographical area will generally be delineated using zip codes but we reserve the right to utilize streets, city or county boundaries, or other geographic markers to establish the boundaries of your Territory. We reserve the right to change, modify, or delete the Population Limits.~~

If you are granted the right to enter into a Multi-Unit Development Agreement to open and operate more than one Water Babies Business, you must sign a separate Franchise Agreement for each Water Babies Business that you operate. Under the terms of our Multi-Unit Development Agreement, you agree to open one or more Water Babies Businesses, each with its own Territory, each year, making up a greater development territory, (“**Development Territory**”) according to a development schedule (“**Development Schedule**”). You must sign a Franchise Agreement in the form attached to this Franchise Disclosure Document for your first Water Babies Business when you sign the Multi-Unit Development Agreement. We will require you to sign our then-current form of Franchise Agreement, which may be materially different from the form of agreement in this Franchise Disclosure Document, after that for each Water Babies Business that you develop under the Multi-Unit Development Agreement. ~~Unless otherwise stated, any reference in this Franchise Disclosure Document to “you” or “Franchisee” includes you both as a Multi-Unit Developer under a Multi-Unit Development Agreement and as Franchisee under a Franchise Agreement. The terms of future franchise arrangements may materially vary from the franchise offered under this Franchise Disclosure Document.~~

Regulations

Certain states and local jurisdictions may have enacted laws, rules, regulations, and ordinances that apply to the care and supervision of children and may require, in certain instances, that you obtain a day care or similar license. 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 Water Babies Business, and you should consider both their effect and the cost of compliance.

You must obtain all required licenses and permits and ensure that your employees and others providing Water Babies Products and Services to customers on behalf of your Water Babies 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.

Market Competition

The Water Babies System presently focuses on providing swim instruction to children in urban and suburban areas. You will have to compete with other businesses including franchised operations, national chains, public pools and private pools offering swim instruction to children. The market for providing swim instruction to children is developed and competitive.

ITEM 2 BUSINESS EXPERIENCE

CEO – Howard Harrison: Howard Harrison has served as CEO of Water Babies US Franchise LLC since its inception in January 2025. Howard Harrison has served as the CEO and board member of Water Babies Group Limited in Devon, England since May 2021. [Howard Harrison has also served as a Member of the Board of Trustees for Children’s Alliance, in Devon, England since February 2022, as well as an Advisory Board Member and Investor for Ammonite Wealth, in London, England, from July 2020 to the present.](#)

CFO – Pete Grimes: Pete Grimes has served as CFO of Water Babies US Franchise LLC since its inception in January 2025. Pete Grimes has served as the CFO of Water Babies Group Limited in Devon, England since September 2012.

Vice President of North America – Carl Higgins: Carl Higgins has served as the VP of North America for Water Babies US Franchise LLC since its inception. Carl Higgins previously served as the Associate Director of International of Water Babies Group Limited in Devon, England from February 2024 to December 2024. Carl Higgins previously served as the International Business Manager of Water Babies Group Limited in Devon, England from June 2023 to February of 2024. Prior to June 2023, Carl Higgins served as the Franchise Business Manager of Water Babies Group Limited in Devon, England from October 2020 to June 2023.

COO – Mike Lonergan: Mike Lonergan has served as the Chief Operating Officer of Water Babies US Franchise LLC since April 2025. Mike Lonergan has previously served as a Consultant for Mike Aquatic LLC in Chicago IL, from February 2023 to April 2025. Mike Lonergan has previously served as VP of Sales of Kiefer Aquatics in Chicago IL, from December 2021 to February of 2023. Mike Lonergan has previously served as Chief Swim Officer of Big Blue Swim School LLC in Chicago, IL from January 2019 to April 2021.

Vice President of Brand Marketing – Natasha Khojasteh: Natasha Khojasteh has served as the VP of Brand and Marketing of Water Babies US Franchise LLC since its inception. Natasha Khojasteh has served as the Director of Brand and Marketing of Water Babies Group Limited in Devon, England since April 2018.

Director International Marketing - Katie Herridge: Katie Herridge has served as the Director of International Marketing of Water Babies US Franchise LLC since its inception. Katie Herridge has served as the Head of International Marketing of Water Babies Group Limited in Devon, England since September 2024. Katie Herridge previously served as Senior Brand Manager of Water Babies Group Limited in Devon, England from June 2021 to September 2024, and Brand Manager of Water Babies Group Limited in Devon, England from January 2019 to June 2021.

Vice President of Aquatics - Aine Halton-Hanley: Aine Halton-Hanley has served as VP of Aquatics of Water Babies US Franchise LLC since its inception. Aine Halton-Hanley has served as Director of Aquatics of Water Babies Group Limited in Devon, England since January 2024. [From January 2023 to January 2024, Aine Halton-Hanley served as a Project Manager for Water Babies Group Limited in Devon, England.](#) Aine Halton-Hanley previously served as an instructor, franchisee, and Director of Water Babies Wiltshire, Bath and Bristol Ltd, in Wiltshire, England from May 2014 to January 2023.

Managing Director of Technology - Dan Brimmicombe: Dan Brimmicombe has served as Managing Director of Technology of Water Babies US Franchise LLC since its inception. Dan Brimmicombe served as Associate Director of Technology of Water Babies Group Limited in Devon, England since August 2024. Previously, Dan Brimmicombe was the Head of Technology of Water Babies Group Limited in Devon, England from September 2018 to August 2024.

Director of Strategic Partnerships - Elyse Kelly: Elyse Kelly has served as the Director of Strategic Partnerships of Water Babies US Franchise LLC since February 2025. Elyse Kelly has been the owner and operator of Oakshade Events in Tallahassee, Florida since November 2023. Elyse Kelly previously served as the Director of Location Services for British Swim School in Virginia Beach, Virginia from May 2017 through October 2023.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this ITEM 3.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this ITEM 4.

ITEM 5 INITIAL FEES

Single Unit Franchises

You must pay us an initial franchise fee ("**Initial Franchise Fee**") of \$55,000 when you sign a Franchise Agreement. The Initial Franchise Fee is deemed fully earned by us once you sign either the Franchise Agreement or the Multi-Unit Development Agreement and is non-refundable for any reason. All Initial Franchise Fees are uniform for single unit franchises.

You must also pay a training fee ("**Training Fee**") of \$6,000 when you sign the Franchise Agreement. This fee covers the cost of initial business and aquatics training for one principal and one Aquatics Director (as defined in Item 15), provided they attend the training simultaneously. Recruiting an Aquatics Director at the start of the business is not mandatory; however, it is recommended that this position be filled within 12 months. If the principal and Aquatics Director are trained at different times, an additional training fee may apply. If you wish to have additional participants attend the initial training program, a fee of \$6,000 per person will be charged. The Training Fee is considered fully earned upon signing the Franchise Agreement and is non-refundable for any reason. All Training Fees are uniform and non-negotiable.

You must also pay a technology fee ("**Technology Fee**") of \$1,500 when you sign the Franchise Agreement. The \$1,500 fee represents the first three months of your Technology Fee and covers the cost and maintenance of ~~certain software, including all the areas of our built in customer relationship management (CRM) system, robust member management and class scheduling tools, integrated point-of-sale (POS) functionality, real-time franchise reporting and automated customer communications~~ ("**Ada**") ~~for the first three months of operations~~ the Franchisor's provided proprietary enterprise resource platform referred to as "Ada", as well as other Franchisor maintained technology, such as the public website. . The Technology Fee is deemed fully earned by us when you sign the Franchise Agreement and is non-refundable for any reason.

When you sign the franchise agreement you must also pay us for a preopening inventory package that includes two Water Babies instructor kits, uniforms, a photography backdrop, weights and arms, customer welcome packs to cover the first three months of operation, customer reward and recognition badges to cover the first three months of operation, and a pool water testing kit ("**Right Start Franchise Kit**"). The payment for the Right Start Franchise Kit is deemed fully earned by us once paid and is non-refundable. The total cost for the Right Start Franchise Kit is \$10,000.

When you sign the franchise agreement you must also pay us for a preopening marketing package that includes digital marketing set-up for Google and META, the first three months of local digital marketing fee, and local search engine optimization set-up, ("**Right Start Digital Marketing**"). The payment for the Right Start Digital Marketing is deemed fully earned by us once paid and is non-refundable. The total cost for the Right Start Digital Marketing is \$9,150.

Type of Fee	Amount	Due Date	Remarks
			and building the Water Babies brand.
Local Digital Marketing (3) †	A minimum of \$1,800 per month (\$21,600 per annum) or 3% of Gross Revenue, whichever is greater.	Monthly.	Payable to us or our approved suppliers.
Local Traditional Marketing (4)	\$300 per month or a minimum of \$3,600 per annum.	Monthly or as incurred	Payable to our approved suppliers.
Initial Training for Additional Person(s)(5) †	Then current charge, currently \$700 for full day training or \$250 per person per day if full training is not required, in each case plus the cost of travel, lodging, meals and personal expenses.	Payable before the beginning of the Initial Training Program or as required by Us.	The cost of travel, lodging, meals and personal expenses is not payable directly to Us.
Background Check Fees	\$20 to \$100 per employee	At time background check is ordered	You must conduct a criminal background check on each of your employees. The cost of the background check will depend on the depth of the review, which is dictated by the position held by the employee. These fees are paid to a third-party review company and not to Us.
Franchise Agreement Transfer Fee †	\$15,000	Before transfer	Payable before you transfer your Franchise to a third party. No fee is charged to an individual or partnership franchisee that transfers its rights to a corporation controlled by the same interest holders.
Pool Fees (6)	Varies	As incurred	Payable to 3rd party provider.
Photography Services Fee †	Varies	As incurred	Payable to us or an approved 3rd party photographer.
Photo Editing Services Fee	Varies	As incurred	Payable to approved 3rd party editor.
Multi-Unit Development Agreement Transfer Fee †	\$5,000 for each unopened Water Babies Business to be transferred	Submitted with transfer application	Transfer Fees for Water Babies Businesses which are open and operating as of the date the transfer request is submitted to us will be governed by the terms of the Franchise Agreement signed for each Water Babies Business (See above). Transferring franchisee will be responsible for payment of any third-party broker fees in addition to the Transfer Fee.
Extension Fee †	\$5,000 per extension	When you request and are granted an extension	If you request an extension of time to open your Water Babies Business or a

Type of Fee	Amount	Due Date	Remarks
			required opening date within your Development Schedule (as applicable), we have the right to charge you an Extension Fee
Successor Franchise Fee [†]	10% of then-current Initial Franchise Fee	Upon the issuance of a Successor Franchise Agreement	
Insurance (7)	At a minimum, comprehensive general liability coverage and such other insurance as we require in the Operations Manual	As incurred	Insurance requirements are set forth in Section 12.1(a) of the Franchise Agreement. Insurance requirements may be changed by us at any time upon 30 days' notice to you, as we determine is necessary.
Late Fee or Interest [†]	\$100 per occurrence plus lesser of the daily equivalent of 18% per year interest or highest rate of interest allowed by law	As incurred	Begins to accrue after any payments are due and unpaid.
Equipment and Signage (8)[†] Technology Fee (96) [†] Varies	\$500 per month As incurred	Payable monthly on or before the 10th of each month	Adjustable on 30 days' notice (can be increased by as much as 15% per year)
Cloud Services Subscription Fees (107) [†]	Varies per user and per user requirements \$50 to \$200	Monthly	Payable when you sign the Franchise Agreement and will increase per user as well as when the 3 rd party licensors increase their fees.
Inventory and Supplies (11)[†]	Varies	As incurred	
Late Report Fee [†]	\$100 per violation	As incurred	Payable only if a required report or financial statement is not delivered when due.
Seminars, Conventions or Programs [†]	You must pay your expenses, conference fees, if any, as well as the expenses your Aquatic Director and employees incur in attending these meetings. The estimated range of costs is \$1,000 - \$1,250 per person. If you fail to attend the annual conference, you will be charged the then-current annual conference fee.	As incurred	We reserve the right to conduct periodic meetings of all Franchisees, including a mandatory annual convention. All convention fees must be paid in advance according to the convention fee schedule outlined in the Operations Manual.
Product Testing Fee [†]	We reserve the right to require that you pay or reimburse us for the reasonable actual cost of investigation in determining whether such	As incurred	

Type of Fee	Amount	Due Date	Remarks
	products, services, materials, forms, items or supplies satisfy our specifications.		
Water Babies Staff Training Fees	Franchisor delivers training courses at the then-current charge, currently <u>of</u> Swim Instructors (\$1,500), Dippers (\$900), Mentors (\$200), Administrators (\$200) as well as periodic CPDs (\$250 or less per day) (prices exclude <u>plus</u> travel accommodation and living expenses)	Payable upon registration of said staff into a specific course.	Upon your request, we will train your staff at a location designated by us for a fee.
3rd Party Staff Training Fees <u>Accountancy, Accountancy Software & Bookkeeping</u>	Varies \$0 to \$500	Payable upon registration of said staff into a specific course <u>As arranged</u>	The following courses will be required to be recertified on the 3rd Party Course terms, and at the 3rd Party going rate. Courses are as follows: Certified Pool Operators Course, Safesport Course, Shallow Water Lifeguard, Sexual Harassment Course, USSSA Swim Instructor Course <u>Payable to approved 3rd party provider. Varies depending on services you select.</u>
Payroll & HR Services Fees	Varies depending on number of employees	As arranged	Payable to approved 3rd party provider.
Accountancy, Accountancy Software & Bookkeeping <u>SMS Usage Fees</u>	Varies \$0 to \$200	As arranged <u>Monthly</u>	Payable to approved 3rd party provider. <u>monthly as per SMS credits used in SMS communications sent via Ada</u>

† Denotes fees which are imposed and payable to us or our Affiliates. All fees paid to us or our Affiliates are uniform and non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may or may not be refundable depending on your vendors and suppliers. We reserve the right to require you to pay fees and other amounts due to us via electronic funds transfer or other similar means, as described in the Franchise Agreement. If payments are required in this method, you must comply with our procedures and perform all acts and deliver and sign all documents, including authorization (in the form attached to the Franchise Agreement as Attachment D or any other form that we may accept) for direct debits from your business bank operating account, which may be necessary to assist in or accomplish payment by this method. Under this procedure you shall authorize us 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 us and any interest that may be owing. You shall make the funds available to us for withdrawal by electronic transfer no later than the payment due date. If you have not timely reported your Water Babies Business's Gross Revenues to us for any reporting period, then we shall be authorized, at our option, to debit your account for (a) the fees transferred from your account for the last reporting period for which a report of the Water Babies Business's Gross Revenues was provided to us; or (b) the amount due based on information retrieved from any approved Computer System.

Notes:

- a) Royalty. The Royalty is 10% of the month's Gross Revenue. "**Gross Revenue**" means the total selling price of all products and services related to the Water Babies Business sold by franchisee and all income of every other kind and nature related to the Water Babies Business, whether for cash or credit and regardless of collection in the case of credit (See Franchise Agreement for a complete definition of Gross Revenue). The royalty is deducted from the lesson income at source or payable on the 10th day of the following month. We reserve the right to change the date and time of the collection of royalties to either another day or the moment you receive payment. You are required to remit the full 10% Royalty on Gross Revenue received by you every month, without exception, all year long. Within 60 days of the close of each calendar year, we will review your total Gross Revenue for the prior full or partial year determine whether you have earned a royalty rebate ("**Royalty Rebate**"). The Royalty Rebate is based upon the total Gross Revenue earned by you in each Territory you operate. You will not earn any Royalty Rebate on the first \$0-\$400,000 of annual Gross Revenue per Territory; you will be entitled to receive a Royalty Rebate equal to 10% of the Royalty you paid to us for Gross Revenue between \$400,001 and \$600,000 per Territory (an effective rate of 9% for \$400,001-\$600,000); you will be entitled to receive a Royalty Rebate equal to 20% of the Royalty you paid to us on Gross Revenue above \$600,000 per Territory (an effective rate of 8% for income over \$600,000).
- (2) Brand Fund Contribution. This contribution will be used for system-wide Brand Fund for our use in promoting and building the Water Babies brand.
- (3) Local Digital Marketing. You are required to spend a minimum of \$1,800 per month (annual cost of \$21,600) on local digital marketing ("**Local Digital Marketing**") within your territory, or 3% of Gross Revenue, whichever is higher. You are required to pay us or an approved supplier each month for your local digital marketing services. The local digital marketing spend is for online advertising placement services such as pay per click advertising, Facebook advertising administration, remarketing, and other digital advertising services. This is the minimum that you are required to spend but you may choose to spend more.
- (4) Local Traditional Marketing. You are required to spend a minimum of \$300 per month (\$3,600 annually) on local traditional marketing activity within your Territory ("**Local Traditional Marketing**"). This includes partnerships; PR & events; sponsorships & influencer; content creation; print and one direct mail campaign per annum.
- (5) Initial Training for Additional Persons. We provide initial training for each additional person at \$700 for full-day training or \$250 per person, per day if full training is not required. Training fees can be increased or decreased by us at any time in our discretion. You will also need to pay for airfare, lodging, ground transportation, meals, salary and benefits, and other personal expenses for each person attending the initial and any recurring training program.
- ~~(6) Pool Fees. For each and every pool you lease you will incur a monthly charge. This fee is paid directly to the 3rd party provider.~~
- ~~(7) Insurance. You must obtain and maintain, at your own expense and from our designated supplier, the minimum insurance coverage that we periodically require under the Operations Manual, including a minimum of \$2,000,000 per occurrence in general liability, \$2,000,000 personal and advertising liability, \$1,000,000 auto liability, \$2,000,000 products completed operations aggregate and, when necessary, Excess Medical/Accident coverage and, when necessary, property coverage, umbrella liability and workers compensation in amounts required by applicable law. The liability insurance must cover claims for bodily and personal injury,~~

~~death, and property damage caused by or occurring in connection with your Water Babies Business operation or activities of your personnel in the course of their employment. We reserve the right that you obtain all or a portion of your insurance policies from our designated vendor. We may periodically increase the amounts of coverage required (including reasonable excess liability insurance if required by the facility) at any time to reflect inflation, identification of new risk, changes in law or standards of liability, higher damage awards or other relevant change in circumstances.~~

(8) ~~Equipment and Signage. We require all franchisees purchase equipment and signage for each and every new pool secured or for each and every new teacher starting with the Water Babies Business. Each pool must have a sign to display the Water Babies Business. Each teacher/administrator must have a uniform and branded teacher kit. Each pool or teacher must have toys, teaching equipment approved by us that are used as teaching aids during swim lessons. All branded uniform and teacher kits must be replenished if they do not meet the brand standard through general wear and tear.~~

(96) Technology Fee. Technology Fee. You will pay the Technology Fee to us, which covers the cost ~~and~~ maintenance of our, and ongoing development of our core technology platforms, including Ada, our proprietary franchise management system, and the Water Babies consumer website with, which includes your local landing and pool pages ~~and Ada, the Water Babies proprietary franchise management system. You must.~~ You are required to use all the software we designate ~~as core to the business,~~ including but not limited to Ada and its associated payment systems, and the teacher app. You must only use the payment and booking systems we provide, and you must accept any payment methods that we determine (for example, Credit Card, ACH, Debit Card). The term “Payment Systems” includes, among other things, companies that provide services for electronic payments ~~(for example, Apple Pay and Google Wallet).~~ The Tech System. The Technology Systems will enable you to collectmanage information aboutrelating to children, scheduling, pricespricing, sales, staff, and payroll. We ~~currently have~~retain the right to have independent, unlimited and unrestricted access to all information and data relating to your business generated bythrough your use of Ada and/or any other software providedtechnology we provide. There are no contractual limitations on our right to access and/or use this information and data. We also reserve the right ~~to have independent, at our discretion, to require~~ access to otheradditional information stored on your Computer Systemcomputer systems in the future if reasonably necessary for system integration, support, or compliance purposes.

(107) Cloud Services Subscription Fee. You will pay the Cloud Services Subscription Fee to us, which covers the cost ~~and~~ maintenance, and administration of access to our designated cloud-based communication, productivity, and collaboration systems. These systems may include, but are not limited to, the franchisor’s designated email platformservice, file storage and sharing tools, calendar services, office productivity applications, and the designated VoIP platform. You must use all cloud-based ~~communication and productivity~~ systems that we designate as required for the operation of your Water Babies Business. ~~You must also and~~ comply with all related user terms, usage guidelines, and administrative requirements associated with these systems as specified by us or the designatedsystem vendor. We reserve the right to access any communications, data, files, or other information stored, transmitted, or processed through these systems in connection with your Water Babies Business, ~~and you.~~ You grant us the rightunrestricted rights to access such information without restriction. We reserve the right toas reasonably necessary to support business operations, security, and compliance. We may, at any time and in our sole discretion, modify, replace, or update the designated systems and related requirements at any time in our sole discretion.

~~(11) Inventory & Supplies. You are able to sell a range of products in accordance with the Water Babies system. Some of these products must be purchased from us. Other products will be purchased from external approved suppliers.~~

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ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT
SINGLE UNIT

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee (2)	\$55,000	\$55,000	Lump sum	Upon signing the Franchise Agreement	Us
Training Fee (3)	\$6,000	\$6,000	Lump sum	Upon signing the Franchise Agreement	Us
3 rd Party Staff Training Fees (43)	\$1,000	\$3,000	As incurred	As specified by 3 rd Party Provider	3 rd Party Provider
Background Check (54)	\$40	\$300	As incurred	As incurred	3 rd Party Provider
Travel and Living Expenses while Training (65)	\$2,000	\$10,000	As incurred	As incurred during training	Airlines, hotels, restaurants, rental car agency
Pool Deposit (76)	\$0	\$4,500	As incurred	As specified in lease	3 rd Party Provider
Pool Usage Fee (87)	\$300	\$13,500	As incurred	As specified in lease	3 rd Party Provider
Cloud Services Subscription Fee (First Three Months) (910)	\$200	\$285	As incurred	Monthly starting upon signing the franchise agreement	Suppliers, vendors
Technology Fee (First Three Months) (1011)	\$1,500	\$1,500	Lump Sum	Upon signing the Franchise Agreement	Us
Computer Hardware and Software (12)	\$1,500	\$3,000	As incurred	As incurred	3rd Party Provider
Right Start Franchise Kit (1113)	\$10,000	\$10,000	Lump Sum	Upon signing the Franchise Agreement	Us
Right Start Digital Marketing (1214)	\$9,150	\$9,150	Lump Sum	Upon signing the Franchise Agreement	Us
Opening Retail Kit (1315)	\$2,335	\$2,335	Lump Sum	Upon signing the Franchise Agreement	Us
Insurance (1416)	\$2,000	\$4,000	As incurred	Before opening	Approved supplier

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Working-Capital <u>Additional Funds</u> (First Three Months) (1517)	\$15,085	\$30,572	As incurred	As incurred	Employees, suppliers, 3 rd Party Providers
Local Traditional Marketing (1618)	\$3,100	\$3,100	As incurred	As incurred	3 rd Party Provider
TOTAL (47)	\$107,710 <u>109,210</u>	\$153,242 <u>156,242</u>			

Notes:

- (1) Type of Expenses. ~~The high and low ranges in the table are based on an average Water Babies Business.~~ All fees imposed by us 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. Neither Water Babies nor any agent or Affiliate of ours offers direct or indirect financing of your initial investment. ~~We do no guarantee your note, lease or obligation.~~
- (2) Initial Franchise Fee. The Initial Franchise Fee payable to us ~~is described in ITEM 5.~~
- (3) ~~Training Fee. The Training Fee is described in ITEM 5.~~
- (43) 3rd Party Staff Training Fees. The following courses are required to remain qualified and knowledgeable to run a Water Babies franchise. These courses require recertification at each courses own terms. Course costs vary in price from state to state and at the providers cost discretion. Courses are as follows: Certified Pool Operators Course (ranging from \$350 per person to \$450 per person), Safesport Course (\$20 per person), Shallow Water Lifeguard Qualification (ranges from \$285 per person to \$385 per person), Sexual Harassment Course (\$30 per person), USSSA Swim Instructor Course (\$300 per person).
- (54) Background Check. You and all employees must complete a Background Check to help ensure child safety, build parental trust, and protect your business legally by screening for past offenses or red flags in employees. It's a vital step for any company working closely with infants and young children.
- (65) Travel and Living Expenses While Training. We provide training, for one trainee, at our location in Renton, Washington or at another location designated by us and on-site training at your first pool. You must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees and for airfare, meals, transportation costs and your share of lodging for our representative to provide the on-site training. The low end of the range assumes you live locally to the training facility and travel home each night. The high end of the range assumes you will travel to the location of training.
- (76) Pool Deposit. You will negotiate the pool deposit when you enter an agreement with the owner or operator of the Pool. Your actual costs may vary from our estimates due to location, demand and availability of other swimming pools in your Territory.

- (87) Pool Usage Fee. You will negotiate the Pool usage fees when you enter an agreement with the owner or operator of the Pool. Your actual costs may vary from our estimates due to location, demand and availability of other swimming pools in your Territory.
- (98) Cloud Services Subscription Fee (First Three Months). You will pay the Cloud Services Subscription Fee to us, which covers the cost and maintenance of access to our designated cloud-based communication, productivity, and collaboration systems. These systems include, but are not limited to, the franchisor's designated email platform, file storage and sharing tools, calendar services, office productivity applications, and the designated VoIP platform. You must use all cloud-based communication and productivity systems that we designate as required for the operation of your Water Babies Business. You must also comply with all user terms, usage guidelines, and administrative requirements associated with these systems as specified by us or the designated vendor. ~~We reserve the right to access any communications, data, files, or other information stored, transmitted, or processed through these systems in connection with your Water Babies Business, and you grant us the right to access such information without restriction. We reserve the right to modify, replace, or update the designated systems and related requirements at any time in our sole discretion.~~
- (109) Technology Fee (First 3 Months). You will pay the Technology Fee to us which covers the cost and maintenance of our consumer website with your local landing and pool pages and Ada, the Water Babies proprietary franchise management system. You must use ~~all the software we designate as core to the business, including but not limited to~~ Ada and its associated payment systems and communication systems, and the teacher app. ~~You must only use the payment systems we provide, and you must accept any payment methods that we determine (for example, credit card, ACH, debit card). The term "Payment Systems" includes, among other things, companies that provide services for electronic payments (for example, Apple Pay and Google Wallet). The Tech System will enable you to collect information about children and their caregivers, scheduling, prices, sales, staff and payroll. We currently have/reserve the right to have independent, unlimited access to all information and data relating to your business generated by your use of Ada and any other software provided. There are no contractual limitations on our right to access and use this information and data. We also reserve the right to have independent access to other information on your Computer System in the future.~~
- (10) Computer Hardware and Software. Computer Hardware and Software includes required computer hardware and software, including, but not limited to our proprietary admissions system software, telephone service, wireless broadband internet service, an active e-mail account, modem(s), printer(s), and other computer-related accessories or peripheral equipment.
- (11) Right Start Franchise Kit. Right Start Franchise Kit includes Water Babies instructor kits, uniforms, a photography backdrop and associated photography equipment, customer welcome packs to cover the first three months of operation, customer reward and recognition awards to cover the first three months of operation, and a pool water testing kit.
- (12) Right Start Digital Marketing. Right Start Digital Marketing includes Digital Marketing set-up for Google and META, the first three months of the local digital marketing fee, and local search engine optimization set-up.
- (13) Opening Retail Kit. You are able to sell a full range of products in accordance with the Water Babies system. Some of these products must be purchased from us. ~~Other products will be purchased from approved external suppliers.~~
- (14) Insurance. You must obtain and maintain certain types and amounts of insurance through our approved vendor. Insurance costs depend on policy limits, types of policies, nature and value of

physical assets, revenue, number of employees, wages paid, location, business contents and other factors bearing on risk exposure. This estimate contemplates that your Water Babies business will pay an annual installment before you begin teaching swim lessons.

(15) ~~Working Capital~~Additional Funds (First Three Months). These ~~funds are required to cover a mix of business expenses that include an~~amounts represent our estimate of the amount needed to cover your expenses, based on the experience of Affiliates for opening a Water Babies Business, for the initial three (3) month start-up phase of your Franchised Business. They include an estimate of the funds for a three (3) month period needed to cover star-up costs such as Aquatics Director salary, support staff, payroll & human resources, accountancy & bookkeeping, and bookkeeping software. We estimate that the amount stated will be sufficient to cover ongoing expenses for the first three months of the business, although actual amounts may vary. It is not compulsory for the Franchisee to recruit an Aquatics Director at the commencement of the business but it is recommended that within 12 months this role is in place.

(16) Local Traditional Marketing. During the first three months after signing the Franchise Agreement, you are required to spend a minimum of \$3,100 on local traditional marketing activity within your Territory. This includes press release, direct mail campaign, community or partnership event, and printing of collateral.

~~(17) Total Estimated Initial Investment. These figures are estimates only. You should review these figures carefully with a business advisor before making any decision to purchase the Water Babies Business. You may incur additional expenses starting your Water Babies 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 services; the prevailing wage rate; competition; and sales levels reached by your Water Babies Business during the initial period.~~

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**YOUR ESTIMATED INITIAL INVESTMENT
MULTI-UNIT DEVELOPMENT
(For the right to develop [the first of 3](#) Water Babies Businesses)**

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee for three Water Babies Businesses (2)	\$134,000	\$134,000	Lump sum	Upon signing the Franchise Agreement	Us
Training Fee (3)	\$6,000	\$6,000	Lump sum	Upon signing the Franchise Agreement	Us
3 rd Party Staff Training Fees (4)	\$1,000	\$3,000	As incurred	As specified by 3 rd Party Provider	3 rd Party Provider
Background Check (5)	\$40	\$300	As incurred	As incurred	3 rd Party Provider
Travel and Living Expenses While Training (6)	\$2,000	\$10,000	As incurred	As incurred during training	Airlines, hotels, restaurants, rental car agency
Pool Deposit (7)	\$0	\$4,500	As	As specified in lease	3 rd Party Provider

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
			incurred		
Pool Usage Fee (87)	\$300	\$13,500	As incurred	As specified in lease	3 rd Party Provider
Cloud Services Subscription Fee (98)	\$200	\$285	As incurred	Monthly starting upon signing the franchise agreement	Suppliers, vendors
Technology Fee (First Three Months) (109)	\$1,500	\$1,500	Lump Sum	Upon signing the Franchise Agreement	Us
<u>Computer Hardware and Software (10)</u>	<u>\$1,500</u>	<u>\$3,000</u>	<u>As incurred</u>	<u>As incurred</u>	<u>3rd Party Provider</u>
Right Start Franchise Kit (11)	\$10,000	\$10,000	Lump Sum	Upon signing the Franchise Agreement	Us
Right Start Digital Marketing (12)	\$9,150	\$9,150	Lump Sum	Upon signing the Franchise Agreement	Us
Opening Retail Kit (13)	\$2,335	\$2,335	Lump Sum	Upon signing the Franchise Agreement	Us
Insurance (14)	\$2,000	\$4,000	As incurred	Before opening	Approved supplier
Working Capital <u>Additional Funds</u> (First Three Months) (15)	\$15,085	\$30,572	As incurred	As incurred	Employees, suppliers, 3 rd Party Providers
Local Traditional Marketing (16)	\$3,100	\$3,100	As incurred	As incurred	3 rd Party Provider
TOTAL (17)	\$186,710 <u>188,210</u>	\$232,242 <u>235,242</u>			

Notes:

- (1) Type of Expenses. ~~The high and low ranges in the table are based on an average Water Babies Business.~~ All fees imposed by us 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. Neither Water Babies nor any agent or Affiliate of ours offers direct or indirect financing of your initial investment. ~~We do no guarantee your note, lease or obligation.~~
- (2) Initial Franchise Fee. The Initial Franchisee Fee for the first three franchised businesses payable to us ~~is described in ITEM 5.~~
- (3) ~~Training Fee. The Training Fee is described in ITEM 5.~~
- (4) 3rd Party Staff Training Fees. The following courses are required to remain qualified and knowledgeable to run a Water Babies franchise. These courses require recertification at each courses own terms. Course costs vary in price from state to state and at the providers cost discretion. Courses are as follows: Certified Pool Operators Course (ranging from \$350 per

person to \$450 per person), Safesport Course (\$20 per person), Shallow Water Lifeguard Qualification (ranges from \$285 per person to \$385 per person), Sexual Harassment Course (\$30 per person), USSSA Swim Instructor Course (\$300 per person).

- (54) Background Check. You and all employees will complete a Background Checks to help ensure child safety, build parental trust, and protects your business legally by screening for past offenses or red flags in employees. It's a vital step for any company working closely with infants and young children.
- (65) Travel and Living Expenses While Training. We provide training, for one trainee, at our location in Renton, Washington or at another location designated by us and on-site training at your first pool. You must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees and for airfare, meals, transportation costs and your share of lodging for our representative to provide the on-site training. The low end of the range assumes you live locally to the training facility and travel home each night. The high end of the range assumes you will travel to the location of training.
- (76) Pool Deposit. You will negotiate the pool deposit when you enter an agreement with the owner or operator of the Pool. Your actual costs may vary from our estimates due to location, demand and availability of other swimming pools in your Territory.
- (87) Pool Usage Fee. You will negotiate the Pool usage fees when you enter an agreement with the owner or operator of the Pool. Your actual costs may vary from our estimates due to location, demand and availability of other swimming pools in your Territory.
- (98) Cloud Services Subscription Fee (First Three Months). You will pay the Cloud Services Subscription Fee to us, which covers the cost and maintenance of access to our designated cloud-based communication, productivity, and collaboration systems. These systems include, but are not limited to, the franchisor's designated email platform, file storage and sharing tools, calendar services, office productivity applications, and the designated VoIP platform. You must use all cloud-based communication and productivity systems that we designate as required for the operation of your Water Babies Business. You must also comply with all user terms, usage guidelines, and administrative requirements associated with these systems as specified by us or the designated vendor. ~~We reserve the right to access any communications, data, files, or other information stored, transmitted, or processed through these systems in connection with your Water Babies Business, and you grant us the right to access such information without restriction. We reserve the right to modify, replace, or update the designated systems and related requirements at any time in our sole discretion.~~
- (109) Technology Fee (First 3 Months). You will pay the Technology Fee to us which covers the cost and maintenance of our consumer website with your local landing and pool pages and Ada, the Water Babies proprietary franchise management system. You must use all the software we designate as core to the business, including but not limited to Ada and its associated payment systems and communication systems, and the teacher app. You must only use the payment systems we provide, and you must accept any payment methods that we determine (for example, credit card, ACH, debit card). The term "**Payment Systems**" includes, among other things, companies that provide services for electronic payments ~~(for example, Apple Pay and Google Wallet). The Tech System will enable you to collect information about children and their caregivers, scheduling, prices, sales, staff and payroll. We currently have/reserve the right to have independent, unlimited access to all information and data relating to your business generated by your use of Ada and any other software provided. There are no contractual~~

~~limitations on our right to access and use this information and data. We also reserve the right to have independent access to other information on your Computer System in the future.~~

- (10) Computer Hardware and Software. Computer Hardware and Software includes required computer hardware and software, including, but not limited to our proprietary admissions system software, telephone service, wireless broadband internet service, an active e-mail account, modem(s), printer(s), and other computer-related accessories or peripheral equipment.
- (11) Right Start Franchise Kit. Right Start Franchise Kit includes Water Babies instructor kits, a photography backdrop and associated photography equipment, uniforms, customer welcome packs to cover the first three months of operation, customer reward and recognition awards to cover the first three months of operation, and a pool water testing kit.
- (12) Right Start Digital Marketing. Right Start Digital Marketing includes Digital Marketing set-up for Google and META, the first three months of the local digital marketing fee, and local search engine optimization set-up.
- (13) Opening Retail Kit. You are able to sell a full range of products in accordance with the Water Babies system. Some of these products must be purchased from us. Other products will be purchased from approved external suppliers. You are able to recoup this start-up cost by selling inventory to consumers.
- (14) Insurance. You must obtain and maintain certain types and amounts of insurance through our approved vendor. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, revenue, number of employees, wages paid, location, business contents and other factors bearing on risk exposure. This estimate contemplates that your Water Babies business will pay an annual installment before you begin teaching swim lessons.
- (15) ~~Working Capital~~Additional Funds (First Three Months). These ~~funds are required to cover a mix of business expenses that include an~~ amounts represent our estimate of the amount needed to cover your expenses, based on the experience of Affiliates for opening a Water Babies Business, for the initial three (3) month start-up phase of your Franchised Business. They include an estimate of the funds for a three (3) month period needed to cover start-up costs such as Aquatics Director salary, support staff, payroll & human resources, accountancy & bookkeeping, and bookkeeping software. We estimate that the amount stated will be sufficient to cover ongoing expenses for the first three months of the business, although actual amounts may vary.
- (16) Local Traditional Marketing. During the first three months after signing the Franchise Agreement, you are required to spend a minimum of \$3,100 on local traditional marketing activity within your Territory. This includes press release, direct mail campaign, community or partnership event, and printing of collateral.
- (17) Total Estimated Initial Investment. . . . These figures ~~are estimates only~~ represent the costs to establish the first of three Water Babies Businesses under an Area Development Agreement. You will incur all of the costs in the table apart from the Initial Franchise Fee for each Business that it establishes. You should review these figures carefully with a business advisor before making any decision to purchase ~~the any~~ Water Babies Business. You may incur additional expenses starting your Water Babies 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 services; the prevailing wage rate; competition; and sales levels reached by your Water Babies Business during the initial period.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must establish and operate your Water Babies Business in compliance with your Franchise Agreement and the standards and specifications contained in the Water Babies confidential operations manual (“**Operations Manual**”). We will provide you electronic access to the Operations Manual.

You must provide specified services and sell specified products. The services include providing swimming instruction to children nine and under and provide underwater photography services to customers (“**Services**”). The products include products related to the Services (~~“**Products**”~~). ~~We reserve the right to require that you sell additional or different Services and Products in your Water Babies Business with 30 days prior written notice. You must provide the Services and sell the Products per our specifications and standards. We reserve the right to change standards and specifications on 30 days prior written notice to you. Any additional products must meet our standards and specifications and must be approved by us, including but not limited to swim diapers, swimwear, changing mats, swim float boards and swim mirrors (“**Products**”).~~

We have standards and specifications for your Water Babies Business, equipment, uniforms, supplies, forms, Products, Services, advertising materials and most other services and products used in, sold or provided through your Water Babies Business. We will notify you of our specifications and standards. To maintain our standards of consistent, high quality Products, customer recognition, advertising support, value and uniformity in Water Babies Businesses, you must purchase or lease all of your required equipment, supplies, fixtures, inventory, goods, services and Products used in or sold through your Water Babies Business, per our specifications and standards, only from us or our approved or designated suppliers and distributors. The names of our approved suppliers will be provided in the confidential Operations Manual. We are not, nor are any persons affiliated with us, an approved supplier, ~~but we reserve the right to become an approved supplier at any time in our discretion.~~

~~As of the date of this Franchise Disclosure Document we have not received any referral fees from our approved or designated suppliers.~~ As of the date of this Disclosure Document none of our officers own an interest in any approved supplier other than Water Babies. During 2024, neither we or our affiliates derived any revenue based on the required purchases or leases by our franchisees operating in the United States. ~~In the future, we may derive revenue from your purchases or leases of goods, services, supplies, fixtures, equipment, inventory and Products from approved suppliers, which may include us or our affiliates. The precise basis by which we may derive revenue in the future is undetermined at this time. If we derive revenue in the future from your purchases or leases of goods, services, supplies, fixtures, equipment, inventory and Products from our approved or designated suppliers and distributors, the precise basis by which we will do so will be disclosed to you.~~ It is a material breach of your Franchise Agreement if you buy Products, equipment, supplies, fixtures, inventory, goods or services from anyone other than our designated or approved suppliers or distributors without our prior written approval. If you desire to use suppliers other than those which have been approved by us, you must submit your request to us in writing. We will then review the request and notify you of our approval or disapproval within 30 days.

We apply the following general criteria in approving a proposed supplier; ability to provide sufficient quantity of product; quality of products and/or services at competitive prices; production and delivery capability; and dependability and general reputation of the supplier. Franchisees may contract with alternative suppliers who meet the franchisor’s criteria. If you wish to purchase, lease, or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. We must approve any supplier in writing before you make any purchases from that supplier. We can require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent entity for testing. You must pay the actual cost of our test and/or inspection. We reserve the right to

re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet our then-current standards. Our supplier approval procedure does not obligate us to approve any supplier. However, we will notify you within 30 days after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier.

~~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 as we determine is necessary. 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 that you pay or reimburse us for the reasonable cost of investigation in determining whether such products, services, materials, forms, items or supplies satisfy our specifications.~~

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% to 45% of your total cost to establish a Water Babies Business and 8% to 30% of your total cost of operating a Water Babies Business (not including amortization, depreciation, or replacement of worn or obsolete improvements, or equipment).

Franchisees must license from us or our designated supplier certain proprietary computer programs and related materials for use in the operation of Water Babies Business, including the admissions system software (“**Software**”). We or our designated Software vendor may require you to pay a separate license fee for the Software. The purchase of the Software license may include technical support. Ongoing support fees will be required for the maintenance of the Software. You may use the Software only on computer equipment and hardware purchased through our approved suppliers (“**Computer System**”) or obtain our written approval to purchase other equipment.

You must also purchase from our designated vendor and maintain in force, at your sole cost and expense, insurance policies meeting our minimum specifications, protecting you, us, our designated Affiliates and the officers, directors and employees of us and our designated Affiliates against any loss, liability, personal injury, death, property damage, or expense resulting from the operation of your Water Babies Business and all services you provide in connection with your operations. As of the issuance date of this Franchise Disclosure Document, our minimum specifications for required insurance policies and coverage amounts are:

You must obtain and maintain, at your own expense and from our designated supplier, the minimum insurance coverage that we periodically require under the Operations Manual, including a minimum of \$2,000,000 per occurrence in general liability, \$2,000,000 personal and advertising liability, \$1,000,000 auto liability, \$2,000,000 products completed operations aggregate and, when necessary, Excess Medical/Accident coverage and, when necessary, property coverage, umbrella liability and workers compensation in amounts required by applicable law. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Water Babies Business operation or activities of your personnel in the course of their employment. We reserve the right that you obtain all or a portion of your insurance policies from our designated vendor. We may periodically increase the amounts of coverage required (including reasonable excess liability insurance if required by the facility) at any time to reflect inflation, identification of new risk, changes in law or standards of liability, higher damage awards or other relevant change in circumstances. We will respond to requests for approval to purchase equipment other than the Computer System and Software oven within 10 business days from the date the request is received.

We do not have any purchasing or distribution co-operatives as of the date of this Franchise Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees and we reserve the right to receive rebates or other

consideration from your purchase of products directly from approved suppliers or on products we purchase that we may re-sell to you. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of designated or approved suppliers and distributors. ~~There are no caps or limitations on the maximum amount of rebates we may receive from our suppliers and distributors as the result of franchisee purchases.~~

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**ITEM 9
FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the franchise 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	Item in Franchise Disclosure Document
a. Pool Site selection and acquisition/lease	Definitions and Section 8 of the Franchise Agreement	ITEM 11
b. Pre-opening purchases/leases	Sections 8 and 9 of the Franchise Agreement	ITEMS 8 & 11
c. Pool development and other pre-opening requirements	Section 8 of the Franchise Agreement	ITEMS 6, 7 & 11
d. Initial and ongoing training	Sections 7 and 8 of the Franchise Agreement	ITEM 11
e. Opening	Section 8 of the Franchise Agreement	Not Applicable
f. Fees	Sections 5, 6 and 11 of the Franchise Agreement and Section 3 of the Multi-Unit Development Agreement	ITEMS 5 & 6 & 7
g. Compliance with standards and policies/Operations Manual	Section 8 of the Franchise Agreement	ITEM 11
h. Trademarks and proprietary information	Section 10 and Attachment B of the Franchise Agreement and Attachment C of the Multi-Unit Development Agreement	ITEMS 13 & 14
i. Restrictions on products/services offered	Sections 8 and 9 of the Franchise Agreement	ITEMS 8 & 16
j. Warranty and customer service requirements	Section 8 of the Franchise Agreement	ITEM 11
k. Territorial development and sales quotas	Section 4 of the Franchise Agreement and Sections 4, 5, and 16 of the Multi-Unit Development Agreement	ITEMS 11 & 12
l. Ongoing product/service purchases	Sections 8 and 9 of the Franchise Agreement	ITEM 16
m. Maintenance, appearance and remodeling requirements	Sections 3 and 8 of the Franchise Agreement	ITEM 7, note 2
n. Insurance	Section 12 of the Franchise Agreement	ITEM 8
o. Advertising	Section 11 of the Franchise Agreement	ITEM 11
p. Indemnification	Sections 10 and 12 of the Franchise Agreement and Section 14 of the Multi-Unit Development Agreement	Not Applicable
q. Owners participation/Management/staffing	Section 8 of the Franchise Agreement	ITEM 15
r. Records/reports	Section 6 of the Franchise Agreement	ITEMS 6 & 17
s. Inspection/audits	Sections 6, 7 and 8 of the Franchise Agreement	ITEM 6
t. Transfer	Section 15 of the Franchise Agreement and Section 8 of the Multi-Unit Development Agreement	ITEM 17
u. Renewal	Section 3 of the Franchise Agreement and Section 2 of the Multi-Unit Development	ITEM 17

Obligation	Section in Agreement	Item in Franchise Disclosure Document
	Agreement	
v. Post-termination obligations	Sections 10 and 17 of the Franchise Agreement and Sections 7 and 11 of the Multi-Unit Development Agreement	ITEM 17
w. Non-competition covenants	Section 14 of the Franchise Agreement and Section 11 of the Multi-Unit Development Agreement	ITEM 17
x. Dispute resolution	Section 20 of the Franchise Agreement and Section 21 of the Multi-Unit Development Agreement	ITEM 17

ITEM 10 FINANCING

~~Neither Water Babies nor any agent or Affiliate of ours offers~~ We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

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

Except as listed below, Water Babies is not required to provide you with any assistance.

Pre-opening Obligations

Before you open your Water Babies Business, we (or our designee) will provide the following assistance and services to you:

1. Designate your Territory. (Section 7.3(a) of the Franchise Agreement and Attachment A to the Franchise Agreement).
2. Provide you with specifications and required supplier information for all initial and replacement equipment, tools, inventory, Computer System and supplies required for the operation of your Water Babies Business. (Section 7.3(b) of the Franchise Agreement).
3. Provide you with written pool selection guidelines and criteria and such pool selection assistance to determine an acceptable location or locations from which to operate your Water Babies Business as we have outlined in the Operations Manual. There are no additional charges for this service. (Section 7.3(c) of the Franchise Agreement).
4. Assist you in your pool selection process by authorizing each pool for the Water Babies Business. (Sections 7.3(d), Section 7.3(e) and 7.4 of the Franchise Agreement). Factors we consider in authorizing pool selection are demographics, traffic patterns, parking, and other characteristics including the exterior and interior appearance of the pool facility, ease of finding the location, 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. We are not obligated to assist you with conforming the premises to local ordinances and building codes and obtaining any required

permits, or constructing, remodeling or decorating the premises or hiring and training your employees. We do not generally own the premises and lease it to you. We will not be a party to the lease.

5. In addition to franchise business training, within the 90 days preceding the projected opening date (“**Projected Opening Date**”) in your Franchise Agreement or your receipt of all required licenses and permits, whichever comes later, we will conduct a five to seven calendar day training course for you in Renton, Washington or at another location designated by us. You must pay for airfare, lodging, meals, ground transportation, salaries and benefits, and any other personal expenses for yourself and any additional attendees which are incurred during this time. You must complete the required training 30 days before the scheduled opening date for your first pool unless we designate a different training time frame in our discretion. When you sign the Franchise Agreement, you will pay the Training Fee for such training. (Section 7.3(f) of the Franchise Agreement).

6. Provide you with electronic access to our confidential and proprietary Operations Manual prior to the commencement of your training program. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically 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 Franchise, provided you agree in writing to keep its content confidential. The Operations Manual is entirely online. As such, there is no page number count that we can disclose. The Table of Contents for the Operations Manual is attached to this Franchise Disclosure Document as Exhibit G. (Section 7.3(g) of the Franchise Agreement).

Continuing Obligations

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

1. Make a representative available to speak with you on the telephone during regular business hours to discuss your operational experiences and support needs (Section 7.5(a) of the Franchise Agreement). There are no additional charges for these services.

2. We may choose to provide you with continuing national, regional or local workshops and seminars, which we hold in our discretion. You must pay the conference fee, ranging from ~~\$100~~1,000 to \$1,250 per person, and all travel and living expenses. You must attend these conferences. (Section 7.5(b) of the Franchise Agreement).

3. When we have grown to a sufficient size, in our discretion, we will hold an annual meeting of all franchisees. Attendance will be mandatory at these meetings. You will be required to pay a conference fee, ranging from \$1,000 to \$1,250 per person, and all the lodging, food, and transportation costs incurred by you and anyone attending with you. (Section 7.5(c) of the Franchise Agreement).

4. Inform you of mandatory specifications, standards and procedures for the operations of your Water Babies Business, as described in ITEM 8. (Section 7.5(d) of the Franchise Agreement).

5. Research new Products, Services and training methods and provide you with information concerning developments of this research. (Section 7.5(e) of the Franchise Agreement). There are no additional charges for these services.

6. Provide guidance to you, as required in our discretion, in determining the prices you charge for Products or Services. You will be permitted to establish your own prices, but we may set

maximum resale prices as part of any national or regional promotion or multi-area marketing plan. (Section 8.5 of the Franchise Agreement).

7. Maintain the national marketing and promotions fund (“**Brand Fund**”) and use these funds to develop promotional and advertising programs for Water Babies Businesses. (Section 7.5(f) of the Franchise Agreement). There are no additional charges for these services.

8. Provide marketing plan templates and advertising materials to you in the form of an arts graphics package, which is included in your Operations Manual. (Section 7.5(g) of the Franchise Agreement). There are no additional charges for these services.

9. A representative of ours may provide additional assistance. (Section 7.5(h) of the Franchise Agreement). There may be additional charges for these services. If we provide additional assistance, we must agree in advance on the charges you will pay and the length of the visit.

10. Reserve the right to manage one or more local advertising cooperatives (Section 7.5(h) and Section 11 of the Franchise Agreement).

Except as listed above, we do not provide any additional assistance to you.

Training

Before beginning operation of you Water Babies Business you and your Aquatics Director (if in place) must first satisfy all of the (“**Self-Learn and Certifications**”) specified in Attachment F of the Franchise Agreement to our satisfaction and advise us in writing that all of the Self-Learn and Certifications have been satisfied. The Self-Learn and Certifications are separate from the mandatory in-person training we provide (“**In-Person Training**”).

We will train you and your Aquatics Director (if in place) on operating a Water Babies Business and provide you and your Aquatics Director (if in place) with training on teaching swim lessons using our Water Babies Program as well as running the Franchised Business in and outside the pool.

The initial business and aquatic training period will last approximately five weeks over a 2–4 month period, or such other period of time as we deem appropriate, consisting of training and instruction in the management and operation of the Water Babies Business together with other training with both Self-Learn and Certifications and In-Person Training (the “**Water Babies Training Program**”). [The Water Babies Training Program is offered periodically, or on an as needed basis. If refresher training is required, we will offer refresher training on relevant sections for a discounted fee, as required.](#)

The Water Babies Training Program may be shortened if the principal(s) have already received portions of the training in other capacities with Water Babies. In such cases the length of the program will change, but there shall be no abatement of fees or credits given for such change.

The Water Babies Training Program is mandatory and is a blend of in-person, self-learn modules, and virtual instruction and shall take place online or at such locations within the United States.

You must pay all expenses incurred by you and your employees in connection with the Water Babies Training Program and any other training, conferences, conventions and other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses.

You and/or your Aquatics Director must complete the Water Babies Training Program to our satisfaction before you begin providing swim lessons at your Water Babies Business, which you must

begin no later than 30 days after the Effective Date of the Franchise Agreement, unless we agree in writing to a later scheduled opening. The Water Babies Business must always have an Aquatics Director or Franchisee who has completed in the Water Babies Training Program.

We will not provide Initial Business Training to your employees or independent contractors. We will provide limited training on the Water Babies operating system and other relevant areas of the business when appropriate, such as when new updates are released. ~~(Seek advice on dual employment law etc.)~~

You will be responsible for training your employees and independent contractors. It is also your responsibility to hire, train, manage and supervise your employees and contractors for the day-to-day operations of your Water Babies Business. Until the Franchisor deems you qualified to train instructors you must contract the Franchisor to complete this training at the cost set out in Item 6.

We will not provide any training or certification with respect to risk assessments and compliance with applicable health, safety and child protection Laws. You must ensure that all directors, officers, employees and contractors are appropriately trained and qualified pursuant to all applicable Laws in order to carry out their respective responsibilities with the Franchise Business.

Our Water Babies Training Program comprises approximately 100 hours of in-person, tutored, or online training in addition to self-learning modules and theory work on the Initial Business Training and Aquatic Training elements. As part of this, Teacher Course involves 5-7 days in-person training, normally on a residential basis, to learn the Water Babies syllabus in addition to a number of Mentored/Assessed lessons under the supervision of a qualified Water Babies Mentor/Assessor. The Teacher Course and Mentored/Assessed Lessons will be held at locations of our choice within the United States or United Kingdom, though we may agree to provide training at pools in which you will operate.

The Initial Business Training comprises of approximately 40 hours of self-paced, in-person, or tutored modules on operating the Water Babies Business, including training on marketing, pool acquisition, finance, data protection and management, business planning and margin sheets, products and retail, photography, health and safety, customer service, human resources, technology and software, and administrative systems and processes.

We provide instructional materials and resources as part of the Initial Business and Aquatic Training, including the Franchise Operations Manual, and other materials necessary for the running of your business.

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects taught to a specific Franchisee and its personnel may vary based on the experience or individual needs of those persons being trained.

The successful completion of our Water Babies Training Program by the Principal and other select employees is a condition to your opening of your Water Babies Business to the public. If the Principal or any of the select employees do not successfully complete the Training Program, then we may offer additional or repeat training at your sole cost and expense. Failure by the Principal or other select employees to successfully complete the Initial Training Program or any additional or repeat training may result in termination of the Franchise Agreement.

No Water Babies swim instructor may teach a swim lesson until he or she has passed our then-current swim instructor training program that we require. You must also ensure each instructor has a lifeguard qualification or pool rescue certification, has attended and passed a Safesport course, and that

they have completed a background check.

If we determine that you or your Aquatics Director are not properly trained to provide the services offered by Water Babies we may require such person to cease providing services and to be trained by one of our senior tutors at our then-current training fee.

IN-PERSON TRAINING PROGRAM

Subject	Hours of Classroom/Online Training	Hours of Practical In-Pool Training	Location
Aquatics	20	46	Renton, Washington
Finance and Business Planning	2	0	Renton, Washington
Human Resources	1	0	Renton, Washington
Marketing	3	0	Renton, Washington
Photography Theory	2	0	Renton, Washington
Dipper Posing Course	0	10	Renton, Washington
Admin and Operations	12	0	Renton, Washington
Pool Acquisition	2	0	Renton, Washington
Other Business Streams	1	0	Renton, Washington
Mentor Course	12	0	Renton, Washington
Total Training Time	55	56	

Training will be conducted in Renton, Washington, or another place designated by us. We reserve the right to conduct all or any portion of the training online, at your pool or another place designated by us. Training will be provided as follows: Aquatics: Jackie White, Senior Tutor, 15 years' experience, Derek Lambe, Senior Tutor, 7 years' experience, Ali Pountney, Senior Tutor, 11 years' experience, Kim Bennet, Senior Tutor, 19 years' experience, Victoria Whittaker, Senior Tutor, 4 years' experience and Helen Straw, Lead Tutor, 11 years' experience. Finance and Business Planning, Carl Higgins, 12 years' experience and Michael Lonergan, 17 years' experience. Marketing, Katie Herridge, 10 years' experience. Photography, Emily Gardner, 6 years' experience. Administration and Operations, Lucy Brimmicombe, 7 years' experience, Saz Sunthareswaran, Tutor, 4 years' experience, and Helen Straw, Senior Tutor, 11 years' experience. Pool Acquisition, Elyse Kelly, 6 years' experience, and Alex Blackwell, 29 years' experience.

Advertising Programs

For the period beginning 30 to 90 days before you open your Water Babies Business to the public and commence swim instructions, we will spend \$9,150 on Digital Marketing set-up for Google and META, the first three months of the local digital marketing fee, and local search engine optimization set-up. You are required to spend \$3,100 on local traditional marketing activity within your Territory during this timeframe. This includes press release, direct mail campaign, community or partnership event, and printing of collateral.

Advertising Councils.

There is no advertising council composed of franchisees that advises the franchisor on advertising policies.

Local Advertising

Local marketing and advertising activities are your responsibility and are necessary to complement the centrally managed Brand Fund. During the first year in which your Water Babies Business is open, you must complete a local marketing plan with our team and submit it via email prior to your Scheduled Opening Date. You must complete and submit a local marketing plan annually by January 31 for each subsequent year. As specified in the Operations Manual, you must use pre-approved marketing templates and collateral, or receive our approval for any marketing collateral not previously approved. You must spend a minimum of \$25,200 on local marketing, comprised of both Local Digital Marketing and Local Traditional Marketing, within your Territory (“**Local Marketing Spend**”) during each calendar year. Upon our request, you must send us, in the manner we prescribe, an accounting of your Local Marketing Spend. We have provided a budget split across of how to allocate this expenditure in Item 6.

Your local advertising and promotions must follow our guidelines. All advertising and promotional materials developed for your Water Babies Business must contain notices of our Franchise System Website’s (defined below) domain name in the manner we designate. All advertising, promotion and marketing must be completely clear, factual, and not misleading and conform to both the highest standards of ethics and our advertising and marketing policies.

All advertising, promotion and marketing must conform to our System Standards. You must send us for approval samples of all advertising, promotional and marketing materials which we have not prepared or previously approved at least 10 days before you intend to use them. If we do not approve the materials within 5 days of our receipt of such materials, then they shall be deemed disapproved. You may not use any advertising, promotional or marketing materials that we have not approved or have disapproved.

We, our affiliate, or our designated supplier will provide digital advertising services which includes search engine optimization services and management, pay-per-click, Facebook advertising, remarketing and other digital services. You must pay us, our affiliate or our designated supplier for these services.

Local Advertising Cooperative

There is currently no local advertising cooperatives. We reserve the right to start a local advertising cooperative.

National Marketing and Promotions Fund – Brand Fund

We raise fees related to system marketing through the Brand Fund Contributions and ongoing Brand Fund Contributions collected from our franchisees. You will be required to pay the Brand Fund Contribution, currently equal to 2% of Gross Sales, as more fully described in Item 6. We designate these fees for use in our advertising and marketing activities. We spend them as we determine is most beneficial to promoting our Marks and System, but we are not required to spend any amount on advertising in your particular Territory. We ~~use advertising and marketing fees to develop, produce, distribute and/or conduct advertising programs, marketing programs, public relations, internet and social media, national search engine optimization, content creation, and marketing research.~~ We may spend marketing fees on local, regional or national advertising as we deem appropriate. We produce advertising in-house and through advertising agencies. Locations that we (or our affiliates) own and operate will contribute Brand Fund Contributions equal to those contributed by our franchisees. (Franchise Agreement - Section 9.C.)

We maintain all Brand Fund Contributions in an account separate from our other funds. ~~We will not use them for any of our expenses, except for reasonable costs and overhead that we incur in activities reasonably related to the direction and implementation of marketing and advertising programs for franchisees and the System. These costs may include costs of personnel for creating and implementing~~

~~advertising, promotional, and marketing programs. The Brand Fund Contributions are not our asset.~~ Any monies remaining from Brand Fund Contributions at the end of the taxable year in which such monies were received will be used for advertising or promotional purposes in the following taxable year before contributions from that taxable year are used. We ~~reserve the right to terminate the Brand Fund Contributions at any time, in which case all Brand Fund Contributions remaining will be expended for advertising or promotional purposes or returned to the contributors on the basis of their respective contributions. The Brand Fund Contributions and any earnings on them will not otherwise benefit us. We may offset some internal marketing costs with any payments we receive for providing advertising and marketing services.~~ We do not use any Brand Fund Contributions collected from franchisees to solicit new franchise sales. ~~We are not a fiduciary of yours with respect to the Brand Fund Contributions.~~ (Franchise Agreement - Section 9.C.)

You may only use advertising material we have prescribed or approved, and you may only distribute it to people or businesses located in your Territory. With our prior written approval, we may permit advertising outside of your Territory. We recognize that there may be occasions where print, radio, television and digital advertising have reach beyond your Territory. In those instances, prior to you signing any agreement for such advertising or placing, running, approving or engaging in any such advertising, you must secure our prior written approval. (Franchise Agreement - Section 9.B.)

We have the right, but not the obligation, to establish and maintain a website which may, without limitation, promote the Marks, the System, approved products or services, Water Babies Businesses and the franchising of the System. We have the sole right to control all aspects of the website, including, without limitation, its design, content, functionality, links to the websites of third parties, legal notices and policies and terms of usage. We also have the right to discontinue operation of the website at any time and without notice to you.

We have the right, but not the obligation, to designate one or more web page(s) to describe you and/or your Water Babies Business, with such web page(s) to be located within our website. You must comply with our policies with respect to the creation, maintenance and content of any such web page(s), as well as the observance of our privacy policy with information gathered through our forms. We have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page(s).

You may not establish or maintain a separate website, register or use any domain name/URL address, or use any other social media outlet, such as Facebook, Instagram, X (formerly Twitter) or any other outlet, for or in connection with the Franchised Business without our prior written approval (which we shall not be obligated to provide). You may not post, respond to, or otherwise participate in any social media communications unless otherwise authorized by us. (Franchise Agreement - Section 9.E.)

We pay the costs of marketing activities, including a share of corporate overhead related to advertising and marketing, with Brand Fund Contributions. We do not guarantee that you will benefit directly from any advertising or marketing. (Franchise Agreement - Section 9.C.) The marketing fees will be spent in a way, which in our judgment, benefits the franchise system. We have not spent any franchisee marketing fees to solicit new franchisees. Marketing expenditures are not audited other than as part of the Company's annual audit of its financial statements. A summary of Brand Fund Contributions raised and spent is available to you upon submission of a written request to us. You will not receive a periodic accounting of how we spend the Brand Fund Contributions we collect. However, upon the completion of the Company's annual audit you may obtain an accounting of marketing expenditures by sending a written request to the attention of our Accounting Department.

[We did not collect any Brand Fund Fees during 2024.](#)

~~(1) Marketing Resources, Pre-Approvals for Marketing Materials, and Internet Marketing~~

~~You may order sales and marketing material from our designated supplier and digital management system. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials you must obtain our prior approval, which we have the right to grant or deny. We will review your request and we will respond in writing within 30 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 or services to be provided without our prior written approval. If we approve of promotional items or services that will be sold in your Water Babies Business, those items or services must be included in your Gross Revenues and will be subject to Royalties, Individual Advertising Expense and the Brand Fund fees.~~

~~We retain the sole right to market on the Internet, including all use of websites, domain names, URL's, linking, advertising, and co-branding arrangements. You 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. We intend that any Franchisee website be accessed only through our home page. You will provide us content for our Internet marketing. We retain the right to approve any linking or other use of our website.~~

Schedule for Opening

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Water Babies Business will be 3 to 6 months. Some factors which may affect this timing are your ability to identify and rent a pool space, your ability to secure any necessary financing, your ability to comply with local zoning and other ordinances, your ability to obtain any necessary permits and certifications, and the timing of the delivery of equipment and inventory. You must submit information regarding the proposed location of the Approved Pool to us within 90 days of the execution of the Franchise Agreement or we may elect to termination in our sole discretion. We will have 30 days after receipt of the information relating to any proposed site to accept or reject the proposed site. If we do not accept or reject the proposed site within such 30 days, the site will be deemed rejected. If we accept the proposed site, our acceptance will remain in effect for a maximum of 60 days. If a site cannot be agreed upon, the Franchise Agreement could be terminated and your franchise fee and any deposits forfeited.

~~You must open your Water Babies Business on or before the projected opening date (“**Projected Opening Date**”) set forth on Attachment A to the Franchise Agreement, but in no event more than 9 months from the date the Franchise Agreement becomes effective. Unless we agree to defer your Projected Opening Date, which we have the right to do or not do, your failure to open your Water Babies Business on or before the Projected Opening Date will constitute a default of your Franchise Agreement and allow us to terminate your Franchise Agreement.~~

~~You must comply with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You are solely responsible for, and must also apply for, all required licenses and permits within 120 days after signing the Franchise Agreement. If you do not receive all required licenses, permits, and certifications within nine months of executing the Franchise Agreement, we may terminate the Franchise Agreement and retain all fees and other consideration paid by you. (ITEM 5).~~

~~We reserve the right to require you to comply with reasonable restrictions on maximum and minimum prices (to the extent permitted by applicable law) of specific goods, programs or services~~

~~offered and sold by the Franchised Business as required in the Manual or as we otherwise reasonably direct in writing from time to time.~~

~~You may not open your Water Babies Business until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) initial training is completed to our satisfaction; (3) all amounts due to us have been paid; (4) we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; (5) you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; (6) you have received all required permits and licenses; (7) you have provided us with a fully executed copy of the lease and/or rental agreement for the first pool to be operated; and (8) you have ordered and received your equipment, supplies, uniforms, tools, products, inventory and Computer System. You must be prepared to begin operating your Water Babies Business immediately after we state that your Water Babies Business is ready for opening.~~

Software and Computer Equipment

~~We will require you~~ You must, at your own expense, ~~to purchase or lease,~~ install, and ~~thereafter maintain, such the~~ computer hardware and ~~software, telephone service, wireless broadband internet service, active e-mail account, modem(s), printer(s), and other computer related accessories or peripheral~~ related equipment ~~as that~~ we ~~may~~ specify in the Operations Manual ~~to operate the~~ or otherwise in writing as necessary for the proper operation of your Water Babies Business ~~Model~~.

You are currently required to obtain and maintain the following:

~~We currently require you to obtain a~~ • A Windows OS or Mac OS X compatible computer system, ~~QuickBooks Online accounting system, broadband internet access, VoIP telephone, and a multi-function printer capable of scanning and printing, meeting the functionality necessary to operate software for your Water Babies Business.~~ suitable for running the franchisor's designated applications;

- A reliable broadband internet connection with wireless (Wi-Fi) capability;
- A headset compatible with our designated cloud communication system;
- A multi-function printer capable of printing and scanning;
- Access to an online accounting system (currently QuickBooks Online or equivalent, as specified by us); and
- One tablet device per teacher for use with the Water Babies teacher app.

~~You may already have possess some or all of the designated equipment as well as internet access at your home or current office. Currently, the Computer System components consist of the following: 1 computer per these items. However, all equipment used in operation of your~~ Water Babies Business, ~~1 printer with scanning functionality, 1 wireless router to enable connection to the internet, all required software platforms, as provided by the franchisor during onboarding, online financial management software, and 1 tablet device per teacher.~~ must meet our current specifications and be compatible with our required systems.

~~You will be responsible for maintaining your Computer System hardware and software in good repair and condition, and you must promptly install such additions, changes, or modifications as we may direct within 30 days after you receive notice from us. There are no limitations on the frequency and cost of your obligation to update the computer software and/or equipment at our request. We are not~~

~~contractually obligated to maintain, repair, update, or upgrade your computer system. You are also responsible for your connectivity to the Computer System at all times and any and all consequences if the Computer System is not properly operated, maintained, and upgraded.~~

You are solely responsible for:

- Maintaining all computer hardware, software, and peripheral equipment in good working order;
- Ensuring your connectivity to the franchisor's designated systems at all times;;

We may update our equipment or software requirements at any time, and there are no limits on the frequency or cost of required updates or replacements. We are not contractually obligated to maintain, repair, or replace your local computer systems or equipment.

~~We estimate the~~The estimated initial cost of purchasing the ~~Computer System to range~~required computer system and related equipment is between \$1,500 and \$3,000.

You will pay the Technology Fee to us which covers the cost and maintenance of our consumer website with your local landing and pool pages and Ada, the Water Babies proprietary franchise management system. You must use all the software we designate as core to the business, including but not limited to Ada and its associated payment systems and communication systems, and the teacher app. You must only use the payment systems we provide, and you must accept any payment methods that we determine (for example, credit card, ACH, debit card). The term Payment Systems includes, among other things, companies that provide services for electronic payments (~~for example, Apple Pay and Google Wallet~~). The Tech System will enable you to collect information about children and their caregivers, scheduling, prices, sales, staff and payroll. We currently have/reserve the right to have independent, unlimited access to all information and data relating to your business generated by your use of Ada and any other software provided. There are no contractual limitations on our right to access and use this information and data. We also reserve the right to have independent access to other information on your Computer System in the future.

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ITEM 12 TERRITORY

Single Unit Franchise Agreement

You will be granted the right to operate your Water Babies Business from a one or more pool locations we have approved within your designated Territory. All pools that you plan to operate out of must be approved by us. You will be granted a territory (“**Territory**”) in which to market and advertise your Water Babies Business and to sell the Products and Services you are authorized to sell by the Franchise Agreement. Your Territory will be based on demographics and other characteristics, including population density, average household income, and other characteristics of the surrounding area, natural boundaries, extent of competition, and the amount and size of urban, suburban and rural areas. We will use commercially reasonable efforts to grant only one license to a franchisee per 50,000 children aged 9 and under (as determined by the most recent U.S. Census Bureau report) in the designated geographical location (“**Population Limit**”). This is the minimum territory that will be granted. We will use the most recent population information reasonably available in the U.S. Census Data, or other population statistical sources of our choosing to determine populations. We have the exclusive right to determine the boundaries of your Territory. Once the radius is determined, you will be assigned the zip codes that lie in whole or in part within the boundary we have granted to you for marketing purposes. ~~We reserve the right to change, modify, or delete the Population Limit~~

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from or channels of distribution or competitive brands that we control.

~~We have the right to grant you express permission to promote and advertise your Water Babies Business to customers in an unsold territory adjacent to your Territory (“**Adjacent Territory**”). However, you must agree that when this Adjacent Territory is granted to another franchisee, you will, upon receipt of written notice from us, cease all promotional and advertising efforts within the Adjacent Territory, and return to us, within 10 days of the notice, all customer data and prospect information related to the Adjacent Territory. You do not have any rights of first refusal on the Adjacent Territory.~~

~~Customers from your Territory may purchase Services and Products from us and our Affiliates or designees over the Internet, or in other reserved channels of distribution or from other franchisees in different territories. If you advertise or market your Water Babies Business outside of your Territory, unless otherwise approved by us, you will be in breach of your Franchise Agreement, and we would have the right to terminate your Franchise.~~

You will not receive rights of first refusal to acquire additional franchises within your area. You will maintain rights to your Territory even though the population in the Territory may increase or decrease, and once your Territory is established, we cannot change or modify it under any circumstances. ~~You will not be entitled to any additional zip codes or an expansion of your geographic boundaries if the population decreases or the demographic make up changes in your Territory. There are no other restrictions on us regarding granting franchised outlets for similar or competitive business within a defined territory.~~

We reserve the right, among others, to own, franchise, license or use the Marks and System to operate Water Babies Businesses at any location outside of the Territory, regardless of the proximity to your Water Babies Business. We will not establish within your Territory another franchisee or company-owned outlet which may also use the franchisor’s trademarks, service marks, or Marks.

We reserve the right, among others, to offer the Services or Products, or grant others the right to offer the Services or Products, whether using the System and/or Marks or other trademarks or services

marks through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We exclusively reserve alternative channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, as channels of distribution for us. ... You may not ~~independently use alternative-solicit customers outside your territory.~~ You may not use any other channels of distribution to make sales within or, such as Internet, catalog sales, telemarketing, or other direct marketing, to acquire customers outside your Territory. You may accept customers from outside your Territory so long as you did not solicit them.

We reserve the right, among others, to any websites utilizing a domain name incorporating one or more of the words “Water”, “Babies”, “Swim”, “Swimvincible”, “Water Kids”, and/or “Pool” 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.

We reserve the right, among others, to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate these multi-area marketing programs.

You may relocate your Water Babies Business only with our prior written consent, which will not be unreasonably withheld. In giving our consent, we will consider the following: whether you are good standing under the Franchise Agreement and any other agreement with us, including the Operations Manual; (ii) whether you have signed a copy of the Franchise Agreement that is currently effective at the time of relocation; (iii) whether you agree to and has the financial capacity to construct and equip the new premises to meet our then applicable standards and policies; (iv) whether we have given our approval of the new site; and (v) such other factors as we deem applicable.

Multi-Unit Development Agreement

~~You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands we control.~~ You may purchase **Area Multi-Unit Development** rights to open and operate two or more Water Babies Businesses. If you purchase **Area Multi-Unit Development** rights for Water Babies Businesses, you will be granted a Development Territory which will be comprised of each Water Babies Business’ Territory in which your Water Babies Businesses must be established during implementation of the development schedule. Your Development Territory will include a minimum population base of 50,000 children aged 9 and under (as determined by the most recent U.S. Census Bureau report) multiplied by the number of Water Babies Businesses you commit to open under the terms of the Multi-Unit Development Agreement. As soon as you locate a pool or pools within the Development Territory that you believes is suitable for operating a Water Babies Business in accordance with our criteria, you will submit to us the information about the proposed location including, without limitation, lease terms, demographic criteria, and certain other information, as we may require periodically in our operations manual (“Operations Manual”). When and if the development schedule has been timely satisfied, you will no longer have the entire Development Territory and each Water Babies Business will be limited to its individual Territory, as described above. You will not receive rights of first refusal to acquire additional franchises.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from or channels of distribution or competitive brands that we control.

During the term of the Multi-Unit Development Agreement, we do not have the right to establish our own, or to grant to others the right to establish, Water Babies Businesses within the Development Territory; however, we reserve the right to sell Products and Services, under the Marks or any other

marks, through any other channels of distribution, and we reserve the same rights with respect to your Development Territory as it has with respect to exclusive territories granted to single unit franchisees.

~~While preservation of a Development Territory is not contingent upon sales volume, if~~ If you do not meet your development schedule, we may elect to terminate your Multi-Unit Development Agreement, reduce or eliminate the territorial protections, or reduce the size of your Development Territory.

Unless a renewal of the Multi-Unit Development Agreement and an extension of the development schedule are negotiated by the parties, the Multi-Unit Developer will no longer have a Development Territory upon the expiration or termination of the Multi-Unit Development Agreement. However, each Water Babies Business in good standing will retain its protected individual Territory as set forth in the Franchise Agreement.

Rights we Reserve Under the Franchise Agreement

As noted above, and as specified in the Franchise Agreement, we will not establish, franchise or license others to establish a Water Babies Business in the Territory during the term of the Franchise Agreement so long as you are in compliance with the Franchise Agreement. However, and despite those promises and obligations, we and our Affiliates retain all rights with respect to Water Babies Businesses, the System, the Marks, the sale of similar or dissimilar services, and any other activities we deem appropriate whenever and wherever we desire, including:

1. to own, franchise, license or operate Water Babies Businesses at any location outside of the Territory, regardless of the proximity to your Water Babies Business, and even if the Territory of another Water Babies Business “overlaps” a portion of your Territory. We will not establish within your Territory another franchisee or company-owned outlet which may use the Marks;

2. to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as stores, shops, kiosks, malls, airports, and college campuses, at special events, and other channels of distribution such as, television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We exclusively reserve alternative channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, as channels of distribution for us. You may not independently use alternative channels of distribution to make sales within or outside your Territory;

3. to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering educational services, at any location, including within the Territory, which may be similar to or different from the business operated by you;

4. to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with the Water Babies Business you operate, wherever located;

5. to acquire and convert to the System operated by us any businesses offering services and products related to providing water survival instruction services, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and

6. to implement multi-area marketing programs including regional pricing and service programs, which may allow us or others to solicit or sell to clients, or otherwise dictate service and pricing strategy,

anywhere. We also reserve the right to issue mandatory policies to coordinate these multi-area marketing programs including the right to establish minimum or maximum pricing for such programs, as permitted by law.

At this time, we do not offer to franchisees any options, rights of first refusal, or similar rights to acquire additional franchises. We reserve the right to offer options, rights of first refusal and similar rights at any time in our sole discretion, on such terms as we determine.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use our Marks, including the service mark WATER BABIES and various designs and logo types associated with our services. You may also use our other current or future Marks as we may designate to operate your Water Babies Business.

The WATER BABIES Marks and the System are owned by subsidiaries of Water Babies Holdings Inc: Water Babies USA LLC, Water Babies Ltd (UK) and WB Aquatics LLC (collectively the “Water Babies IP Companies”). Water Babies IP Companies have granted us a non-exclusive license (“Intellectual Property License”) to use the intellectual property for purposes of franchising the System around the world. The Intellectual Property License extends for 50 years, commencing May 20, 2025 provided that we are not in default or do not materially breach the Intellectual Property License by engaging in any activity which damages the Marks or the goodwill of the System. In the event the Intellectual Property License is terminated, Water Babies IP Companies have agreed to negotiate a license with our licensees to use the WATER BABIES Marks and the System on substantially the same terms as the terms in our Intellectual Property License.

We have registered, or applied to register, the following Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	<u>Application or Registration Date</u>	Registration Number	Status
Waterbabies (Word Mark)	November 22, 2024	4,595,259	Registered on the Principal Register
Water Babies (Word Mark)	July 25 <u>December 11, 2017</u> 2014	Serial #: 86/477,888	Pending
Swimvincible (Word Mark)	April 29, 2025	Serial #: 99/160,422	Pending
	October 15, 2015	1,284,842	Registered on the Principal Register
	April 23, 2025	1,428,583	Registered on the Principal Register

Mark	<u>Application or Registration Date</u>	Registration Number	Status
	September 10, 2019	5,853,697	Registered on the Principal Register

~~All required affidavits have been filed. The above referenced registrations have not been renewed, as renewal has yet to be required.~~

We ~~may also use a number of unregistered, common law trademarks, which may not have a~~do not have federal registration for two of our principal trademarks. Therefore, ~~such trademark~~these trademarks do not have as many legal benefits and rights as a ~~federally registered~~federally-registered trademark. If our right to use the ~~trademark~~trademarks is challenged, you may have to change to an ~~alternative~~alternate trademark, which may increase your expenses.

~~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. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator. 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.~~

All required affidavits have been filed. The above-referenced registrations have not been renewed, as renewal has yet to be required.

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. No currently effective litigation affects our use or ownership rights in any Mark. No currently effective agreement limits our right to use or license the use of our Marks.

You must notify us within three days after you learn about an infringement of or challenge to your use of our Marks. We may take the action necessary to prevent the unauthorized use of our Marks. We are not obligated to protect your rights to use the trademark or protect you against any claims of infringement or unfair competition arising out of your use of the 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. ~~Nor will you have the right to make any demand or to prosecute any claim against the alleged infringer for the infringement, unless we decide to join you in such action. In such cases, we shall bear all your out-of-pocket expenses for such participation.~~

We will control any litigation or proceedings.

You must modify or discontinue the use of a Mark if we modify or discontinue the Mark. If this happens, we will reimburse you for your tangible out-of-pocket cost of compliance (for example, changing letterhead and business cards). ~~You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.~~

We do not know of any [superior rights or](#) 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 Water Babies Business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise to avoid the possibility of having to change your Water Babies Business name.~~

~~1. We reserve the right, among others, to use, franchise and/or license the use of other proprietary and non-proprietary marks which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering swim instruction to children, underwater photography, and other elements and the sale of related products, including within the Territory, which may be similar to or different from the business operated by you.~~

~~We reserve the right, among others, to use, license and/or franchise the Marks and the System in connection with the provision of other services and products or in alternative channels of distribution in any location, including the Territory.~~

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 ITEM 11 and Sections 7, 8 and 10 of the Franchise Agreement. The designs contained in the Marks, the layout of our advertising materials, the content and format of our Products, as well as any other writings, 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, the content and format of our Products, or any 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 (“**Copyrighted Works**”) in connection with your operation of your Water Babies Business, but these copyrights remain our sole property.

There are currently no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit your use of our Copyrighted Works.

Our Operations Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of and experience in the development, operation and franchising of Water Babies Businesses, formulations for and packaging of Products, and training and safety techniques used to provide Services sold at Water Babies Businesses, information concerning Product and Service sales, operating results, financial performance and other financial data of Water Babies Businesses and other related materials are proprietary and confidential (“**Confidential Information**”) 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 Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

~~We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for the development of your Water Babies Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain~~

~~from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners, if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement that we can enforce. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Water Babies Businesses during the term of the Franchise Agreement.~~

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 Copyrighted Works or use of our Confidential Information or Trade Secrets or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of or challenge to your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. ~~You must not directly or indirectly contest our rights to any of our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim.~~ We will have discretion to take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. ~~You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets.~~

No patents are material to us at this time, although we reserve the right to file a patent on the design for any future products.

~~We have the right to inspect, copy and use all records with respect to the customers, suppliers, and other services providers of, and related in any way to your Water Babies 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 of your customers, suppliers, and other service providers for quality control, market research, and such other purposes, as we deem appropriate.~~

~~You must disclose to us all ideas, techniques and products concerning the development and operation of the Water Babies Business you, your Aquatic Director or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners, Aquatic Director or employees a perpetual, non-exclusive and worldwide right to use these ideas, techniques and products concerning the development and operation of the Water Babies Business that you, your Aquatic Director or your employees conceive or develop during the term of the Franchise Agreement in all indoor children's adventure businesses that you operate. We will have no obligation to make any lump sum or on-going payments to you with respect to any idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other person or entity to use any of these ideas, techniques or products without obtaining our prior written approval.~~

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

You and your Aquatics Director (if any) must [successfully complete the Water Babies Training Program, and](#) provide direct, full-time, in-person supervision of your Water Babies Business. You must also directly supervise your Multi-Unit Developer obligations, if any. Each subsequent Water Babies Business after your first, if any, must have a person designated to manage the business full-time (“**Aquatics Director**”). Your Aquatic Director does not have to own any beneficial interest in a business entity that owns the Water Babies Business.

If you are a legal or business entity, each individual who owns, directly or indirectly, a 5% or greater interest in you (and, if you are an individual, your immediate family defined as your spouse or domestic partner and any adult children involved in any way with the Water Babies Business) must sign the Guaranty and Assumption of Franchisee’s Obligations assuming and agreeing to discharge all of your obligations and comply with all restrictions under the Franchise Agreement (See Attachment B to the Franchise Agreement and our Nondisclosure and Noncompetition Agreement attached to this Franchise Disclosure Document as Exhibit H); (See Attachment C to the Multi-Unit Development Agreement). [Your Aquatics Director must also sign our Nondisclosure and Noncompetition Agreement attached to this Franchise Disclosure Document as Exhibit H\); \(See Attachment C to the Multi-Unit Development Agreement\).](#)

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must refrain from using or permitting the use of your Water Babies Business for any other purpose or activity at any time without first obtaining our written consent.

You may sell Services and Products to any customer who visits your Water Babies Business or who is located in your Territory. You may not market and advertise the Services and Products to customers outside of your Territory without our express permission. You may not sell Services and Products to customers within another franchisee’s territory. You may not sell Services and Products to customers through other channels of distribution such as wholesale, Internet, or mail order sales.

You may not sell products or services, or advertise products or services, within another franchisee’s Territory. You may not sell products through other channels of distribution such as wholesale, Internet, or mail order sales.

Unless we provide prior written approval otherwise, you must sell or offer for sale only those Services and Products which are authorized by us and which meet our standards and specifications. You must follow our policies, procedures, methods, and techniques. Unless we provide prior written approval otherwise, you must sell or offer for sale 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. You must discontinue selling and offering for sale any Services or Products which we may, in our discretion, disapprove in writing at any time. We reserve the right to establish maximum resale prices for use with multi-area marketing programs and special price promotions.

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Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by us	Section 15.1	No restriction on our right to assign. However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.
k. "Transfer" by you – definition	Section 15	Includes transfer of contract or assets or ownership change.
l. Our approval of transfer by Franchisee	Section 15	We have the right to approve all transfers.
m. Conditions for our approval of transfer	Section 15	New franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee.
n. Our right of first refusal to acquire your business	Section 16	We can match any offer for your business.
o. Our option to purchase your business	Section 16	We may, but are not required to, purchase your inventory and equipment at fair market value if your Franchise is terminated for any reason.
p. Your death or disability	Section 15.9	Your estate or legal representative must apply to us for the right to transfer to the next of kin within 180 days of your death or disability.
q. Non-competition covenants during the term of franchise	Section 14	No involvement in competing business anywhere in US, subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Sections 14, 17	No competing business for 2 years (i) in the Territory or any other Franchisee's Territory; (ii) within 100 miles of the Territory or any other Franchisee's Territory or (iii) within 100 miles of any of our Affiliate owned Water Babies Business, subject to state law.
s. Modification of agreement	Sections 2.3, 3.3 & 21.11	No modifications of Franchise Agreement during term generally, but Operations Manual subject to change. Modifications permitted on renewal.
t. Integration/merger clause	Section 21.5	Only the terms of the Franchise Agreement are binding (subject to state law); Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable, subject to state law. Notwithstanding the foregoing, nothing in the Agreement or any related agreement is intended to disclaim the representations made by the disclosure document.
u. Dispute resolution by arbitration or mediation	Section 20	Except for certain claims, all disputes must be arbitrated in Southern Pines, North Carolina, subject to state law.
v. Choice of forum	Sections 20.3 & 21.1	Litigation and arbitration must be in North Carolina, except as provided in a State Specific Addendum, subject to applicable state law.
w. Choice of law	Sections 20.3 & 21.1	North Carolina law applies, except as provided in a State Specific Addendum, subject to applicable state law.

This table lists important provisions of the ~~area-development~~ **Multi-Unit Development** and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

Provision	Section in Multi-Unit Development Agreement	Summary
a. Length of the Multi-Unit Development Agreement	Sections 2 and 4	The term of the Multi-Unit Development Agreement will be negotiated by the parties.
b. Renewal or extension of the term	Section 2	Any Successor Term must be negotiated by the parties. You must be in good standing to renew.
c. Requirements for Multi-Unit Developer to renew or extend	Sections 2 and 7	Not in default under the Multi-Unit Development Agreement or any Franchise Agreement. The parties must agree in writing to a new Development Schedule. You must sign our then-current Multi-Unit Development (“ Successor Multi-Unit Agreement ”) for the Successor Term, and this new Multi-Unit Development Agreement may have materially different terms and conditions from the Multi-Unit Development Agreement that covered your original term.
d. Termination by you	Not Applicable	Subject to state law.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Section 7	Franchisor can terminate you if you are in default Your Multi-Unit Development Agreement can be terminated by us if you or your authorized affiliate, (a) fails to comply with the Development Schedule; (b) fails to perform any of its obligations under this Agreement or any individual Franchise Agreement; or (c) fails to comply with the provisions on transfer contained herein. Upon default, Franchisor shall have the right, at its option, and in its sole discretion, to terminate the Multi-Unit Development Agreement, or to exercise any and all other remedies provided in the Multi-Unit Development Agreement or available under the law. If any individual Franchise Agreement issued to Multi-Unit Developer or an authorized affiliate of

Provision	Section in Multi-Unit Development Agreement	Summary
		<u>Multi-Unit Developer, whether or not issued pursuant to the Multi-Unit Development Agreement, is terminated for any reason, Franchisor shall have the right, but not the obligation, to terminate on immediate written notice to Multi-Unit Developer or the authorized affiliate of Multi-Unit Developer: (i) the Multi-Unit Development Agreement and/or (ii) all other Franchise Agreements issued to Multi-Unit Developer or authorized affiliate of Multi-Unit Developer. We can terminate upon certain violations of the Franchise Agreement by you.</u>
g. “Cause” defined – curable defaults	Not Applicable	<u>Not Applicable.</u>
h. “Cause” defined – non-curable defaults	Section 7	Failure to comply with <u>If you fail to timely execute your option to establish any Franchised Business within the applicable Development Schedule,</u> failure to comply with any obligations in of the Multi-Unit Development Agreement or any Franchise Agreement, termination of approved affiliate of Multi-Unit Developer, etc., cease to be a franchisee in good standing; fail to comply with the transfer provisions, we may <u>terminate your Multi-Unit Development Agreement upon notice and any remaining option rights you have to open Additional Franchised Businesses under this Agreement will be terminated as well without any refund of any portion of the Development Initial Franchise Fee.</u>
i. Your obligations on termination/ non-renewal	Sections 10 and 11	Confidentiality and non-competition.
j. Assignment of contract by Franchisor	Section 8.1	No restriction on Franchisor’s right to assign.
k. Transfer by you – definition	Section 8.2	Includes transfer of contract, assets, ownership change or any interest in the Area <u>Multi-Unit</u> Development or Franchise Agreements. Any transfer of a single-unit Water Babies Business will be governed by the Franchise Agreement to which the single-unit Water Babies Business is

Provision	Section in Multi-Unit Development Agreement	Summary
		bound.
l. Franchisor's approval of transfer by Multi-Unit Developer	Section 8.2	Franchisor must approve all transfers and Franchisor has right of first refusal on all proposed transfers.
m. Conditions for Franchisor's approval of transfer	Section 8.2	Paid up, not in default, release signed, transfer fee paid, transferee is approved, signs current Multi-Unit Development Agreement, etc. (See also r, below).
n. Our right of first refusal to acquire your business	Section 8.2(e)	Franchisor may match any bona fide offer for your area—development Multi-Unit Development rights.
o. Our option to purchase your business	Section 8.2(e)	Franchisor may match any bona fide offer for your area—development Multi-Unit Development rights.
p. Your death or disability	Not Applicable	
q. Non-competition covenants during the term of the franchise	Section 11	No involvement in competing business anywhere, subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 11.2	No competing business for two years within 100-mile radius of the Development Territory or within 100-mile radius of any Water Babies Business owned by a franchisee, Franchisor, our Affiliates or Multi-Unit Developer, subject to state law.
s. Modification of the Agreement	Section 12	Modifications only upon written agreement of the parties.
t. Integration/merger clause	Section 12	Only the terms of the Multi-Unit Development Agreement are binding (subject to applicable state laws). Any representations or promises outside of this Disclosure Document and the Multi-Unit Development Agreement may not be enforceable, subject to state law. Notwithstanding the foregoing, nothing in the Development Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 21	Except for certain claims, all disputes will be arbitrated in Southern Pines, North

Provision	Section in Multi-Unit Development Agreement	Summary
		Carolina, subject to state law.
v. Choice of forum	Section 21	Arbitration must be in North Carolina, except as provided in a State Specific Addendum, subject to applicable state law.
w. Choice of law	Section 18	North Carolina law applies, except as provided in a State Specific Addendum, subject to applicable state law.

**ITEM 18
PUBLIC FIGURES**

We do not currently use any public figure to promote our franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide 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 if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 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 Item 19, for example, by providing information about possible performance at a particular location under particular circumstances.

These figures are derived from the actual historical performance. Background of business in Territory 1 and Territory 2: Founded in 1997 as a sole proprietorship by Chris and Vera Garibaldi, Waterbabies was incorporated on November 27, 2002. The business model was to offer group swimming lessons to children from 3 months to 10 year olds using rented or leased pool space. The company started in a therapy pool in the city of Bellevue. It expanded into other pools east of Seattle. In 2014 the business registered the trademark for Waterbabies. In 2016, Waterbabies leased a building in Renton, Washington that was part of an old *24-hour Fitness* gym. It continued to operate other rented pools.

In March 2023, our affiliate Water Babies USA LLC formally acquired the company and has since implemented its own operational systems and practices.

The business manages two neighboring territories in Seattle under a single management structure. The total number of pools that Water Babies USA LLC operated out of throughout 2022, 2023, and 2024 is three. This represents all of the pools Franchisor or its affiliates operated from in the United States throughout that time period. The total number of territories that existed throughout 2022, 2023, and 2024 is two. This represents all of the territories Franchisor or its affiliates operated out of in the United States throughout that time period.

- **Territory 1** includes three hosted pools—two of which have been in operation since approximately 2004, with the third added in 2014. Two of these pools form part of a local athletics club and the third is the Belleview Aquatic Centre operated by the City of Bellevue.
- **Territory 2** includes one leased pool. Originally part of a gym facility, a long-term lease was secured in 2016, allowing for unlimited pool access seven days a week.

Prior to registration, Water Babies Renton operated both territories under one accounting system. Consequently it is not possible to separate operating costs by territory. However, revenue and cost of sales can be calculated by individual pool, as represented in Table 1 below:

Table 1

(Deleted)

	31 December 2022	31 December 2023	31 December 2024
Gross Revenue	1,190,898	1,896,362	1,989,969

	31 December 2022	31 December 2023	31 December 2024
Average Weekly Customer No's	759	1,126	1,188

1. A "customer" is one unique individual.

	31 December 2022	31 December 2023	31 December 2024
Gross Revenue	1,190,989	1,896,362	1,989,969
Average Weekly Customer No's.	759	1,126	1,188
Median Weekly Customer No's.	774	1,140	1,195

Notes to Table 1:

- (1) A "Customer" is defined one unique person who has received at least one swimming lesson during the measured period.
- (2) Average Weekly Customer Numbers represents the number of Customers swimming on a weekly basis.
- (3) Gross Revenue represents all revenues received from the operation of all four pools in the two territories.

Table 2

(8) The Marketing Fee (Brand Fund Fee) is calculated at 2% of aggregated Gross Revenue per Water Babies Business.

(9) Net Operating Income is calculated before payment of any compensation or dividend to the owner of the business.

~~(10) Table 2 does not include all other expenses that you may incur and that are not included in the information presented. Such expenses may include, but are not limited to, expenses associated with office locations and facility supplies, training expenses, personal franchise owner expenses, aggregated franchise owner financial expenses, miscellaneous expenses not essential to running a Water Babies Swim School Business, and owner's compensation.~~

General Notes:

(1) Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

(2) Some Water Babies Businesses have sold or earned this amount. Your individual results may differ. There is no assurance that you'll sell or earn as much.

~~(2)~~ Other than the preceding financial performance representation, Water Babies US Franchise LLC does not make any financial performance representations. 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 the franchisor's management by contacting Carl Higgins at Water Babies USA Franchising, LLC, 115 E Pennsylvania Ave., Suite 16, Southern Pines, NC 28387, telephone 833-268-5650, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

TABLE NO. 1

Systemwide Outlet Summary
For Fiscal Years 2022, 2023, 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned	2022	0	0	0
	2023	0	2	0 +2
	2024	2	2	0
Total Outlets	2022	0	0	0
	2023	0	2	0 +2
	2024	2	2	0

TABLE NO. 2

Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor or an Affiliate)
For Fiscal Years 2022, 2023, 2024

State	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0
Totals	2022	0
	2023	0
	2024	0

TABLE NO. 3

Status of Franchised Outlets
For Fiscal Years 2022, 2023, 2024

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
All States	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

TABLE NO. 4

Status of Company-Owned Outlets
For Fiscal Years 2022, 2023, 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Washington	2022	0	0	0	0	0	0
	2023	0	2	0	0	0	2
	2024	2	0	0	0	0	2

TABLE NO. 5

Projected Openings as of December 31, 2024

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
Florida	0	1	0
Georgia	0	1	0
North Carolina	0	1	0
South Carolina	0	1	0
Texas	0	1	0
Washington	0	0	1
Totals	0	5	1

During the last three (3) fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak opening about their experience with the Water Babies business.

[Exhibit D includes a list of current franchisees and Affiliate-owned Water Babies Businesses, as well as a list of any franchisees who have had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the fiscal year ended December 31, 2024 and any franchisee who has failed to communicate with us within ten weeks of the issuance date of this Franchise Disclosure Document.](#)

If you buy ~~this~~ franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark-specific franchisee associations applicable to you, either created, sponsored or endorsed by Water Babies, or independent franchisee associations.

ITEM 21

FINANCIAL STATEMENTS

Attached as **Exhibit A** to this Franchise Disclosure Document is our audited opening balance sheet as of May 8, 2025. We have not been in business for three years or more and cannot include all financial statements required for Item 21.

[Our fiscal year end is December 31.](#)

ITEM 22 CONTRACTS

Attached are the following agreements proposed for use in connection with our offering of franchises:

Exhibit:

- B. Franchise Agreement
- C. Multi-Unit Development Agreement
- F. State-Specific Addendum
- H. Non-Disclosure and Non-Competition Agreement

ITEM 23 RECEIPT

~~The~~Attached as the last two pages of the Franchise Disclosure Document ~~(following the exhibits and attachments) are receipt pages acknowledging your receipt of the Franchise~~are Receipts to be signed by you. You must sign and date one copy of the Receipts the day you receive the Disclosure Document and return it to our corporate office at the address listed on the cover page of the Disclosure Document. ~~One~~The other copy is for your records, ~~and one copy must be signed and dated by you and returned to us.~~

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NORTH DAKOTA	North Dakota Insurance & Securities Department 600 East Boulevard Avenue State Capitol, 14th Floor, Dept 414 Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140 701-328-2910	North Dakota Securities Insurance Commissioner Same Address
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	State of Rhode Island Department of Business Regulation 1511 Pontiac Avenue, Bldg. 68-2 Cranston, RI 02920 401-462-9527	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 Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-3563	Director of the South Dakota Division of Insurance, Securities Regulation 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 804-371-9051	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, [FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT](#) PURSUANT TO THE CALIFORNIA FRANCHISE INVESTMENT LAW

FOR RESIDENTS OF THE STATE OF CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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 AT LEAST 14 DAYS PRIOR TO THE EXECUTION OF AGREEMENT.

The following paragraph is added to Item 1 of the FDD under Industry Specific Regulation:

“Because you collect information from customers, it may contain personal information of individuals which is protected by law. You are responsible for complying with all applicable current and future federal, state, and local laws, regulations and requirements, including the California Consumer Privacy Act (as applicable), pertaining to the collection, protection, use, sale, disposal and maintenance of such personal information. Personal information includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local laws, regulations and requirements. You may also be required to comply with opt-in requirements on your website.”

None of the franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national 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 20000 through 20043 provide rights to the franchisee 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 extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement and multi-unit development agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.

The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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.

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. 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).

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

| [Section 22 of the Franchise Agreement is hereby deleted in its entirety.](#)

| [Section 23 of the Multi-Unit Development Agreement is hereby deleted in its entirety.](#)

**MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT**

Item 5 of the FDD, Section 5 of the Franchise Agreement and Section 3 of the Multi-Unit Development Agreement are hereby amended to state:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all multi-unit development fees and initial payments by multi-unit developers shall be deferred until the first franchise under the multi-unit development agreement opens.

Item 17 of the FDD and the Franchise Agreement are amended to state: "The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

Representations in the Franchise Agreement 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 FDD and sections of the Franchise Agreement are amended to state that Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

The Franchise Agreement and/or Multi-Unit Development Agreement are amended to state that the franchise agreement and/or multi-unit development agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of 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.

No statement, questionnaire, or acknowledgement signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by Franchisor, any franchise seller, or any other person acting on Franchisor's behalf. This provision supersedes any other term of any document executed in connection with the franchise.

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.).

Exhibit I – Statement of Franchisee is hereby deleted in its entirety.

Section 22 – Acknowledgments of the Franchise Agreement is hereby deleted in its entirety.

Section 23 – Acknowledgments of the Multi-Unit Development Agreement is hereby deleted in its entirety.

The undersigned does hereby acknowledge receipt of this addendum. Dated this _____ day of _____ 20_____.

Franchisor Name

Prospective Franchise

The Operations Manual is entirely online. As such, there is no page number count that we can disclose