

following taxable year before contributions from that taxable year are used. We reserve the right to terminate the Marketing Fund Contributions at any time, in which case all Marketing Fund Contributions remaining will be expended for advertising or promotional purposes or returned to the contributors on the basis of their respective contributions. The Marketing 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 Marketing Fund Contributions collected from franchisees to solicit new franchise sales. We are not a fiduciary of yours with respect to the Marketing 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 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 have our 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, Franchised 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 Franchised 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, 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.C.)

We pay the costs of marketing activities, including a share of corporate overhead related to advertising and marketing, with Marketing 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 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 Marketing 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 Marketing 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.

In the fiscal year ending December 31, 2025, the Marketing Fund was used as follows: 40% on public relations and advertising, 29% on production and website development and 31% on administrative. We do not use Marketing Fees collected from franchise owners to solicit new franchise sales.



Required Advertising Expenditures

For each Franchised Business, upon reaching or exceeding \$1,000,000 in Gross Sales in a given calendar year, you are required to annually spend an amount on marketing (the “**Required Advertising Expenditure**”) based on the previous year’s Gross Sales in the succeeding year, as described in the chart below. The Required Advertising Expenditure includes the required British Swim School centrally managed programs, as well as your own local marketing efforts. At present, we and/or BSS Services manages the Mailer Program and the Digital Advertising Program, each as described below and each of which count toward your Required Advertising Expenditure. Local marketing initiatives are necessary to supplement the centrally managed programs and should be coordinated with the corporate team.

| Prior Year Total Revenue (PYNR) | Required Advertising Expenditure (\$)¹ |
|--|---|
| \$1,000,000 to \$1,249,999 | PYNR x 5% |
| \$1,250,000 to \$1,499,999 | PYNR x 4% |
| \$1,500,000 and above | \$50,000 |

Note 1: Required Advertising Expenditure is for the subsequent calendar year based on the Gross Sales of the previous calendar year.

Mailer Program

We or our affiliate, BSS Services, or another affiliate of ours are the only approved supplier of the Mailer Program in which you must participate. You must purchase all Mailer Program services from us, BSS Services or another of our affiliates. (Franchise Agreement - Section 3.C.)

Digital Advertising Program

We or our affiliate, BSS Services, or our approved 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. (Franchise Agreement - Section 3.D.)

Local Advertising

Local marketing activities are your responsibility and are necessary to complement the centrally managed Mailer Program and Digital Advertising Program. During the first year in which your Franchised 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 31st 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 ~~the Local Advertising Expenditure~~ a minimum of \$15,000 per year for a Standard Territory, or \$10,000 per year for a Targeted Territory, on local marketing within your ~~applicable~~ Territory (“**Local Advertising Expenditure**”) during each calendar year. Upon our request, you must send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures.

You must spend at least \$10,000 in a Standard Territory or at least \$7,500 in a Targeted Territory for pre-marketing and grand opening advertising activities for your Franchised Business. Such



personal or business data that visitors supply). We have the right to maintain websites other than the Franchise System Website.

We will maintain the Franchise System Website, and may use the Marketing Fund's assets to develop, maintain and update the Franchise System Website. We periodically may update and modify the Franchise System Website (including your webpage). We have final approval rights over all information on the Franchise System Website (including your webpage). We may implement and periodically modify System Standards relating to the Franchise System Website.

Even if we provide you a webpage on our Franchise System Website, we will only maintain such webpage while you are in full compliance with the Franchise Agreement and all System Standards we implement (including those relating to the Franchise System Website). If you are in default of any obligation under the Franchise Agreement or our System Standards, then we may temporarily remove your webpage from the Franchise System Website until you fully cure the default. We will permanently remove your webpage from the Franchise System Website upon the Franchise Agreement's expiration or termination.

All advertising, marketing, and promotional materials that you develop for your British Swim School Business must contain notices of the Franchise System Website's domain name in the manner we designate. Only we have the right to sell products sold by British Swim School Businesses on the Internet through the Franchise System Website. You agree that you will not sell any British Swim School products or services to customers on a Website through the Internet or through any alternative channels of distribution, except through sales methods designated by us.

If you wish to advertise online, you must follow our online policy, which is contained in our Operations Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to 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. (Franchise Agreement – Section 9.[E.C.](#))

Computer System

Within 15 days of signing your Franchise Agreement, we will require you, at your expense, to purchase or lease, and thereafter maintain, such 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 equipment as we may specify in the Operations Manual to operate the British Swim School Business (the "Computer System").

We currently require you to obtain 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, faxing and printing, meeting the functionality necessary to operate the Integrated Management System software for your Franchised Business. You may already have 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 Apple, Windows or Chromebook Computer with a Printer
- 1 Wireless Internet Modem
- All required software platforms, as provided by franchisor during onboarding
- QuickBooks Online Financial Management Software



| Provision | Section in Franchise Agreement (“FA”) | Section in Area Development Agreement (“ADA”) | Summary |
|--|---------------------------------------|---|--|
| | | | <p>clients; no employment of a person employed by us, or any other franchisee of British Swim School; no engagement in any other activity injuring the goodwill of the Marks and the System; and no leasing, renting or otherwise permitting a Competitive Business to use or operate from a facility that you own, operate, lease or rent, subject to applicable state law.</p> <p>ADA: You will not have any interest in any other competing business without our prior written consent, subject to applicable state law.</p> |
| (r) Non-competition covenants after the franchise is terminated or expires | Sections 15E and 15F | Section 8 | <p>FA: You may not have any direct or indirect interest in or be employed by a Competitive Business located or operating within the Territory (and including the premises of the British Swim School Business); within a 15 mile radius of the Territory; and within a 15-mile radius of any swimming pool from which a British Swim School Business is operated as of the Franchise Agreement termination/expiration date for 2 years. Additionally, for 2 years you may not solicit or interfere with our or our franchisees relationships with any British Swim School customers, vendors or clients; not employ a person employed by us, or any other franchisee of British Swim School; and not engage in any other activity injuring the goodwill of the Marks and the System. You may not lease, rent, or permit a Competitive Business to use or operate from a pool facility that you own, operate, lease, or rent. Owners may not solicit any customer, employee, or independent contractor of the Franchise or any British Swim School Franchise for 2 years, subject to applicable state law.</p> <p>ADA: No competition for a period of 2 years following a permitted transfer or expiration or termination of the Area Development Agreement within the Development Area or a 15-mile radius of the territories of any other British Swim School franchisees, subject to applicable state law.</p> |



(2) Your organizational documents, operating agreement, or partnership agreement, as applicable, recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement's restrictions;

(3) **Attachment B** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date;

(4) Each of your owners during this Agreement's term will execute an Owners Agreement in the form attached hereto as **Attachment D** undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us revised Attachments B to reflect any permitted changes in the information that **Attachment B** now contains;

(5) You must identify on **Attachment B** one of your owners who is a natural person with at least fifty percent (50%) ownership interest and voting power in you and who will have the authority of a chief executive officer (the "**Designated Manager**"). In the event that your Designated Manager ceases to own at least a fifty percent (50%) ownership interest in you, you must recruit a new Designated Manager within 30 days of the change in ownership and deliver to us a revised **Attachment B** to accurately identify the Designated Manager for our review and approval; and

(6) The Designated Manager is authorized to deal with us on your behalf in respect of all matters whatsoever which may arise in respect of this Agreement, and any decision made by the Designated Manager will be final and binding upon you. We will be entitled to rely solely upon the decision of the Designated Manager in any such dealings without the necessity of any discussions with any other party named in this Agreement, and we will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Designated Manager.

1.C GRANT AND TERM OF FRANCHISE.

Subject to this Agreement's terms, we grant you a franchise to operate a British Swim School Business (the "**Franchised Business**") located within your Territory (defined below) and to use the Franchise System in its operation. The term of this Agreement begins on the Effective Date and expires ten years from that date, unless sooner terminated as provided herein.

You shall at all times faithfully, honestly, and diligently perform your obligations under this Agreement and use your best efforts to promote the Franchised Business. In addition, you may not engage in any promotional or similar activities, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system except as provided in Section ~~9E~~9.C.

1.D TERRITORY.

Provided that you are in full compliance with the terms and conditions of this Agreement and all other agreements with us and our affiliates, we and our affiliates will not operate or grant a franchise for the operation of another British Swim School Business, the physical swim lesson location of which is located within your Territory (as defined below), once such Territory has been determined. A "**Territory**" shall be the specific geographical area you and we agree upon, which area will be identified



IN NO EVENT WILL WE, OR ANY OF OUR AFFILIATES, BE LIABLE UNDER OR IN CONNECTION WITH OUR RIGHT TO SUSPEND SERVICES AS SET FORTH ABOVE, OR THE ACTUAL EXERCISE OF OUR RIGHTS SET FORTH ABOVE, UNDER ANY LEGAL OR EQUITABLE THEORY, INCLUDING BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE, FOR ANY LOST PROFITS, LOSS OF GOODWILL OR REPUTATION, OR CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY, SPECIAL, ENHANCED OR PUNITIVE DAMAGES, IN EACH CASE REGARDLESS OF WHETHER WE, OR OUR AFFILIATES, WERE ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES.

3.E REQUIRED MARKETING.

For each Franchised Business, you are required to purchase and participate in the centrally managed Mailer Program and Digital Advertising Program each year. In addition, you must spend a minimum of \$15,000 per year for a Standard Territory, or \$10,000 per year for a Targeted Territory, on local marketing within your Territory (“Local Advertising Expenditure”) during each calendar year. You must spend at least \$10,000 in a Standard Territory or at least \$7,500 in a Targeted Territory for pre-marketing and grand opening advertising activities for your Franchised Business. Such expenditures may begin after you sign the Franchise Agreement and must be incurred during the period beginning no later than the date we designate for the commencement of pre-opening marketing and up to 90 days after you begin teaching swim lessons. The amount you spend on pre-marketing and grand opening advertising will count towards your required Local Advertising Expenditure in your first year. We will provide you with pre-opening and grand opening marketing guidelines, which include required marketing activities. You must follow these requirements. You may implement additional pre-marketing or grand opening advertising activities only with our prior written approval.

Upon reaching or exceeding \$1,000,000 in Gross Sales in a given calendar year, you must spend annually an amount on marketing (the “Required Advertising Expenditure”) in the succeeding year, as described in the chart below. The Required Advertising Expenditure includes the required British Swim School centrally managed Mailer Program and Digital Advertising Program, as well as your own Local Advertising Expenditure.

| Prior Year Total Revenue (PYNR) | Required Advertising Expenditure (\$) |
|---------------------------------|---------------------------------------|
| \$1,000,000 to \$1,249,999 | PYNR x 5% |
| \$1,250,000 to \$1,499,999 | PYNR x 4% |
| \$1,500,000 and above | \$50,000 |

Note 1: Required Advertising Expenditure is for the subsequent calendar year based on the Gross Sales of the previous calendar year.

The marketing requirements set forth in Sections 3.C, 3.D and 3.E are minimum requirements and we do not represent or warrant that these requirements will be sufficient for your Territory or business plan. The specifics of your Territory and business plan may require you to make additional marketing investments. You assume all responsibility for the adequacy of your marketing expenditures.



3.F MARKETING FUND FEES.

You agree to pay us the Marketing Fund Fees (as defined in Section ~~9B~~[9.B](#)), which are due and payable in the same manner as the Royalty.

3.G TECHNOLOGY FEE.

You agree to pay us or our affiliate a monthly technology fee (“**Technology Fee**”), as determined by us from time to time, and beginning within one month after you sign this Franchise Agreement. The amount of the Technology Fee may vary based on the number of students in the database at the Franchised Business. The Technology Fee is due and payable in the same manner as the Royalty.

3.H CHATBOT FEE.

To assist with brand awareness, customer acquisition and a positive customer experience, you are required to incorporate a chatbot into the website that we provide to you. You agree to pay us, our affiliate or our approved supplier a monthly chatbot fee (“**Chatbox Fee**”) beginning at the start of the second full calendar month after signing this Agreement. The current Chatbot Fee of \$500 per month is subject to change to reflect changes imposed by us or our approved suppliers.

3.I MYSTERY SHOPPER FEE.

We may use third-party mystery shoppers, who will pose as normal customers, evaluate the services received at your British Swim School Business and perform specific tasks, including attending lessons, asking questions or seeking customer service. We do not currently charge franchise owners for this service but may do so in the future.

3.J POOL PROGRAM FEES.

If you select a Licensed Pool, you agree to pay us or our affiliate all fees for use of the Licensed Pool (the “**Pool Program Fees**”). We will remit amounts owed to the applicable Pool Owner as a result of your use of the Licensed Pool. The Pool Program Fees may include an amount to cover our costs and risk associated with the management and administration of the Pool Program. The Pool Program Fees are subject to change, with notice, to reflect changes in cost imposed by Pool Owners and our costs and risk associated with the administration and management of the Pool Program.

3.K FINANCIAL MANAGEMENT TRAINING FEE.

As part of our Initial Training Program (as defined below), each of your owners and your Designated Manager must complete an online financial management training course from our approved supplier. You agree to pay to us a fee of \$200 per person for the course.

3.L APPLICATION OF PAYMENTS.

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

3.M METHOD OF PAYMENT.

You hereby authorize us to debit the business checking account you designate automatically for the Royalty, Technology Fee, Marketing Fund Fee, Mailer Program Fee, Digital Advertising Program Fees, Pool Program Fees and other amounts due under this Agreement (the “**EFT Authorization**”).



examples, that you alone are responsible for establishing and implementing your own policies, and that you understand that you should do so in consultation with local legal counsel well-versed in employment law.

5. MARKS.

5.A OWNERSHIP AND GOODWILL OF MARKS.

We are granting you a limited license to use the Marks in connection with the franchising of British Swim School Businesses. Your right to use the Marks is derived only from this Agreement and limited to your operating the Franchised Business according to this Agreement and all System Standards we prescribe during its term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. You acknowledge and agree that any unauthorized use of the Marks will cause us irreparable harm for which there is no adequate remedy at law and will entitle us to injunctive relief. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Franchised Business under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity, or our ownership, of the Marks.

5.B LIMITATIONS ON YOUR USE OF MARKS.

You agree to use the Marks to identify the Franchised Business and to identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You have no right to sublicense or assign your right to use the Marks. You may not use any Mark (1) as part of any corporate or legal business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); (3) in selling any unauthorized services or products; (4) as part of any domain name, homepage, electronic address, or otherwise in connection with a Website; (5) in any user name, screen name or profile in connection with any social networking sites, such as, but not limited to, LinkedIn, Instagram, Twitter, Facebook, or YouTube, except in accordance with our guidelines set forth in the Operations Manual or otherwise in writing from time to time; and (6) in any other manner that we have not expressly authorized in writing. Except in conjunction with the Franchise System Website (as defined in Section [9E9.C](#)) or with our prior written consent, you may not use any Mark as part of any domain name, homepage, electronic address, or otherwise in connection with a Website and then only on the terms we specify.

You may not use any Mark in advertising the transfer, sale, or other disposition of the Franchised Business or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the Franchised Business and on forms, advertising, supplies, employee uniforms and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify. You agree to comply with our instructions on selecting, filing and maintaining fictitious or assumed name registrations. You may not use any fictitious or assumed name without our prior approval.

5.C NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent



agreement before we approve the commercial office location, you risk the possibility that we will disapprove it for use as the office for your Franchised Business. The factors that we consider in approving your commercial office location include visibility and consistency of appearance to achieve the image necessary to maintain the integrity of the System. We intend to approve or disapprove commercial office location selections within fifteen (15) days of submission to us. If we do not approve your commercial office location, you cannot operate your office from that location.

You are required to bring the Approved Location into compliance with System standards. We do not make any representation or warranty of any kind, express or implied, as to the suitability of the site you select. Your decision to operate the office for your Franchised Business at the site is based solely on your own independent investigation of the suitability of the site for the Franchised Business. You release us, and our affiliates, officers, directors, managers, employees and agents from any and all losses, damages and liabilities arising from or in connection with your selection of the site for the office for your Franchised Business. If you operate the office for your Franchised Business from an Approved Location, it must be solely for the operation of the Franchised Business. You are prohibited from using or permitting the use of the premises for any other purpose or activity unless otherwise approved by us. If we specify in the Operations Manual or otherwise, you must maintain minimum hours and staff at the Approved Location. You must also maintain the Approved Location in accordance with our System Standards, which may include signage, exterior and interior design, décor, colors, furnishings and fixtures as we direct.

9. MARKETING.

9.A ADVERTISING.

You are required to participate in our centrally managed Mailer Program and Digital Advertising Program each year, as well as conduct local marketing activities and pre-opening advertising; provided, however, that after the first year of operation of your Franchised Business, you may elect to discontinue participating in the Mailer Program in which case you will be required to spend an equivalent amount in our Digital Advertising Program as described in Sections 3.D and 3.E in addition to the Digital Advertising Program Fees otherwise required. The exception to this is the option to move funds from the Mailer Program into the Digital Advertising Program after your first year of business. The marketing requirements set forth in Sections 3.C, 3.D and 3.E are minimum requirements and we do not represent or warrant that these requirements will be sufficient for your Territory or business plan. The specifics of your Territory and business plan may require you to make additional marketing investments. You assume all responsibility for the adequacy of your marketing expenditures. In addition to these requirements, you may choose to use other advertising and promotional methods we have approved. Any advertising and promotion conducted by you with respect to the Franchised Business must follow our guidelines. All advertising and promotional materials that you develop for the Franchised Business must contain notices of the domain of our Franchise System Website (as defined in Section ~~9E~~[9.C](#) below) in the manner we designate. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. All advertising, promotion and marketing must conform to our System Standards. At least ten days before you intend to use them, you agree to send us for approval samples of all advertising, promotional and marketing materials that we have previously not approved. If we do not approve of the materials within five 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.

**ADDENDUM TO THE FRANCHISE AGREEMENT
BRITISH SWIM SCHOOL FRANCHISING, LLC**

FOR THE STATE OF MINNESOTA

This Addendum to the Franchise Agreement is entered into this ___ day of _____, 20___, between **BRITISH SWIM SCHOOL FRANCHISING, LLC** (“we”, “us” or “Franchisor”) and _____ (“you” or “Franchisee”) to amend and revise said Franchise Agreement as follows:

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Franchise Agreement agree as follows:

- ~~a. Section 3A of the Franchise Agreement shall be amended to add:
Notwithstanding the foregoing, the Minnesota Department of Commerce requires us to defer payment of the Initial Franchise Fee until we have completed pre-opening obligations contained in this Agreement and the Franchised Business is open for business.~~
- a. ~~b.~~ Section 5E shall be amended to add that as required by Minnesota Franchise Act, Franchisor will reimburse you for any costs incurred by you in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
- b. ~~e.~~ Sections 12C and 13C do not provide for a prospective general release of claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- c. ~~d.~~ Section 14 shall be amended to add that with respect to franchises governed by Minnesota law, the Franchisor will comply with the Minnesota Franchise Law which requires, except in certain specified cases, that a Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Agreement.
- d. ~~e.~~ Section 17F shall be amended to add that Franchisor shall not in any way abrogate or reduce Franchisee’s rights as provided for under the Minnesota Franchise Law including the right to submit matters to the jurisdiction of the courts of Minnesota.
- e. ~~f.~~ Section 17J shall be amended to state that any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for the claim is commenced within three (3) years from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.



f. ~~g.~~ Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. 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 of fraud under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

4. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

5. THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

6. Unless expressly amended by this Addendum, all other terms of the Franchise Agreement remain unchanged.



**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
BRITISH SWIM SCHOOL FRANCHISING, LLC**

FOR THE STATE OF MINNESOTA

This Addendum to the Area Development Agreement is entered into this ___ day of _____, 20___, between **BRITISH SWIM SCHOOL FRANCHISING, LLC** (“we”, “us” or “Franchisor”) and _____ (“you” or “Area Developer”) to amend and revise said Area Development Agreement as follows:

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Area Development Agreement agree as follows:

- a. ~~Section 2.1 of the Area Development Agreement shall be amended to add: Notwithstanding the foregoing, the Minnesota Department of Commerce requires us to defer payment of the Cumulative Fee until we have completed pre-opening obligations as set forth in the applicable Franchise Agreement for a Franchised Business and the Franchised Business is open for business. The Cumulative Fee must be paid proportionally with respect to each Franchised Business.~~
- ba. Sections 4 and 6 shall be amended to add that with respect to franchises governed by Minnesota law, the Franchisor will comply with the Minnesota Franchise Law which requires, except in certain specified cases, that an Area Developer be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Agreement.
- eb. Section 14 does not provide for a prospective general release of claims against Franchisor which may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400(D) prohibits an area developer from requiring a franchisee to assent to a general release.
- dc. Section 16.1 shall be amended to add that Franchisor shall not in any way abrogate or reduce Area Developer’s rights as provided for under the Minnesota Franchise Law including the right to submit matters to the jurisdiction of the courts of Minnesota.
- ed. In addition, Section 16.1 shall be amended to state that any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for the claim is commenced within three (3) years from the date on which Area Developer or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.
- fe. Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of Area Developer’s rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Area



**ADDENDUM TO THE
BRITISH SWIM SCHOOL FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF MINNESOTA:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

~~ITEM 5 of the disclosure document has been amended to add:~~

~~The Minnesota Department of Commerce has required the Franchisor to assure its financial capability. Accordingly, we defer the payment of the Initial Franchise Fee until we have satisfied our pre-opening obligations and the Franchised Business opens for business. Upon the occurrence of these conditions, you must pay to us the Initial Franchise Fee.~~

ITEM 6 of the disclosure document entitled "Late Payment" is amended to state \$30 per occurrence, which is the highest rate allowed under Minnesota law.

ITEM 13 of the disclosure document is amended as follows:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12, Subd.1(g), Franchisor will reimburse the Franchisee for any costs incurred by the Franchisee in the defense of the Franchisee's right to use the Marks, so long as the Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

