

FRANCHISE DISCLOSURE DOCUMENT



British Swim Centers Franchising, LLC
a Florida limited liability company

2084 North University Drive
Sunrise, Florida 33322
(954) 747-7251

www.britishswimschool.com
franchising@britishswimschool.com

We offer a franchise to own and operate a swimming and water-survival instruction program that focuses on survival skills, stroke development, breathing techniques and skill coordination by offering private and group lessons for individuals of all ages and other related services and products under the British Swim School name and marks.

The total investment necessary to begin operation of a British Swim School franchise ranges from \$46,900 to \$71,250. This includes \$30,000 to \$31,500 that must be paid to us or our affiliates.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payments to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 Rita Goldberg at British Swim Centers Franchising, LLC, 2084 North University Drive, Sunrise, Florida 33322 and (954) 747-7251.

The terms of your contract will govern your franchise relationship. Don't rely on this 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. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 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 also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: April 25, 2014

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR LITIGATION IN A JURISDICTION IN THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, SUNRISE, FLORIDA). OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, SUNRISE, FLORIDA) THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT FLORIDA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. IF YOU ARE A BUSINESS ENTITY, YOUR OWNERS WILL HAVE TO GUARANTEE YOUR OBLIGATIONS AND BE BOUND BY THE PROVISIONS OF OUR FRANCHISE AGREEMENT. THE SPOUSE OF EACH OWNER MAY ALSO BE REQUIRED TO CONSENT TO THE GUARANTY, WHICH PLACES THE SPOUSE'S MARITAL ASSETS AT RISK.

4. WE ARE A NEWLY FORMED COMPANY WITH LIMITED OPERATING HISTORY TO ASSIST YOU IN MAKING THIS INVESTMENT.

5. WE HAVE LIMITED FINANCIAL RESOURCES WHICH MIGHT NOT BE ADEQUATE TO FUND OUR PRE-OPENING OBLIGATIONS AND PAY OUR OPERATING EXPENSES.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date: See the next page for state effective dates.

BRITISH SWIM CENTERS FRANCHISING, LLC

STATE EFFECTIVE DATES

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

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

| | |
|------------|----------------|
| Illinois | April 28, 2014 |
| Indiana | April 28, 2014 |
| Maryland | May 15, 2014 |
| Michigan | April 28, 2014 |
| New York | May 27, 2014 |
| Virginia | June 10, 2014 |
| Washington | _____ |
| Wisconsin | April 25, 2014 |

In all other states that do not require registration, the effective date of this disclosure document is the issuance date of April 25, 2014.

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE
MICHIGAN FRANCHISE INVESTMENT LAW**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Michigan Attorney General's Office
Consumer Protection Division
Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

Note: Despite paragraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

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EXHIBITS

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document (this “Disclosure Document”), “Franchisor,” “we,” “us,” or “our” means British Swim Centers Franchising, LLC, the franchisor. “You” means the person or entity who buys the franchise from us. If you are a corporation, partnership, limited liability company, or other business entity, your owners will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement (defined below) and other agreements as described in this Disclosure Document.

We organized in Florida on March 3, 2011 as a limited liability company. Our principal business address is 2084 North University Drive, Sunrise, Florida 33322. Our principal telephone number is (954) 747-7251. If we have an agent for service of process in your state, we disclose that agent in Exhibit A. We do business under our corporate name, British Swim School and British Swim School USA.

Our Parents, Predecessors and Affiliates

Our affiliate, British Swim Centers, LLC (“BSC LLC”), organized in Florida on January 19, 2010. It shares our principal business address. BSC LLC will sell to franchisees certain products, supplies and inventory. It will also provide trademark license rights in certain trademarks to us, enabling us to license trademark rights in those trademarks to franchisees. BSC LLC does not offer franchises in any line of business.

Except as described above, none of our affiliates currently offer franchises in any line of business or provide products or services to our franchisees, though our affiliates may do so in the future.

We have no other affiliates or predecessors required to be included in this Item. We do not have a parent company.

The Franchise

We offer and grant franchises to establish, operate and promote a swimming and water-survival instruction program that focuses on survival skills, stroke development, breathing techniques and skill coordination by offering private and group lessons for individuals of all ages and other services and products we may authorize (a “British Swim School Business”). The swim lessons provided by British Swim School Businesses vary from activities introducing babies to the water to future team and advanced skill refinement at higher class levels. While British Swim School Businesses provide swim lessons to individuals of all ages, lessons are primarily focused on children ages 12 and under. British Swim School Businesses operate under the name “British Swim School” and other trademarks, service marks, logos, and commercial symbols we periodically authorize (the “Marks”). British Swim School Businesses have distinctive and proprietary business formats, methods, procedures, designs, layouts, standards, and specifications (together, the “System”), all of which we may improve, further develop, or

otherwise modify over time. We call the British Swim School Business that you will operate “your British Swim School Business.”

Your British Swim School Business will provide private and group swim lessons from swimming pools that have been approved by us (each, a “Pool”). We anticipate that your British Swim School Business will pay a third party, such as a hotel or fitness center, to utilize a Pool during designated time periods to provide swim lessons. Customers of your British Swim School Business will purchase subscriptions to attend swim lessons under the terms and conditions that we designate (each, a “Swim School Subscription”).

You will sign the form of Franchise Agreement, attached as Exhibit B to this Disclosure Document, for a franchise to operate a British Swim School Business (the “Franchise Agreement”). Under the Franchise Agreement, you will receive the right to use the Marks and the System to operate your British Swim School Business and provide swim lessons within a specified geographic area (your “Territory”). As a British Swim School franchisee, you must meet the minimum performance goals determined by you and us that will be described in Exhibit B of Franchise Agreement (the “Performance Goals”).

Our affiliates have operated British Swim School Businesses in the United States since 1991. We began offering franchises for British Swim School Businesses on May 6, 2011. We do not currently own or operate any British Swim School Businesses or have any other business activities.

Market Competition and Regulations

A British Swim School Business will offer swim lessons and other services and products authorized by us to the general public. We believe that British Swim School Businesses are unique and can be distinguished from other businesses offering swimming and other water-survival instruction programs. You will, however, compete with all other businesses that offer swim lessons.

Other than the federal, state and local laws and regulations that apply generally to businesses, we are not aware of any laws or regulations specific to the industry in which British Swim School Businesses operate. You must obtain all required licenses, permits, and certificates necessary to operate your British Swim School Business. You should investigate all of these laws.

Item 2

BUSINESS EXPERIENCE

Owner and Manager: Henrietta (Rita) C. Goldberg

Henrietta (Rita) C. Goldberg has served as our Owner and Manager since our inception in March 2011. She has also served as the Owner and Manager of International Swim Schools, Inc. and its predecessors since November 1991; British Swim Clubs, L.L.C. since March 2007; British Swim Chicago, LLC since May 2009; and BSC LLC since January 2010, all in Sunrise,

Florida. Ms. Goldberg has been a Director of British Swim Company, Inc. in Sunrise, Florida since November 1999 and has served as President since August 2009.

Aquatics Director: Cassandra L. Prochilo

Cassandra L. Prochilo has served as our Aquatics Director since January 2013. From July 2012 to January 2013, she was employed by Deisell Consultants Inc., located in Miami, Florida, as a health care project coordinator. From March 2011 to July 2012, she served as our Aquatics Manager in Sunrise, Florida. From April 2006 to March 2011, she served as Aquatics Manager for British Swim Company, Inc. in Sunrise, Florida.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5

INITIAL FEES

The initial franchise fee for a British Swim School Business is \$29,500 for a Territory with population ranging from 15,000 to 20,000 children under the age of 12. You must pay us the initial franchise fee in a lump sum when you sign the Franchise Agreement. The initial franchise fee is not refundable in whole or in part under any circumstances. If your Territory has a population over 20,000 children under age 12, we may charge an additional \$2 for each child within your Territory in excess of 20,000. This additional fee will be payable within 15 days after the Territory is determined.

You must purchase certain opening supplies and inventory items that contain our Marks from us or our affiliates. We estimate that your costs for these items will range from \$500 to \$2,000. Your purchase costs are payable as incurred and are not refundable under any circumstances.

If you were referred to us by an existing franchisee and purchase a franchise from us, we will pay such franchisee a referral fee of \$2,500. This does not apply if an existing franchisee sells you its existing Territory.

Item 6

OTHER FEES

| Name of Fee ^{1,2} | Amount | Due Date | Remarks |
|---|---|--|---|
| Royalty ³ | 10% of Gross Sales ⁴ | Within 5 days after the end of the calendar month | You must pay us a Royalty via electronic funds transfer (“EFT”), or such other manner we may prescribe. |
| Marketing Fund Contributions ³ | 2% of Gross Sales ⁴ | Within 5 days after the end of the calendar month | You must contribute the amount we require via EFT, or such other manner we may prescribe. |
| Local Advertising Cooperative contribution ³ | An amount determined by the members of the Local Advertising Cooperative ⁵ | Within 5 days after the end of the calendar month (or as we designate) | You will pay this contribution to us and we will remit it to the Local Advertising Cooperative. Any Local Advertising Cooperative contributions will be credited to your Local Advertising Expenditure. ⁶ |
| Technology Fee | Then current charge, currently \$65 to \$250 per month | Within 5 days after the end of the calendar month (or as we designate) | This fee currently covers the cost of the scheduling and billing software, Franchisee reference services, email and cloud storage facilities (currently, Jackrabbit) maintenance fee. We reserve the right to adjust this fee to include fees for (a) any proprietary software or technology that we or our affiliates license or provide to you or (b) our maintenance of your webpage on the Franchise System Website. The technology fee currently ranges from \$45 to \$195 per month, depending on the number of students, for up to 3,000 students. For more than 3,000 students, the fee would need to be negotiated. |
| Training Fee At Our Location | Then current charge, currently \$500 per person per day, plus expenses ⁷ | As incurred | We may charge you a Training Fee if: (1) additional employees other than you (or your Operating Partner) and a swim instructor attend the initial training program; (2) you appoint a new Operating Partner after your existing Operating Partner has completed the initial training program; (3) we determine that you (or your Operating Partner) or any your employees have not completed the initial training program to our satisfaction; (4) we require you to attend additional training programs to meet our then current standards when you acquire a successor franchise, or (5) you request additional assistance. |

| Name of Fee^{1,2} | Amount | Due Date | Remarks |
|----------------------------------|---|---|---|
| Swim Instructor Training Fee | Then current charge, currently \$300 per person per day, plus expenses ⁷ | As incurred | At your request, we may train your swim instructors from our principal business location (currently, Sunrise, Florida) for a fee. |
| Training Fee at Your Pool(s) | Then current charge, currently \$500 per person per day, plus our representative's travel and living expenses | As incurred | We may, but are not obligated to, provide you or your swim instructors training at any of your Pools for reasons described in the previous two rows of this chart. |
| Transfer | 50% of our then-current initial franchise fee | Before transfer completed | We will have a right of first refusal to purchase your British Swim Center should you decide to sell. If the transferee is an immediate family member of you or your Operating Partner in the event of your or the Operating Partner's death or disability, then no transfer fee shall be required. |
| Audit | Amount of understated amounts due plus interest. If you fail to furnish required information or understate Gross Sales ⁴ by more than 2%, amount of audit fees and related expenses. | Within 15 days after receiving the examination report | |
| Interest | Lesser of 1.5% per month or highest commercial contract interest rate allowed by law | As incurred | Due on all overdue amounts and accruing as of the original due date. |
| Product Purchases | Our then current product prices | As incurred | You must purchase certain merchandise and supplies from us. |
| Insufficient Funds | \$100 | As incurred | Due each time we attempt to debit your business account and we receive a notice of insufficient funds. |

| Name of Fee^{1,2} | Amount | Due Date | Remarks |
|---|--|-----------------|--|
| Marketing Materials | Cost of production, shipping, handling and storage of materials | As incurred | The Marketing Fund will sell you multiple copies of advertising, marketing and promotional formats and materials that it develops. |
| Insurance | You must reimburse our costs, plus a reasonable fee for our time incurred | When billed | If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us. |
| Indemnification | Will vary under circumstances | As incurred | You must reimburse us and our affiliates if any of us are held liable for claims related to your British Swim School Business's operations or the Franchise Agreement. |
| Costs and Attorney's Fees | Will vary under circumstances | As incurred | If we prevail in an action or proceeding, you must pay us our costs. |
| Testing of new product/supplier | An application fee (currently \$250), plus the actual cost of our tests or inspections | As incurred | We reserve the right to charge you an application fee and an amount up to the actual cost of product/supplier inspections and tests. |
| Mystery Shopper Fee | Will vary under circumstances, but we estimate the cost of such inspections will not exceed \$200 per inspection | As incurred | You must reimburse us for our costs and expenses associated with the inspections of third-party mystery shoppers who will pose as normal customers and perform specific tasks (such as attend lessons, ask questions, or seek customer service) and evaluate the services received at your British Swim School Business. |
| Reimbursement for Unused Subscription Refunds | Amount of customer refund, plus 5% interest (or highest commercial contract interest rate allowed by law) | As incurred | In the event you do not refund your customers for unused Swim School Subscriptions within 10 days after termination or expiration of the Franchise Agreement, we may pay such customers a refund on your behalf and you must reimburse us the refund amount plus interest. |
| Taxes | Varies | As incurred | You must reimburse us for any taxes that we must pay to any state taxing authority on account of either the operation of your British Swim School Business or payments that you make to us. |

| Name of Fee ^{1,2} | Amount | Due Date | Remarks |
|----------------------------|--|------------------|---|
| Termination Fee | The balance of your Royalties, Marketing Fund Contribution, Local Advertising Cooperative contribution from the date of termination until the scheduled expiration date of the Franchise Agreement | Upon termination | You must pay this fee if the Franchise Agreement is terminated by us or by you without cause. The amounts due shall be based on the average monthly Royalty, Marketing Fund Contribution, and Local Advertising Cooperative contribution during the preceding 12 calendar months times the number of months remaining in the term of the Franchise Agreement. If your British Swim School Business has not been in operation 12 months, the Royalties and the contributions shall be based on your monthly average during the months you were in operation, multiplied by the number of months remaining in the term of the Franchise Agreement. |
| Damages | Will vary under circumstances | As incurred | If the Franchise Agreement is terminated by you (other than for cause) or because of your (or your owner's) default, you will pay us the then net present value of your Royalties, Marketing Fund contributions and Local Advertising Cooperative contributions that would have become due from the date of termination until the scheduled expiration date of the Franchise Agreement, such Royalties, Marketing Fund contributions and Local Advertising Cooperative contributions to be based on the average monthly Royalties, Marketing Fund contributions and Local Advertising Cooperative contributions during the preceding twelve (12) calendar months times the number of months remaining in the term of the Franchise Agreement. If, as of the termination date, you have been operating your British Swim School Business for less than twelve (12) months, then such Royalties, Marketing Fund contributions and Local Advertising Cooperative contributions shall be based on the average monthly Royalties, Marketing Fund contributions and Local Advertising Cooperative contributions of all British Swim School Businesses during the twelve (12) months preceding the termination date. |

Explanatory Notes

1. Except as described in this Item 6, all fees are imposed and collected by, and payable to, us. These fees are not refundable under any circumstances and are uniform to all franchisees.
2. You must participate in an electronic funds transfer system (the “EFT Authorization”) for the collection of the Royalty, the Marketing Fund Contribution, the Local Advertising Cooperative contribution and other amounts due under the Franchise Agreement. We will debit the business account you designate in the EFT Authorization for all amounts you owe us on their due dates or the subsequent business day if the due date is a national holiday or a weekend day. You must ensure that funds are available in your designated account to cover our withdrawals. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date. We may require payment other than by automatic debit, and you must comply with our payment instructions.
3. If we cease to have access to your Gross Sales (defined below) via the Computer System and you fail to report your Gross Sales when due, we may debit your business account 110% of the average of the last 3 Royalty payments, Marketing Fund Contributions and (if applicable) Local Advertising Cooperative contributions we debited. If the amount we debit is more than the amount you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account on the next payment due date.
4. “Gross Sales” means all revenue that you receive from operating your British Swim School Business, including all amounts or other consideration that you receive, directly or indirectly, at or away from the Pool, and in the form of cash, check, credit and debit card, barter exchange, trade credit or other credit transactions. For example, Gross Sales includes the following: (1) all monies you receive from customers, including monies received from Swim School Subscriptions or the sale of products and services; (2) the amount of gift card redemptions; (3) the proceeds of any business loss or interruption insurance or similar insurance; and (4) any other revenue you derive. Gross Sales does not include any federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority or any customer refunds.
5. Each British Swim School Business contributing to a particular Local Advertising Cooperative (including those owned by us or our affiliates) will have 1 vote on matters involving the activities of the Local Advertising Cooperative.
6. Each month after you begin operating your British Swim School Business, you must spend the greater of (a) \$500 and (b) 2% of your Gross Sales per month to advertise and promote your British Swim School Business (the “Local Advertising Expenditure”).
7. You must pay all travel and living expenses (including wages, transportation, food, lodging and workers’ compensation) that you (or your Operating Partner) or any of your employees or swim instructors incur during all training courses and programs.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

| Type of expenditure | Amount | Method of payment¹ | When due | To whom payment is to be made |
|--|--------------------|--------------------------------------|---|--------------------------------------|
| Initial Franchise Fee ² | \$29,500 | Lump Sum | Upon Signing the Franchise Agreement | Us |
| Pool Security Deposit ³ | \$0 to \$1,000 | As Arranged | As Arranged | Pool Owner / Operator |
| Pool Usage Fee - 3 Months ³ | \$1,500 to \$3,000 | As Arranged | Typically Monthly | Pool Owner / Operator |
| Pool Equipment ⁴ | \$250 to \$750 | As Arranged | Before You Begin Providing Swim Lessons at the Pool | Third-Party Suppliers |
| Signage ⁵ | \$500 to \$1,000 | As Arranged | Before You Conduct Grand Opening Advertising | Third-Party Suppliers |
| Pre-Marketing and Grand Opening Advertising ⁶ | \$5,000 | As Arranged | As Incurred | Third Parties |
| Opening Inventory and Supplies ⁷ | \$500 to \$2,000 | As Arranged | As Incurred | Us |
| Training: Travel and Living Expenses ⁸ | \$2,000 to \$4,000 | As Arranged | As Incurred | Third-Party Suppliers |
| Accountant and Legal Fees ⁹ | \$150 to \$1,500 | As Arranged | As Incurred | Third-Party Professionals |
| Insurance Premium ¹⁰ | \$2,000 to \$5,000 | As Arranged | As Incurred | Insurance Companies |
| Computer System | \$500 to \$1,500 | As Arranged | As Incurred | Third-Party Suppliers |
| Office Security Deposit ¹¹ | \$0 to \$500 | As Arranged | As Incurred | Third-Party Landlord |

| Type of expenditure | Amount | Method of payment¹ | When due | To whom payment is to be made |
|--|----------------------|--------------------------------------|-------------------|--------------------------------------|
| Office Rent – 3 Months ¹¹ | \$0 to \$1,000 | As Arranged | Typically Monthly | Third-Party Landlord |
| Office Furniture, Fixtures and Equipment ¹¹ | \$0 to \$500 | As Arranged | As Incurred | Third-Party Suppliers |
| Additional Funds - 3 Months ¹² | \$5,000 to \$15,000 | Varies | As Incurred | Employees and Third-Party Suppliers |
| TOTAL ESTIMATED INITIAL INVESTMENT¹³ | \$46,900 to \$71,250 | | | |

Explanatory Notes

1. Except as otherwise provided, none of the amounts payable to us are refundable under any circumstances.
2. You will pay an additional \$2 for each child under age 12 within your Territory in excess of 20,000.
3. You will negotiate the Pool usage fees and security deposit when you enter into 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.
4. This includes the toys, supplies and equipment approved by us that are used as teaching aids during the swim lessons.
5. This includes signage to be displayed at the Pool.
6. The Franchise Agreement requires you to spend at least \$5,000 for a grand opening marketing program for your British Swim School Business. We must approve your grand opening marketing program strategy before you implement your grand opening marketing program.
7. This includes the uniforms and the products available for sale to customers that must be purchased from us.
8. This includes transportation, food, lodging, and other expenses that you (or your Operating Partner) and your swim instructor incur in attending the initial training program. These expenses may vary based on the distance you must travel and the standard of living the attendees desire while attending the initial training program. We provide the initial training program for no additional fee to you (or your Operating Partner) and a swim instructor. You

may invite additional employees to attend the initial training program, if space allows, but we reserve the right to charge you \$500 per day for each individual attending the initial training program. In the event that you (or your Operating Partner) fail to complete the initial training program to our satisfaction, we reserve the right to require such individual to attend additional training and we will charge you a training fee (currently \$500 per day) for such additional training.

9. This includes fees for legal (e.g. franchise documentation review) and start-up costs associated with the franchisee's new corporate entity.

10. You must obtain and maintain certain types and amounts of insurance. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, revenue, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. This estimate contemplates that your British Swim School Business will pay an annual installment before you begin teaching swim lessons.

11. The low end of this range contemplates that you will utilize an existing home office and office equipment you own and thus no additional lease or security deposits costs will be incurred. The high end of this range contemplates that you will lease a furnished workstation at an office facility.

12. This item estimates your initial start-up expenses (other than the items identified separately in the table) for your British Swim School Business's first 3 months of operations, including miscellaneous supplies and equipment, payroll costs for your teachers (but not any draw or salary for you or your Operating Partner) and other miscellaneous costs. This figure is an estimate, and we cannot guarantee that you will not have additional expenses starting your British Swim School Business.

13. This amount reflects our current estimate of your initial investment for a British Swim School Business. The amounts shown are our best estimate of the amount you will spend for the purposes indicated. However, your actual cost might be higher or lower depending on your particular circumstances. Your costs depend on how closely you follow our methods and procedures; your management and sales skills and experience and business acumen; local economic conditions; the local market for advertising; the prevailing wage rate; and the employment levels reached during the initial period.

We relied on the experience of our affiliates and owners in operating British Swim School Businesses or similar businesses for over 33 years and in operating British Swim School Businesses from pools owned by third parties over the last 6 years to compile the estimates in the table above. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications

You must comply with the standards, specifications, operating procedures, and rules (the “System Standards”) that we periodically prescribe for operating a British Swim School Business in the Franchise Agreement and in our operations manual, which may include access to an Internet site containing information, as well as audiotapes, videotapes, compact discs, computer software, newsletters, bulletins and other written or electronic materials (the “Operations Manual”). We may modify the Operations Manual periodically to reflect changes in System Standards. System Standards may regulate, among other things, scheduling and managing swim lessons; customer service standards and policies; qualifications and tests for swim instructors and other employees, including criminal background checks (although you will have sole responsibility and authority concerning employee selection and promotion); staffing levels, training, dress, and appearance of your employees; amounts and types of swim lessons to be offered, including lesson class sizes; days and hours of operation; supplies, equipment and inventory management; use and display of the Marks at your British Swim School Business and on Operating Assets (defined below) and other materials; terms and conditions of Swim School Subscriptions; sales, marketing, advertising, and promotional strategies and programs and materials/media used in these programs; recommended liability waiver forms for customers; use and acceptance of gift cards, loyalty programs, coupons, passes, certificates and discounts; policies regarding credit and debit cards, other payment systems, and check verification services; participation in market research and testing and product and service development programs as well as participation in, and dues assessed for, advisory councils; and administrative, accounting, reporting and record retention.

You must purchase all required products, signs, inventory and equipment (collectively, the “Operating Assets”) and components of the Computer System, that meet our specifications and standards for quality, design, appearance, function, and performance. You must purchase products and services required for your British Swim School Business only according to our standards and specifications. These standards include the requirement that you obtain certain products and services from designated suppliers, approved suppliers and/or according to our specifications. You also must discontinue selling any products or services that we at any time decide to disapprove in writing.

You must participate in gift card, coupon, pass, certificate and customer loyalty programs as required by us.

Designated and Approved Suppliers

You must purchase or lease approved brands, types, or models of products, services, supplies, Operating Assets, or other items only from suppliers we designate or approve. If we designate such products and services are to be purchased through approved and/or designated third party suppliers, then you shall purchase such products and services from such suppliers in compliance with the terms and in the manner approved by us or our affiliates. Our affiliates or we may be a designated or approved supplier or distributor, or otherwise be a party to these

transactions. We may concentrate purchases with one or more manufacturers, distributors, or suppliers to obtain lower prices and/or the best advertising support and/or services for any group of British Swim School Businesses franchised or operated by us or our affiliates.

Approval of a product or supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency and speed of delivery, past experience with our affiliates, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria and may be temporary pending our continued evaluation of the supplier from time to time. All suppliers must meet the standards and specifications established by us. We will not issue to you or any of our approved suppliers (except as we deem necessary for purposes of production) our standards and specifications.

If you would like to purchase or use any products, services, Operating Assets, or materials that we have not approved or from any unapproved supplier, you must submit to us a written request for approval of the proposed product and/or supplier prior to purchasing any such item. We reserve the right to charge you an application fee and require you to reimburse us for our expenses (which will not exceed the reasonable cost of the research and inspection and the actual cost of the test) to make the evaluation. We have the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to a third party we designate for testing. We shall notify you in writing of the approval or rejection of the proposed supplier within a reasonable time after completion of the investigation of the proposed supplier. If we fail to respond within 60 days, your request will be deemed denied. We may elect to withhold approval of the supplier. We are likely to reject your request for a new supplier without conducting any investigation if the proposed supplier is for items bearing our Marks or if we already have designated an exclusive supplier for the item proposed to be offered by the new supplier. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our criteria. We also reserve the right to charge suppliers a royalty for the right to manufacture products for use in British Swim School Businesses.

Currently, you must purchase all products and supplies that contain our Marks from us or our affiliate. Such products and supplies include swim instructor uniforms, employee shirts, T-Shirts, changing tents, bags, swim rings, swim caps, swim diaper covers, books, marketing materials and award ribbons. We and our affiliates reserve the right to become a designated supplier of additional products, supplies or materials in the future.

Except as provided above, neither we nor our affiliates are currently approved suppliers of any approved products, services, or Operating Assets, but we reserve the right to be an approved or designated supplier in the future. Except as provided above, you are not required to purchase any goods, services, supplies, Operating Assets, or other items from us, from our designated or approved suppliers, or under our specifications. However, we may require you to use designated suppliers for other goods and services and require you to sell certain products in the future or to designate an exclusive supplier for certain items in the future.

Insurance

In addition to the purchases or leases described above, you must also obtain and maintain, at your own expense and from carriers who maintain a Best's Financial Strength rating of "A-/VIII" or above, the minimum insurance coverage that we periodically require under the Operations Manual, including comprehensive public liability, general liability, personal injury liability, motor vehicle liability, property, product liability, workmen's compensation, commercial liability umbrella and other types of insurance. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your British Swim School Business's operation or activities of your personnel in the course of their employment. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated vendor. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Each insurance policy must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us before the cancellation or material change of the policy. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums.

Collectively, the purchases and leases you obtain according to our specifications or from approved or designated suppliers represent approximately 25% of your total purchases and leases to establish your British Swim School Business and approximately 60% of your total purchases and leases to operate your British Swim School Business.

Purchase Agreements, Material Benefits and Revenue

Other than purchase agreements we have for products and supplies that we sell to you, we have not negotiated any purchase arrangements with manufacturers and suppliers (including price terms) for the benefit of franchisees, but we may do so in the future. We also may establish purchasing programs with certain vendors for supplies, equipment, and other materials. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for British Swim School Businesses.

We and/or our affiliates may derive revenue based on your purchases and leases (including from charging you for goods or services we or our affiliates provide to you and from payments made to us or our affiliates by suppliers that we designate or approve for some or all of our franchisees). For the fiscal year ended December 31, 2013, BSC, LLC received \$24,686 from franchisee purchases of branded products and other swimming supplies.

Except as disclosed above, we did not derive revenue or other material consideration from required purchases, supplier rebates or franchisee leases in our last fiscal year, but we reserve the right to do so in the future. We do not provide material benefits to franchisees for purchasing particular products or services or using designated or approved suppliers.

Except for ownership interests in us, none of our officers own any interest in any approved supplier.

Item 9

FRANCHISEE'S OBLIGATIONS

This table lists our 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 Disclosure Document.

| Obligation | Section in Franchise Agreement | Disclosure Document Item |
|--|---|-----------------------------|
| (a) Site selection and acquisition/lease | Section 2A of Franchise Agreement | Item 11 |
| (b) Pre-opening purchases/leases | Sections 2A, 2B, 2C and 2E of Franchise Agreement | Items 5, 7, 8, and 11 |
| (c) Site development and other pre-opening requirements | Article 2 of Franchise Agreement | Items 7, 8, and 11 |
| (d) Initial and ongoing training | Section 4A of Franchise Agreement | Items 6, 7, and 11 |
| (e) Opening | Section 2E of Franchise Agreement | Item 11 |
| (f) Fees | Article 3 and Sections 9C and 9D of Franchise Agreement | Items 5, 6, and 7 |
| (g) Compliance with standards and policies/Operations Manual | Sections 4C, 4D and Article 8 of Franchise Agreement | Items 8 and 11 |
| (h) Trademarks and proprietary information | Articles 5 and 6 of Franchise Agreement | Items 13 and 14 |
| (i) Restrictions on products/services offered | Sections 8B, 8C, 8D, 8H and 8I of Franchise Agreement | Items 8, 11, 12, and 16 |
| (j) Warranty and customer service requirements | Section 8E of Franchise Agreement | Item 8 |
| (k) Territorial development and sales quotas | Sections 1D, 1E and Exhibit B of Franchise Agreement | Item 12 |
| (l) On-going product/service purchases | Sections 8B and 8D of Franchise Agreement | Items 6 and 8 |
| (m) Maintenance, appearance and remodeling requirements | Section 8A of Franchise Agreement | Items 6, 8, 11 and 17 |
| (n) Insurance | Section 8G of Franchise Agreement | Items 7 and 8 |
| (o) Advertising | Article 9 of Franchise Agreement | Items 6, 7, 8, and 11 |
| (p) Indemnification | Sections 16D of Franchise Agreement | Item 6 |

| Obligation | Section in Franchise Agreement | Disclosure Document Item |
|---|--|-------------------------------------|
| (q) Owner's participation/ management/staffing | Sections 1C and 8F of Franchise Agreement | Items 11 and 15 |
| (r) Records and reports | Article 10 of Franchise Agreement | Item 6 |
| (s) Inspections and audits | Article 11 of Franchise Agreement | Items 6 and 11 |
| (t) Transfer | Article 12 of Franchise Agreement | Item 17 |
| (u) Renewal | Article 13 of Franchise Agreement | Item 17 |
| (v) Post-termination obligations | Article 15 of Franchise Agreement | Item 17 |
| (w) Non-competition covenants | Article 7 and Sections 15E and 15F of Franchise Agreement | Item 17 |
| (x) Dispute resolution | Section 17.E of Franchise Agreement | Item 17 |

Item 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your promissory notes, mortgages, leases or other obligations.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Assistance to Begin Operation of Your British Swim School Business

Before you open your British Swim School Business, we (or our designees) will:

1. Provide you mandatory and suggested criteria for swimming pools for your British Swim School Business and approve a swimming pool that you propose as meeting our standards and specifications for your Pool. (Franchise Agreement – Section 2A)
2. Consent in writing to your Pool Agreement for your British Swim School Business. (Franchise Agreement – Section 2A)
3. Identify the Operating Assets, including the Computer System and other products and supplies that you must obtain and use to develop and operate your British Swim School Business, the standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease these items. (Franchise Agreement – Sections 2B, 2C, 2D and 8)

4. Train you (or your Operating Partner) and 1 of your swim instructors (if you will not be the trainer and manager of the swim instructors, then this person must be the swim instructor manager) at our principal business location (or another designated facility of our choice). (Franchise Agreement – Section 4A).
5. Provide you training requirements and criteria for the swim instructors of your British Swim School. (Franchise Agreement – Section 2D)
6. Provide you access to our Operations Manual. (Franchise Agreement – Section 4D)
7. Approve your grand opening marketing program strategy before you implement such program. (Franchise Agreement – Section 9A)

Site Selection

Your British Swim School Business may not provide swim lessons from any location other than a Pool that we approve within your Territory. You are responsible for selecting each Pool for your British Swim School Business. The factors we consider in approving a swimming pool for a Pool include location and neighborhood, pool size, parking, customer access, and physical characteristics of the pool. There is no time limit within which we must approve or disapprove a proposed swimming pool. However, we may terminate the Franchise Agreement if you have not entered into a Pool Agreement with respect to the 1st Pool within 30 days after the date we sign the Franchise Agreement, unless we otherwise consented to a longer period of time. (Franchise Agreement – Section 2A)

Opening Requirements

We estimate that you will begin operating your British Swim School Business between 30 and 90 days after signing the Franchise Agreement, depending on when you complete the necessary training, select and obtain our approval for a Pool, meet our standards and specifications, acquire the required insurance policies, meet all regulatory requirements, obtain all required permits, and obtain the required Operating Assets, including the Computer System and other supplies. We may terminate the Franchise Agreement and retain your initial franchise fee payment if you fail to begin teaching swim lessons through your British Swim School Business within 60 days after signing your 1st Pool Agreement. (Franchise Agreement – Section 2E)

Assistance During the Operation of Your British Swim School Business

During your operation of your British Swim School Business, we (or our designees) will:

1. Advise you regarding your British Swim School Business's operation based on your reports or our inspections. (Franchise Agreement – Section 4C)
2. Provide you assistance with marketing and promotional strategies, swim lesson guidance and provide general advice and initial operation support, at the location of your British Swim School Business and at our expense, for a total period of up to 7 days. (Franchise Agreement – Section 4B)

3. Provide you our updated Systems Standards and continue to provide you access to our Operations Manual. (Franchise Agreement – Sections 4C and 4D)
4. Let you use our Marks and certain copyrighted and copyrightable materials. (Franchise Agreement – Section 5)
5. Maintain and administer a Marketing Fund (defined below). The Marketing Fund will periodically provide you samples of advertising, marketing, and promotional formats and materials that we may develop at no cost. The Marketing Fund will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling, and storage charges. (Franchise Agreement – Section 9C)
6. Provide you mandatory and suggested criteria for additional swimming pools for your British Swim School Business. We will only approve of additional swimming pools that meet our criteria. (Franchise Agreement – Section 2A)
7. Consent in writing to additional Pools and Pool Agreements for your British Swim School Business. (Franchise Agreement – Section 2A)
8. Identify the Operating Assets, including the Computer System and other products and supplies that you must obtain and use to develop and operate your British Swim School Business, the standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease these items. (Franchise Agreement – Sections 2B, 2C, 2D and 8)
9. Continue to provide you training requirements and criteria for the swim instructors of your British Swim School Business. (Franchise Agreement – Section 2D)

Operations Manual.

The current table of contents of the Operations Manual is attached to this Disclosure Document as Exhibit C. We may modify the Operations Manual periodically to reflect changes in System Standards. There are a total of 250 pages in our Operations Manual.

Advertising and Promotion.

National Advertising and Marketing Fund. We have established a national advertising and marketing fund for British Swim School Businesses (the “Marketing Fund”). You must contribute to the Marketing Fund in an amount equal to 2% of your Gross Sales (“Marketing Fund Contribution”). British Swim School Businesses owned by us or our affiliates will contribute to the Marketing Fund on the same basis as our franchisees.

We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for producing video, audio, written materials and other electronic media; developing, implementing, and maintaining the Franchise System Website (defined below) or related websites that promote British Swim School Businesses and/or related strategies; administering regional and multi-regional marketing and

advertising programs (including purchasing trade journal, direct mail, and other media advertising); using advertising, promotion, and marketing agencies and other advisors to provide assistance; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or “next generations” of any such devices; to implement a loyalty program or other marketing programs designed to encourage the use of British Swim School Businesses; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Marketing Fund may advertise locally, regionally, and/or nationally in printed materials, on radio, and/or on the Internet, whichever we think best. The Marketing Fund will periodically give you samples of advertising, marketing, and promotional formats and materials at no cost. The Marketing Fund will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Marketing Fund separately from our other funds. We may use the Marketing Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Fund’s other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Marketing Fund and its programs, including market research, public relations, preparing materials, and collecting and accounting for Marketing Fund Contributions.

The Marketing Fund is neither our asset nor a trust. We have an obligation to hold all Marketing Fund Contributions for the benefit of the contributors and to use Marketing Fund Contributions only for their permitted purposes described above. We have no fiduciary obligation to you for administering the Marketing Fund. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use interest earned on Marketing Fund Contributions to pay costs before spending the Marketing Fund’s other assets. Any funds remaining in the Marketing Fund at the end of the year will roll over to the next year. We will not use any Marketing Fund Contributions principally to solicit new franchise sales. During our fiscal year ending December 31, 2013, we did not collect any Marketing Fund Contributions.

We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give it to you upon written request. We may have the Marketing Fund audited annually, at the Marketing Fund’s expense, by an independent certified public accountant. We may incorporate the Marketing Fund or operate it through a separate entity when we think appropriate. Our successor entity will have all of the rights and duties described here.

The purpose of the Marketing Fund is to maximize recognition of the applicable Marks, patronage of British Swim School Businesses and the British Swim School brand generally. Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place such materials that will benefit all British Swim School Businesses, we cannot ensure that Marketing Fund expenditures in or affecting any geographic area are

proportionate or equivalent to Marketing Fund Contributions by contributors operating in that geographic area or that any contributor benefits directly or in proportion to its Marketing Fund Contribution from the development of advertising and marketing materials or the placement of advertising.

We may use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as otherwise disclosed, we assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

We may at any time defer or reduce the Marketing Fund Contribution and, upon 30 days' prior written notice to you, reduce or suspend Marketing Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unspent monies to franchise owners, and to us and any of our affiliates, in proportion to their, and our, respective Marketing Fund Contributions during the preceding 12-month period. (Franchise Agreement – Section 9C)

Local Advertising. Each calendar month, you agree to spend a Local Advertising Expenditure of the greater of (a) \$500 and (b) 2% of your Gross Sales during the previous calendar month, to advertise and promote your British Swim School Business (including the costs of online advertising). Upon our request, you must send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures during the preceding months.

Your local advertising and promotions must follow our guidelines. All advertising and promotional materials developed for your British Swim School 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. (Franchise Agreement – Section 9B)

Local Advertising Cooperative. We, our affiliates, or our designees may establish a local advertising cooperative ("Local Advertising Cooperative") in geographical areas in which 2 or more British Swim School Businesses are operating. The Local Advertising Cooperative will be organized and governed by written documents in a form and manner, and begin operating on a date, that we determine in advance. Such written documents will be available for participating franchisees to review. We may change, dissolve and merge Local Advertising Cooperatives. Each Local Advertising Cooperative's purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Local Advertising Cooperative covers. If, as of the time you sign the Franchise Agreement, we have established a Local Advertising Cooperative for the geographic area in which your British

Swim School Business is located, or if we establish a Local Advertising Cooperative in that area during the Franchise Agreement's term, you must sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative and contribute your share to such cooperative program as those documents require. Your Local Advertising Cooperative contribution will be credited to your Local Advertising Expenditure described above and may be capped based on the provisions of the by-laws adopted by the Local Advertising Cooperative, subject to our approval. You will pay these monies to us electronically and we will remit them periodically to the Local Advertising Cooperative. British Swim School Businesses owned by us or our affiliates will contribute to the appropriate Local Advertising Cooperative on the same percentage basis as franchisees.

Each British Swim School Business contributing to the Local Advertising Cooperative's area will have 1 vote on matters involving the activities of the Local Advertising Cooperative. The Local Advertising Cooperative may not use any advertising, marketing or promotional plans or materials without our prior written consent. We will assist in the formulation of marketing plans and programs, which will be implemented under the direction of the Local Advertising Cooperative. Subject to our approval, the Local Advertising Cooperative will have discretion over the creative concepts, materials and endorsements used by it. The Local Advertising Cooperative assessments may be used to pay the costs of preparing and producing video, audio and written advertising and direct sales materials for British Swim School Businesses in your area; purchasing direct mail and other media advertising for British Swim School Businesses in your area; implementing direct sales programs; and employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs for British Swim School Businesses in your area.

The monies collected by us on behalf of a Local Advertising Cooperative will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You must submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative require. Each Local Advertising Cooperative must prepare financial statements annually, which will be subject to review by participating franchisees.

You understand and acknowledge that your British Swim School Business may not benefit directly or in proportion to its contribution to the Local Advertising Cooperative from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for British Swim School Businesses will be developed separately, and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative on behalf of and at the expense of the Local Advertising Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Local Advertising Cooperative. (Franchise Agreement – Section 9D)

Franchisee Advisory Council. We have established a franchise advisory committee, currently consisting of 3 franchisees, that advises us on advertising policies and acts as liaison to

other franchisees in their areas. The members of the franchise advisory committee are selected by us. We have the right to change or dissolve the franchise advisory committee.

Grand-Opening Advertising. You are required to spend at least \$5,000 for pre-marketing and grand opening activities for your British Swim School Business during the period beginning at least 7 days after we approve your first Pool and up to 90 days after you begin teaching swim lessons at your British Swim School. You must provide a grand opening marketing program strategy for our approval before you implement your grand opening marketing program, which shall include your proposed marketing materials and promotions to gain brand exposure in your Territory. At our request, you must send us an accounting of your pre-marketing and grand opening marketing expenditures. (Franchise Agreement – Section 9A)

Franchise System Website. We may establish a website (“Franchise System Website”) to advertise, market, and promote British Swim School Businesses, the products and services that they offer and sell, and/or a British Swim School franchise opportunity. We may, but are not obligated to, provide you with a webpage on the Franchise System Website that references your British Swim School Business. If we provide you with a webpage on the Franchise System Website, you must (i) provide us the information and materials we request to develop, update, and modify your webpage, including information on your Pool(s); (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We will own all intellectual property and other rights in the Franchise System Website, including your webpage, and all information it contains (including the domain name or URL for your webpage, the log of “hits” by visitors, and any 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.

Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any website (other than the Franchise System Website), domain name, URL address, or other online presence or other electronic medium that mentions your British Swim School Business, links to the Franchise System Website or displays any of the Marks. If we approve the use of any such websites, other online presences or electronic mediums, including social networking websites (such as LinkedIn[®], instagram[®], twitter[®], facebook[®], or YouTube[®]) in the operation of your British Swim School Business, or the posting of messages relating to your British Swim School Business on other websites, you will do so only in accordance with our guidelines. We reserve the right to require our approval of any message you compose for a social networking website or commentary for any other website before you post such message or commentary. We also reserve the right to revoke your approval to use any website at any time. (Franchise Agreement – Section 9E)

Computer System

Within 15 days after you sign the Franchise Agreement, you must obtain and use the computer hardware, scheduling and billing system and/or software we periodically designate to operate British Swim School Businesses (the “Computer System”). Currently, the Computer System components consist of the following:

- 1 Laptop Computer with a Printer
- 1 Wireless Internet Modem
- Jackrabbit Software
- QuickBooks Financial Management Software

We estimate the cost of purchasing the laptop computer and the Internet modem to range between \$500 and \$1,500, and you will pay a monthly technology fee to us or our affiliate for maintenance of certain software, including the Jackrabbit software (currently \$65 to \$250 per month, but subject to change). You must use the software we designate to schedule all swim lesson appointments for your British Swim School Business and to process all customer payments. You may be required to enter into a license agreement with us or our designated supplier for the scheduling software, currently Jackrabbit.

Over the term of your franchise, we may modify the specifications for and components of the Computer System and you agree to implement our modifications within 30 days after you receive notice from us, which may include purchasing, leasing and/or licensing new or modified computer hardware and/or software and obtaining service and support for the Computer System. You must pay for any additional or replacement proprietary software or technology that we, our affiliates, or a third-party designee licenses to you and for other maintenance and support services that we, our affiliates or a third-party designee provides during the Franchise Agreement’s term. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over the Franchise Agreement’s remaining term, you will incur the costs of obtaining the computer

hardware and software comprising the Computer System (or additions and modifications) and required service and support.

The Computer System will enable you to collect information about students and their parents, scheduling, prices, sales and payroll. At our request, you are required to sign a release with any vendor of your Computer System providing us with unlimited access to your data. We and our affiliates currently have/reserve the right to have independent, unlimited access to all information relating to your British Swim School Business generated by your use of the scheduling software. There are no contractual limitations on our and our affiliates' right to access this information and data. We also reserve the right to have independent access to other information on your Computer System in the future.

Despite the fact that you agree to buy, license, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) your connectivity to the Computer System at all times; and (3) any and all consequences if the Computer System is not properly operated, maintained and upgraded. We estimate that your annual Computer System maintenance costs will range from \$1,000 to \$1,500.

Training

Initial and Ongoing Training

We will train you (or your Operating Partner) on operating a British Swim School Business and provide 1 of your swim instructors (if you will not be the trainer and manager of the swim instructors, then this person must be the swim instructor manager) training on teaching swim lessons, both at our expense through our initial training program. We will provide our initial training program on an as-needed basis at our principal business office in Sunrise, Florida or at another location designated by us. We may require you (and your employee) to complete a preliminary test over our System Standards (using materials that we provide to you) and receive the minimum score that we require before you (and such employee) can attend the initial training program. You may invite additional employees to attend the initial training program, if space allows, but we reserve the right to charge you our then-current training fee per day for each individual attending the initial training program (currently, \$500). You (or your Operating Partner) must complete the initial training program to our satisfaction before you begin providing swim lessons at your British Swim School Business.

Currently, we provide up to 10 days initial training, which shall include the swim instructor training described below. We reserve the right to vary the length and content of the initial training program based upon the experience and skill level of the individual attending the initial training program. We provide instructional materials and resources at the initial training program, including the Operations Manual and other materials which cover information on us, setting up your business, business management, safety and security, child behavior and customer service, human resources, technology and software, marketing, utilizing resources, and product/retail management, and other administrative issues.

If we determine that you (or your Operating Partner) have not completed the initial training program to our satisfaction, we may require such individuals to attend additional

training, and we will charge you our then-current training fee. Such additional training will be provided at our principal business office in Sunrise, Florida (or a designated training facility location of our choice), though we may agree to provide additional training at your Pool(s). Our training fee is currently \$500 per person per day, plus our travel and living expenses, if we travel to your Pool(s). Our training fee may be adjusted in our Operations Manual. If you (or your Operating Partner) are unable to complete the additional training class to our satisfaction, we may terminate the Franchise Agreement.

You (or your Operating Partner) may request additional training at the end of the initial training program if your attendees do not feel sufficiently trained in the operation of a British Swim School Business. We and you will jointly determine the duration of this additional training. We reserve the right to charge you our then current training fee. However, if your attendees satisfactorily complete our initial training program and have not expressly informed us at the end of the program that they do not feel sufficiently trained in the operation of a British Swim School Business, then you and they will be considered to have been trained sufficiently to operate a British Swim School Business.

If you appoint a new Operating Partner, he or she must attend the then-current initial training program within 30 days of the date of appointment and you must pay us our then-current training fee.

All employees must complete and pass your training program before providing services at your British Swim School Business. No swim instructor may teach a swim lesson until he or she has passed our then-current swim instructor training program that we require. You are responsible for training all of your employees and providing the swim instructor training program, though we may, at your request, train your swim instructors at our then-current training fee (currently, \$300 per person per day). If we determine that you (or your Operating Partner), or any of your employees, including your swim instructors, are not properly trained to provide the services offered by your British Swim School Business, we may require such person to cease providing services at your British Swim School Business and/or to be trained by one of our trainers at our then-current training fee.

We may require you (or your Operating Partner), and/or certain other employees, including swim instructors, of your British Swim School Business to attend various training courses, meetings, conferences and seminars, which may include an annual meeting of franchise owners, at the times and locations that we designate. However, we will not require physical attendance at such events for more than 10 business days per calendar year.

You must pay all travel and living expenses (including wages, transportation, food, lodging, and workers' compensation insurance) that you (or your Operating Partner), or any employees, including swim instructors, incur during any annual meetings, conferences, seminars and/or training courses and programs.

You understand that any specific ongoing training or advice we provide does not create an obligation for us to continue to provide such specific training or advice, all of which we may discontinue and modify. (Franchise Agreement – Section 4A)

We provide the following initial training program:

INITIAL TRAINING PROGRAM

| <u>Subject</u> | <u>Hours of Classroom Training</u> | <u>Hours of On-the-Job Training</u> | <u>Location</u> ¹ |
|----------------------|------------------------------------|-------------------------------------|--|
| Company Training | 1 | 0 | Our corporate offices or another location we designate |
| Sales / Marketing | 7 | 5 | Our corporate offices or another location we designate |
| Operations | 10 | 8 | Our corporate offices or another location we designate |
| Lesson Program | 10 | 30 | Our corporate offices or another location we designate |
| Human Resources | 1 | 2 | Our corporate offices or another location we designate |
| Business Management | 3 | 3 | Our corporate offices or another location we designate |
| Safety & Security | 1 | 2 | Our corporate offices or another location we designate |
| Customer Service | 2 | 2 | Our corporate offices or another location we designate |
| Retail & Merchandise | 1 | 1 | Our corporate offices or another location we designate |
| TOTALS: | 36 | 53 | |

Note 1: Our corporate offices are currently located in Sunrise, Florida, though we may designate another location for the initial training program.

We reserve the right to vary the length and content of the initial training program based upon the experience and skill level of the individual attending the initial training program.

The instructors of our initial training program are supervised by Rita Goldberg. Ms. Goldberg has 23 years of experience with us and our affiliates and over 33 years of experience in the subjects taught. Cassandra Prochilo provides training to franchisees' employees. Ms. Prochilo has 8 years of experience with us and our affiliates and 8 years of experience in the subjects taught.

Initial On-Site Assistance

In connection with the commencement of the operation of your British Swim School Business, we will, at no additional cost to you and at our expense, send a support team (the identity and composition of which shall be in our discretion and may be comprised of only 1 person) to your British Swim School Business to assist you with final suggestions on your British Swim School Business, assist with an open house or other promotional event and provide advice, guidance, and initial operations support for a total period of up to 7 days (which may not necessarily be consecutive, at our discretion). (Franchise Agreement – Section 4B)

Item 12

TERRITORY

When you sign the Franchise Agreement, we will grant you an area within which we and our affiliates will not operate or grant a franchise for the operation of a British Swim School Business (the “Territory”). A Territory will typically consist of an area defined by one or more zip codes with at least 2 pools potentially available and a population ranging from approximately 15,000 to 20,000 children under age 12, as determined by the most recent U.S. census data; however, depending on the demographics, population, income levels and other factors, your Territory may be smaller or larger. We will identify your Territory in an exhibit to the Franchise Agreement within 90 days after you begin operating at the 1st Pool under the Franchise Agreement.

You will provide swimming lessons through your British Swim School Business at Pools approved by us. We may approve additional swimming pools in your Territory as Pools if such pools meet our criteria. You may not relocate one of the Pools without our prior written consent.

Except as provided above, we and our affiliates retain all rights with respect to the location of British Swim School Businesses and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities. These rights include:

- (1) the right to establish and operate, and allow others to establish and operate, other British Swim School Businesses and other swim lesson businesses using the Marks and the System, at any location outside the Territory and on such terms and conditions we deem appropriate;
- (2) the right to establish and operate, businesses similar to your British Swim School Business anywhere, under other trade names, trademarks, service marks and commercial symbols different from the Marks;
- (3) the right to establish, and allow others to establish, other businesses and distribution channels (including the Internet or retail stores), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from British Swim School Businesses, and that sell products and/or services that are identical or similar to, and/or competitive with, those that British Swim

School Businesses customarily sell under any terms and conditions we deem appropriate;

- (4) the right to develop or acquire or be acquired by (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) one or more additional concepts or businesses (i) providing products and services similar to those provided at British Swim School Businesses, and/or (ii) creating or maintaining franchises, licenses or arrangements with respect to these businesses, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory);
- (5) the right to offer products and services offered by British Swim School Businesses under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from British Swim School Businesses, at any special event, conference, exhibition or temporary venue (including in the Territory); and
- (6) the right to engage in all other activities not expressly prohibited by the Franchise Agreement.

We are not required to pay you if we exercise any of the rights specified above inside or outside your Territory.

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells services or products similar to the services or products offered at British Swim School Businesses, but we reserve the right to do so in the future.

You will not receive an exclusive territory. You may face competition from other British Swim School Businesses located outside the Territory or from other channels of distribution or competitive brands that we control. Our affiliates operate British Swim School Businesses. We do not currently operate any British Swim School Businesses, but we reserve the right to do so in the future. We and these British Swim School Businesses, as well as our Franchise System Website, may advertise, solicit and accept orders and offer and sell goods and services to customers located anywhere, including in or around your Territory and do not owe you any compensation for doing so. There are no limitations on your ability to solicit customers from outside of your Territory. However, except in connection with the approved Franchise System Website, 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 for sales methods designated by us, you may not sell any British Swim School product or service through any alternative channel of distribution, including the Internet.

We reserve the right to modify or remove your Territory if (a) you are in default of the Franchise Agreement or any other agreement with us and our affiliates or (b) you fail to meet the Performance Goals. Alternatively, we may terminate the Franchise Agreement if you fail to meet the Performance Goals. The Performance Goals will describe the minimum number of units, or aggregate lesson spots filled, in a 6-month time period. We will determine the Performance Goals before you sign the Franchise Agreement.

Otherwise, your rights in the Territory and the continuation of your franchise does not depend on your achieving a certain sales volume, market penetration, or other contingency, and there are no other circumstances that permit us to modify your rights in the Territory during the term of the Franchise Agreement. You have no options, rights of first refusal or similar rights to acquire additional franchises.

Item 13

TRADEMARKS

We grant you the non-exclusive right and obligation to use the Marks, and you must use the Marks as we require. You may not use any of the Marks as part of your firm or corporate name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use the Marks in the sale of unauthorized products or services or in any manner we do not authorize. You may not use the Marks in any user name, screen name or profile in connection with any social networking sites, such as LinkedIn[®], instagram[®], twitter[®], facebook[®], or YouTube[®], except in accordance with our guidelines detailed in the Operations Manual or otherwise in writing periodically. You may not use the Marks in any advertising for the transfer, sale or other disposition of your British Swim School or any interest in the franchise. Except in conjunction with the Franchise System Website or with our prior written consent, you may not use the Marks as part of any domain name, homepage, electronic address, or otherwise in connection with a website, and then only under the terms we specify.

We license the Marks from our affiliate, BSC LLC, which owns all rights to the Marks. Our license agreement is for a 99-year term, but is revocable by BSC LLC and can be terminated for any reason, including if we (or you or our franchisees) do not follow BSC LLC’s rules about quality and customer satisfaction and other rules relating to the Marks. No agreement significantly limits our rights to use or sublicense the Marks in a manner material to the franchise.

BSC, LLC has registered the following Marks on the Principal Register with the United States Patent and Trademark Office (“PTO”):

| <u>DESCRIPTION OF MARK</u> | <u>REGISTRATION NUMBER</u> | <u>REGISTRATION DATE</u> |
|---|-----------------------------------|---------------------------------|
| BRITISH SWIM SCHOOL | 4040952 | October 18, 2011 |
| BRITISH SWIM SCHOOL | 4042234 | October 18, 2011 |
| BRITISH SWIM SCHOOL SURVIVAL OF THE LITTLEST SAVING LIVES SINCE 1981 | 4083854 | January 10, 2012 |
| SWIM SCHOOL IN A BOX . . . Just Add Water | 4084093 | January 10, 2012 |

All applicable affidavits and renewals have been filed with respect to the Marks listed above.

We may establish new Marks in the future and you must use and display these marks in accordance with specifications and bear all costs associated with changes to Marks or introduction of new Marks.

There is presently no effective determination of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal Marks. We know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must 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 you may not communicate with any person other than us and our and our affiliates' attorneys, regarding any infringement, challenge or claim. We and/or BSC LLC may take the action we deem appropriate and control exclusively any litigation, PTO proceeding or other administrative proceeding from the infringement, challenge or claim or otherwise concerning any Mark. You must sign the documents and take the actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in the Marks. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We do not have to reimburse you for your costs, loss of revenue or other expenses of promoting a modified and/or substitute trademark or service mark.

You must not contest, or assist any other person in contesting, the validity of our and BSC LLC's ownership of the Marks. Your use of the Marks and any goodwill established by that use are exclusively for our and BSC LLC's benefit

Under the Franchise Agreement, we must indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding in which your use of any Mark in compliance with the Franchise Agreement is held to constitute trademark infringement, and for all reasonable costs you incur in the defense of any claim brought against you or in any proceeding in which you are named as a party, only if you have timely notified us of the claim or proceeding and comply with our directions in responding to the proceeding. At our option, we and/or BSC LLC may defend and control the defense of any proceeding arising from your use of any Mark under the Franchise Agreement.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not have any patents or pending patent applications that are material to the franchise. We and/or our affiliates claim copyrights in the Operations Manual (which contains our proprietary teaching methods), handbooks, the Franchise System Website, advertising and marketing materials, all or part of the Marks, and other portions of the System and other similar materials used in operating British Swim School Businesses. We have not registered these copyrights with the United States Registrar of Copyrights, but need not do so at this time to protect them. You may use these items only as we specify while operating your British Swim School Business (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the United States Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the Confidential Information (defined below) or copyrighted materials. We know of no infringing uses of our copyrights which could materially affect your using the copyrighted materials in any state. We need not protect or defend our copyrights, although we intend to do so if we determine that it is in the System's best interests. We may control any action involving the copyrights, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manual and other materials contain our and our affiliates' confidential information (some of which constitutes trade secrets under applicable law) (the "Confidential Information"). This information includes specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating British Swim School Businesses, training and operations materials, methods, formats, knowledge and specifications regarding suppliers of Operating Assets and other products and supplies; the System Standards, including the proprietary teaching methods used by swim instructors of British Swim School Businesses; marketing and advertising programs and strategies for British Swim School Businesses, any computer software or similar technology that is proprietary to us or the System, strategic plans, expansion goals, targeted demographics, and knowledge of the operating results and financial performance of British Swim School Businesses other than your British Swim School Business.

All ideas, concepts, techniques, or materials concerning a British Swim School Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the system, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

We own the current and future lists of your British Swim School Business's customers, including all information on students and their parents such as addresses, telephone numbers, lesson records and other data. At our request, you must send us the customer information we shall request, in the manner and form we designate. You acknowledge and agree that all such customer information comprises part of the Confidential Information, and that we may use such customer in any way we wish and irrespective of any transfer, termination, expiration, repurchase or otherwise.

You may not use our confidential information in an unauthorized manner. You must adopt and implement procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to personnel of your British Swim School Business and certain other people and using non-disclosure and non-competition agreements with those having access to Confidential Information in a form determined by us (our current form is attached as Exhibit C to the Franchise Agreement). We may regulate the form of

agreement that you use and we will be a third party beneficiary of that agreement with independent enforcement rights.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are an entity, you must identify one of your owners who is a natural person with at least 51% ownership interest and voting power in you and who will have the authority of a chief executive officer (the “Operating Partner”). You (or your Operating Partner) are responsible for the day to day management, direction and control of your British Swim School Business, subject to the terms and conditions of the Franchise Agreement. You (or your Operating Partner) must supervise the day-to-day operations of your British Swim School Business and continuously exert your (or his or her) best efforts to promote and enhance your British Swim School Business. Your British Swim School Business must always be under the direct, full-time supervision of you (or your Operating Partner). You agree to require any such swim instructor or other employee who has access to our Confidential Information to sign the confidentiality and non-competition attached to the Franchise Agreement as Exhibit C.

In the event that your Operating Partner ceases to own at least a 51% ownership interest in you, you must recruit a new Operating Partner within 30 days of the change in ownership and submit the identity of the new Operating Partner to us for our review and approval. If you appoint a new Operating Partner after you begin operating your British Swim School Business, the Operating Partner must complete the initial training program within 30 days after the date of appointment. You must keep us informed at all times of the identity of the Operating Partner.

If you are a corporation, limited liability company, or partnership, your direct and indirect owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. The spouse of each owner may also be required to consent to the guarantee. This “Guaranty and Assumption of Obligations” is attached as Exhibit D to the Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all services and products that we periodically specify for British Swim Schools, including Swim School Subscriptions for swim lessons under the terms and conditions that we designate. You must offer and sell only approved products and services from the Pools of your British Swim School Business. Our System Standards may regulate required and/or authorized products and services. We may also periodically set maximum or minimum prices for services and products that your British Swim School Business offers. You will use certain products that we designate in connection with providing services to customers. We may periodically change the required and/or authorized products and services, and there are no limits on our right to do so. You must promptly implement such changes. You may not perform any services or offer or sell any products that we have not authorized. You may not sell any products

or services wholesale or through alternative channels of distribution (including the Internet). You must discontinue selling and offering for sale any services or products that we at any time decide to disapprove in writing.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise Agreement | Summary |
|--|--------------------------------|---|
| (a) Length of the franchise term | Section 1D | Term of the Franchise Agreement is 10 years. |
| (b) Renewal or extension of the term | Section 13A | One additional 10 year term, if you meet certain requirements. |
| (c) Requirements for franchisee to renew or extend | Section 13 | Prior written notice; full compliance with the Franchise Agreement, Performance Goals and System Standards; add or replace Operating Assets as required; substantial compliance with the Franchise Agreement throughout the franchise term; sign then-current Franchise Agreement, which may materially differ from your current Franchise Agreement; continue you retain the right to use the Pool(s) and agree to renew Pool Agreements, or secure rights to use one or more substitute Pools we approve and enter into Pool Agreements with such Pools according to then-applicable System Standards; complete additional training we require of new franchisees, at your expense; and sign (if state law allows) general releases and other ancillary agreements. |
| (d) Termination by franchisee | Section 14A | You may terminate the Franchise Agreement if you are in full compliance with the Franchise Agreement and we materially fail to comply with the Franchise Agreement and do not cure within 30 days after you deliver written notice of such material failure, effective an additional 30 days after you deliver written notice of termination. |
| (e) Termination by franchisor without cause | None | We may not terminate the Franchise Agreement without cause. |

| Provision | Section in Franchise Agreement | Summary |
|--|---------------------------------------|--|
| (f) Termination by franchisor with cause | Section 14B | We may terminate the Franchise Agreement only if you (or your owners or Operating Partner) commit one of several violations. |
| (g) "Cause" defined — curable defaults | Section 14B | You have 72 hours to cure health, safety or sanitation law violations; 10 days to cure any insurance requirements, violations of other applicable laws, regulations, ordinances or consent decrees, monetary defaults; and 30 days to cure a failure to pay pool fees, failure to comply with the Franchise Agreement or any System Standard not specified in (h) below. You also must cure any deficiency in your Operating Assets of a Pool within the time period we specify. |
| (h) "Cause" defined — non-curable defaults | Section 14B | Material misrepresentation in acquiring the franchise or operating your British Swim School Business; failure to timely or satisfactorily complete Initial Training Program; failure to timely open British Swim School Business or teach first swim lesson; allow individuals who have not completed training to teach swim lessons; failure to meet Performance Goals; abandonment or failure to provide lessons for more than 14 consecutive days during without written permission; unauthorized transfers; conviction of or no contest plea to a felony or other crime; dishonest or unethical conduct affecting British Swim School Business's goodwill or reputation; loss of your right to use Pools or breach of Pool Agreement; unauthorized use or disclosure of the Operations Manual or other Confidential Information; failure to pay taxes; insufficiency of funds 3 times within a 12-month period; understating Gross Sales 3 or more times during the term of the Franchise Agreement or by more than 5% in one instance; 3 defaults within a 12-month period or 2 of the same defaults within a 12-month period (even if cured); bankruptcy or similar proceeding; termination of any other franchise agreement between you or your affiliates and us or any of our affiliates; and failure to pay Pool Operator or a third-party supplier within the applicable cure period. |

| Provision | Section in Franchise Agreement | Summary |
|---|---------------------------------------|--|
| (i) Franchisee's obligations on termination/non-renewal | Sections 15A through 15C | Paying outstanding amounts including the balance of the Royalty and Marketing Fund Contributions from the date of termination up to the scheduled expiration date of the Franchise Agreement; pay entire amount or pro-rata portion of unused Swim School Subscriptions; complete de-identification, including removal of signs and Marks, cancellation of assumed names relating to your use of any Mark, notifying telephone company and telephone directory publishers of the termination of your right to use any numbers associated with the Marks, assigning the numbers and directory listings to us; ceasing to use Marks; returning Confidential Information; and cease operation and cancel any rights or accounts of any website or online presence related to the British Swim School Business or Marks. |
| (j) Assignment of contract by franchisor | Section 12A | We may change our ownership or form and/or assign the Franchise Agreement and any other agreement without restriction. |
| (k) "Transfer" by franchisee — defined | Section 12B | Includes transfer of Franchise Agreement; your British Swim School Business or any right to receive all or a portion of your British Swim School Business's profits, losses or capital appreciation; substantially all of the assets of your British Swim School; any ownership interest in you; or any ownership interest in any of your owners if such owners are legal entities. |
| (l) Franchisor approval of transfer by franchisee | Sections 12B and 12C | You may not transfer the Franchise Agreement without our prior written approval. |

| Provision | Section in Franchise Agreement | Summary |
|--|---------------------------------------|--|
| (m) Conditions for franchisor approval of transfer | Section 12C | <p>New franchise owner qualifies; you pay us, our affiliates, and third-party vendors all amounts due; new franchise owner (and its owners and affiliates) are not in a Competitive Business; complete training program; owner of Pool facility permits transfer of corresponding Pool Agreement; you or transferee signs our then-current franchise agreement and other documents, provisions of which may differ materially from those contained in the Franchise Agreement; payment of transfer fee; you sign (if state law allows) a general release and a guaranty; we determine that the purchase price and payment terms will not adversely affect the purchaser's operation of the British Swim School; you subordinate amounts due to you; you de-identify; you comply with non-compete obligations.</p> <p>“Competitive Business” means (i) any program, facility or enterprise (whether for profit or otherwise) providing swimming or water-survival training; or (ii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i); provided that any business which signs a franchise agreement with us is not a “Competitive Business.”</p> |
| (n) Franchisor's right of first refusal to acquire franchisee's business | Section 12F | We have a 30-day right of first refusal and can match offers. |
| (o) Franchisor's option to purchase franchisee's business | Not applicable | |
| (p) Death or disability of franchisee | Section 12G | Upon death or disability of you (or your Operating Partner), your (or your Operating Partner's) executor or personal representative must transfer the ownership interest within 6 months of date of death or disability. We may appoint an interim manager to operate your British Swim School Business during the transfer. |
| (q) Non-competition covenants during the term of the franchise | Section 7 | No ownership interest in or performing services for a Competitive Business located anywhere; no solicitation or interference with our or our affiliates or franchisees relationships with any British Swim School customers, vendors or clients; no employment of a person employed by us, our affiliates or any other franchisee of British Swim School; and no engagement in any other activity injuring the goodwill of the Marks and the System. |

| Provision | Section in Franchise Agreement | Summary |
|--|---------------------------------------|---|
| (r) Non-competition covenants after the franchise is terminated or expires | Sections 15E and 15F | You may not have any direct or indirect interest in or be employed by a Competitive Business located or operating within the Territory, within a 10-mile radius of the Territory and within a 5-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 affiliates or franchisees relationships with any British Swim School customers, vendors or clients; not employ a person employed by us, our affiliates or any other franchisee of British Swim School; and not engage in any other activity injuring the goodwill of the Marks and the System. |
| (s) Modification of the agreement | Section 17I | No modification unless by written agreement of both parties, but Operations Manual and System Standards subject to change. |
| (t) Integration/merger clause | Section 17K | Only the terms of the Franchise Agreement and related documents, along with Operations Manual, are binding (subject to state law). Any representations or promises outside of this Disclosure Document or the Franchise Agreement may not be enforceable. |
| (u) Dispute resolution by arbitration or mediation | Section 17E | All controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party. |
| (v) Choice of forum | Section 17G | Subject to the arbitration requirement, litigation generally must be commenced in the state or federal court of general jurisdiction closest to our then-current principal place of business (currently in Sunrise, Florida), but we and you may enforce any arbitration orders and awards in the courts of the state(s) in which you are domiciled or your British Swim School Business is located (subject to state law). |
| (w) Choice of law | Section 17F | Except for the Federal Arbitration Act and other federal law, the law of the State of Florida governs (subject to state law). |

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit H.

Item 18

PUBLIC FIGURES

We do not 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 franchise 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 or under particular circumstances.

The following financial information is for British Swim School Business markets owned by our franchisees as of December 31, 2013 (i) that operate from swimming pool facilities owned by third parties and (ii) that operated for the entire 2013 calendar year.

[Item 19 Continued on Next Page]

2013 REVENUES, COSTS AND STUDENT UNITS^{1,2}

| | Territory #1 ⁶ | | Territory #2 ⁷ | | Territory #3 ⁸ | | Territory #4 ⁹ | | Territory #5 ¹⁰ | | Territory #6 ¹¹ | |
|---|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | Amount | As a % of Swim Lesson Revenue | Amount | As a % of Swim Lesson Revenue | Amount | As a % of Swim Lesson Revenue | Amount | As a % of Swim Lesson Revenue | Amount | As a % of Swim Lesson Revenue | Amount | As a % of Swim Lesson Revenue |
| Annual Swim Lesson Revenue³ | \$877,519.99 | 100% | \$447,000.00 | 100% | \$63,560.83 | 100% | \$406,415.00 | 100% | \$40,176.00 | 100% | \$363,280.00 | 100% |
| Swimming Pool Usage Fee | \$95,428.05 | 10.6% | \$39,000.00 | 8.8% | \$14,739.14 | 25% | \$61,000.00 | 15% | \$15,927.00 | 38% | \$69,290.00 | 19% |
| Swim Instructor Compensation⁴ | \$104,802.41 | 11.8% | \$54,000.00 | 12% | \$15,832.61 | 24.9% | \$85,706.00 | 21% | \$5,606.00 | 14% | \$40,000.00 | 11% |
| Total Student Units⁵ | 43,805 | | 24,816 | | 12,269 | | 20,826 | | 3,200 | | 19,613 | |

[Item 19 Continued on Next Page]

NOTES:

1. The territories for these British Swim School Businesses had populations of children under age 12 ranging from approximately 10,000 to 15,000 as of the time the franchise agreement was executed. The number of pools in each territory ranged between 1 and 5 pools. The population of children under age 12 may vary from year to year as children age, babies are born and families move. The number of pools may vary during the year.
2. The information in this chart only includes franchised British Swim School Business markets, not corporate or affiliated owned British Swim School Business markets.
3. “Annual Swim Lesson Revenue” means all sales from providing swim lessons, but does not include any revenue from product or merchandise purchases or sales from any other products or services.
4. This amount includes wages paid to swim instructors and any related payroll taxes for such instructors. It does not include any salary or wages for management personnel.
5. A “Student Unit” represents 1 student reservation and payment for 1 swim lesson. For example, if 8 students schedule and pay to attend 1 swim lesson, that swim lesson would satisfy 8 Student Units.
6. As of December 31, 2013, the franchisee of this Territory had been a franchisee for over 26 months.
7. As of December 31, 2013, the franchisee of this Territory had been a franchisee for over 23 months.
8. As of December 31, 2013, the franchisee of this Territory had been a franchisee for over 17 months.
9. As of December 31, 2013, the franchisee of this Territory had been a franchisee for over 16 months.
10. As of December 31, 2013, the franchisee of this Territory had been a franchisee for over 16 months.
11. As of December 31, 2013, the franchisee of this Territory had been a franchisee for over 14 months.

Some British Swim School markets have sold this much. Your individual results may differ. There is no assurance that you, as a new franchisee, will attain the same level of revenue, expenses or lesson participation that have been attained by these businesses. The geographic location, demographics, population density and demand for swim lessons surrounding your British Swim School Business may differ materially from the locations described above.

Written substantiation pertaining to these financial performance representations is available for inspection at our principal business address and will be provided upon reasonable request.

Except as disclosed in this Item 19, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Rita Goldberg at British Swim Centers Franchising, LLC, 2084 North University Drive, Sunrise, Florida 33322, (954) 747-7251; the Federal Trade Commission; and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

**SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2011 TO 2013¹**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|--------------------------|-------------|---|---------------------------------------|-------------------|
| Franchised | 2011 | 0 | 1 | +1 |
| | 2012 | 1 | 6 | +5 |
| | 2013 | 6 | 12 | +6 |
| Company Owned or Managed | 2011 | 6 | 6 | 0 |
| | 2012 | 6 | 3 | -3 |
| | 2013 | 3 | 5 | +2 |
| Total Outlets | 2011 | 6 | 7 | +1 |
| | 2012 | 7 | 9 | +2 |
| | 2013 | 9 | 17 | +8 |

1. The numbers in this table are as of December 31, 2011; December 31, 2012; and December 31, 2013. Each “Outlet” represents a market area within which our affiliates or our franchisees operate a British Swim School Business, each of which may contain more than 1 Pool.

TABLE NO. 2

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS 2011 TO 2013¹**

| State | Year | Number of Transfers |
|---------------------------|-------------|----------------------------|
| Totals² | 2011 | 0 |
| | 2012 | 0 |
| | 2013 | 0 |

1. The numbers in this table are as of December 31, 2011; December 31, 2012; and December 31, 2013.
2. We began offering franchises in 2011.

TABLE NO. 3

**STATUS OF FRANCHISED OUTLETS
FOR YEARS 2011 TO 2013¹**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations- Other Reasons | Outlets at End of Year |
|--------------------------------|-------------|---------------------------------|-----------------------|---------------------|---------------------|---------------------------------|---|-------------------------------|
| Florida | 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2012 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2013 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |
| Illinois | 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2012 | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2013 | 3 | 2 | 0 | 0 | 0 | 0 | 5 |
| Maryland | 2011 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2012 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2013 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Virginia | 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2013 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| U.S. Totals² | 2011 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2012 | 1 | 5 | 0 | 0 | 0 | 0 | 6 |
| | 2013 | 6 | 6 | 0 | 0 | 0 | 0 | 12 |

1. The numbers in this table are as of December 31, 2011; December 31, 2012; and December 31, 2013. Each “Outlet” represents a market area within which our franchisees operate a British Swim School Business, each of which may contain more than 1 Pool.

- As of December 31, 2013, there was 1 franchised British Swim School Business in Turkey.

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2011 TO 2013¹

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---------------------------|-------------|---------------------------------|-----------------------|---|-----------------------|-----------------------------------|-------------------------------|
| Florida | 2011 | 4 | 0 | 0 | 0 | 0 | 4 |
| | 2012 | 4 | 0 | 0 | 0 | 1 | 3 |
| | 2013 | 3 | 1 | 0 | 0 | 0 | 4 |
| Illinois | 2011 | 1 | 1 | 0 | 0 | 0 | 2 |
| | 2012 | 2 | 0 | 0 | 0 | 2 | 0 |
| | 2013 | 0 | 1 | 0 | 0 | 0 | 1 |
| Maryland | 2011 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2012 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2013 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals² | 2011 | 6 | 1 | 0 | 0 | 1 | 6 |
| | 2012 | 6 | 0 | 0 | 0 | 3 | 3 |
| | 2013 | 3 | 2 | 0 | 0 | 0 | 5 |

- The numbers in this table are as of December 31, 2011; December 31, 2012; and December 31, 2013. Each “Outlet” represents a market area within which our affiliates operate a British Swim School Business, each of which contain 1 Pool.
- 1 of the affiliate owned British Swim School Businesses operates its British Swim School Business out of an affiliate owned Pool rather than a Pool owned by a third party.

TABLE NO. 5

**PROJECTED OPENINGS
AS OF DECEMBER 31, 2013 FOR 2014**

| State | Franchise Agreements Signed But Franchised Business Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|----------------|---|---|--|
| Florida | 0 | 1 | 0 |
| Georgia | 0 | 1 | 0 |
| Illinois | 0 | 2 | 0 |
| Maryland | 0 | 1 | 0 |
| New York | 2 | 2 | 0 |
| North Carolina | 0 | 1 | 0 |
| Pennsylvania | 1 | 2 | 0 |
| Texas | 0 | 2 | 0 |
| Virginia | 0 | 2 | 0 |
| Total | 3 | 14 | 0 |

Exhibit G is a list of the names, outlet business addresses and outlet business telephone numbers of our franchisees as of December 31, 2013.

There were no franchisees that had a Franchise Agreement terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during 2013 or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to buyers when you leave the franchise system.

No current or former franchisee has signed confidentiality agreements during the last 3 fiscal years restricting its ability to speak openly about its experience with our franchise system.

The franchise advisory committee was created by us and we select its members. The franchise advisory committee does not currently have a chairman.

Item 21

FINANCIAL STATEMENTS

Exhibit D contains our audited financial statements for the calendar years ending December 31, 2013 and December 31, 2012, our audited financial statements from the date of our inception (March 3, 2011) to the calendar year ending December 31, 2011, and the unaudited balance sheet and profit and loss statement for the period ending March 31, 2014.

Item 22

CONTRACTS

The following contracts are attached as exhibits to this Disclosure Document:

Exhibit B - Franchise Agreement

Exhibit C to the Franchise Agreement - Confidentiality and Non-Competition Agreement

Exhibit D to the Franchise Agreement - Guaranty and Assumption of Obligations

Exhibit E - Sample General Release

Exhibit H - Additional Disclosures/State-Specific Riders to Franchise Agreement

Item 23

RECEIPTS

Exhibit I contains detachable documents acknowledging your receipt of this Disclosure Document.

EXHIBIT A

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

EXHIBIT A

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Department of Business Oversight:
1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7505

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street
San Diego, California 92101
(619) 525-4044

San Francisco

One Sansome Street, Ste. 600
San Francisco, CA 94104
(415) 972-8559

HAWAII

(for service of process)

Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(state agency)

Business Regulation Division,
Department of Commerce and Consumer
Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(state administrator)

Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(agent for service of process)

Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 G. Mennen Williams Building, 1st Floor
525 West Ottawa
Lansing, Michigan 48933
(517) 373-7177

(agent for service of process)

Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(state administrator)

New York State Department of Law
Bureau of Investor Protection
and Securities
120 Broadway
New York, New York 10271
(212) 416-8000

(agent for service of process)

Secretary of State of New York
41 State Street
Albany, New York 12231
(518) 474-4752

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9582

(agent for service of process)
Director
Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
445 East Capitol
Pierre, South Dakota 57501
(605) 773-4823

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

VIRGINIA

(state administrator)

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

(agent for service of process)

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9672

WASHINGTON

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

EXHIBIT B
(TO FRANCHISE DISCLOSURE DOCUMENT)

FRANCHISE AGREEMENT

BRITISH SWIM CENTERS FRANCHISING, LLC
FRANCHISE AGREEMENT

FRANCHISE OWNER

BRITISH SWIM SCHOOL BUSINESS ADDRESS

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EXHIBITS

- EXHIBIT A LISTING OF OWNERSHIP INTERESTS
- EXHIBIT B TERRITORY / PERFORMANCE GOALS
- EXHIBIT C CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
- EXHIBIT D GUARANTY AND ASSUMPTION OF OBLIGATIONS

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into by and between **BRITISH SWIM CENTERS FRANCHISING, LLC**, a limited liability company formed under the laws of the State of Florida, with its principal business address at 2084 North University Drive, Sunrise, Florida 33322 (“**we**,” “**us**,” or “**our**”), and _____, a _____ whose principal business address is _____ (“**you**” or “**your**”) as of the date signed by us and set forth opposite our signature on this Agreement (the “**Effective Date**”).

1. PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.

1A. PREAMBLES.

(1) We and our affiliates have, with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity for the establishment, operation and promotion of a swimming and water-survival instruction program that focuses on survival skills, stroke development, breathing techniques and skill coordination (a “**British Swim School Business**”) by offering private and group lessons for individuals of all ages and other services and products we authorize. British Swim School Businesses have a distinctive business format, methods, procedures, designs, standards, and specifications, all of which we may further develop or otherwise modify from time to time.

(2) We and our affiliates use, promote, and license others to use and promote certain trademarks, service marks, and other commercial symbols in operating a British Swim School Business, which have gained and may continue to gain public acceptance and goodwill, and we may create, use, and license other trademarks, service marks, and commercial symbols to identify British Swim School Businesses (collectively, the “**Marks**”).

(3) We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a British Swim School Business offering the goods and services we authorize using our business formats, business system, methods, procedures, signs, designs, layouts, standards, specifications, and the Marks we authorize (the “**Franchise System**”).

(4) As a franchise owner of a British Swim School Business, you will comply with this Agreement and all System Standards (as defined in Section 4C) in order to maintain the high and consistent quality that is critical to attracting and keeping customers for British Swim School Businesses and preserving the goodwill of the Marks.

(5) You have applied for a franchise to own and operate a British Swim School Business and have provided us with certain information in support of your application.

1B. ACKNOWLEDGMENTS.

You acknowledge that:

(1) you have independently investigated this franchise opportunity and recognize that, like any other business, the nature of the business that a British Swim School Business conducts may, and probably will, evolve and change over time;

(2) we do not guarantee the success of a British Swim School Business, and being part of the Franchise System does not alter the fact that an investment in a British Swim School Business involves business risks that could result in the loss of a significant portion or all of your investment;

(3) among other things, your business abilities and efforts are vital to your British Swim School Business (as defined in Section 1.D);

(4) attracting customers for your British Swim School Business will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising, networking, and display and use of promotional materials;

(5) retaining students for your British Swim School Business will require you to have a high level of customer service and adhere strictly to the Franchise System and our System Standards and that you are committed to maintaining System Standards;

(6) you have not received from us, and are not relying upon, any representations or guaranties, express or implied, as to the potential volume, sales, income, or profits of a British Swim School Business;

(7) in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us;

(8) you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise;

(9) you have read this Agreement and our franchise disclosure document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service and to protect and preserve the goodwill of the Marks;

(10) we have the right to restrict your sources of goods and services and require you to sell certain products, as provided in various sections of this Agreement, including Section 8D below;

(11) we have not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and our franchise disclosure document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement;

(12) you have been afforded an opportunity, and have been encouraged by us, to ask any questions you have and to review any materials of interest to you concerning this franchise opportunity;

(13) you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or elected not to do so; and

(14) you have a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and you will have sufficient funds to meet all of your obligations under this Agreement.

1C. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.

If you are a corporation, limited liability company, or general or limited partnership (collectively, an “**Entity**”), you agree and represent that:

(1) You have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(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) **Exhibit A** 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 a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached hereto as **Exhibit D**. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us

revised **Exhibits A** to reflect any permitted changes in the information that **Exhibit A** now contains;

(5) You must identify on **Exhibit A** one of your owners who is a natural person with at least fifty-one percent (51%) ownership interest and voting power in you and who will have the authority of a chief executive officer (the “**Operating Partner**”). In the event that your Operating Partner ceases to own at least a fifty-one percent (51%) ownership interest in you, you must recruit a new Operating Partner within thirty (30) days of the change in ownership and deliver to us a revised **Exhibit A** to accurately identify the Operating Partner for our review and approval; and

(6) The Operating Partner 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 Operating Partner will be final and binding upon you. We will be entitled to rely solely upon the decision of the Operating Partner 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 Operating Partner.

1D. **GRANT AND TERM OF FRANCHISE.**

Subject to this Agreement’s terms, we grant you a franchise to operate a British Swim School Business (“**your British Swim School 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 (10) years from that date, unless sooner terminated as provided herein.

You shall at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote your British Swim School Business. You agree that you will meet the minimum performance goals set forth on **Exhibit B** (the “**Performance Goals**”). 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.

1E. **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 the Territory (as defined below), once such Territory has been determined. The “**Territory**” shall be the specific geographical area you and we agree upon within 90 days of the Opening Date (as defined in Section 2E), which area will be identified on **Exhibit B**. If you do not meet your Performance Goals, we may reduce the size of your Territory or remove your rights over the Territory; provided, however, that nothing contained in this Section 1E shall be deemed a waiver of our right to terminate this Agreement for failure to meet your Performance Goals. You acknowledge and agree that nothing contained herein restricts us,

our affiliates or our franchise owners from advertising or soliciting customers within the Territory.

1F. TERRITORIAL RIGHTS WE RESERVE.

Except as expressly limited by Section 1E above, you acknowledge and agree that we (and our affiliates) retain all rights with respect to the placement of British Swim School Businesses and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities. These rights include, without limitation:

(1) the right to establish and operate, and allow others to establish and operate, other British Swim School Businesses and other swim lesson businesses using the Marks and the Franchise System, holding swim lessons at any location outside the Territory and on such terms and conditions we deem appropriate;

(2) the right to establish and operate businesses similar to your British Swim School Business anywhere under other trade names, trademarks, service marks and commercial symbols different from the Marks;

(3) the right to establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, the Internet or retail stores), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under, or sell products containing, the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from British Swim School Businesses, and that sell products and/or services that are identical or similar to, and/or competitive with, those that British Swim School Businesses customarily sell under any terms and conditions we deem appropriate;

(4) the right to develop or acquire or be acquired by (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) one or more additional concepts or businesses (i) providing products and services similar to those provided at British Swim School Businesses, and/or (ii) creating or maintaining franchises, licenses or similar arrangements with respect to these businesses, wherever these businesses (or the franchise owners or licensees of these businesses) are located or operating (including in the Territory);

(5) the right to offer products and services offered by British Swim School Businesses under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from British Swim School Businesses, at any special event, conference, exhibition or temporary venue (including in the Territory); and

(6) the right to engage in all other activities not expressly prohibited by this Agreement.

1G. **MODIFICATION OF FRANCHISE SYSTEM.**

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we consider to be best, in our sole opinion, to vary System Standards for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner's successful operation. We may choose not to authorize similar variations or accommodations to you or other franchise owners.

2. **DEVELOPMENT AND OPENING OF YOUR BRITISH SWIM SCHOOL BUSINESS.**

2A. **BRITISH SWIM SCHOOL BUSINESS POOLS.**

You agree not to conduct the business of your British Swim School Business at any location other than a swimming pool approved by us (a "**Pool**") and for which you have entered into a Pool Agreement (as defined below). You are responsible for selecting each Pool for your British Swim School Business. While we may provide certain assistance, guidance and advice regarding potential swimming pool sites, we are not obligated to do so. You must propose a swimming pool site to us for a Pool and obtain our approval in writing before you enter into any agreements to use a particular swimming pool. We will provide you mandatory and suggested criteria for swimming pools for your British Swim School Business. We may inspect a swimming pool that you propose for a Pool before we grant our approval. You acknowledge and agree that our approval of any swimming pool site for a Pool is merely our determination, entirely for our own purposes, that the swimming pool site meets our current criteria for a Pool. Our consent does not constitute a representation or warranty of any kind, express or implied, of the swimming pool's suitability for a Pool, and you confirm that you have not relied and will not rely on our approval for that purpose. You recognize that demographic and/or other factors could change at any time before or during the term of this Agreement, altering the Pool's potential and suitability. Your selection of the Pool is based on your own independent investigation of, or agreement in the future to investigate, the Pool's suitability. With respect to each Pool, we will not assess compliance with federal, state, or local laws and regulations, including the ADA and safety requirements, as compliance with these laws is your responsibility. We will approve additional swimming pools that you propose for your British Swim School Business if the proposed swimming pool meets our then-current criteria; provided that we reserve the right to deny approval of an additional swimming pool if we determine that you are not maximizing the use of your existing Pools.

You must not enter into an agreement with a swimming pool owner or operator to use a swimming pool for purposes of your British Swim School Business (a "**Pool Agreement**") until we approve such swimming pool as a Pool. The Pool Agreement must include the terms and conditions that we require from time to time. You may not enter into any Pool Agreement until we consent in writing to such Pool Agreement. Neither our approval nor any guidance and assistance that we provide or have provided in connection with your negotiation of the Pool Agreement constitute a guaranty or warranty, express or implied, that the terms of the Pool Agreement represent the most favorable terms available in your Territory. You must enter into a Pool Agreement with respect to the first Pool for your British Swim School Business within

thirty (30) days after the Effective Date. You must enter into a Pool Agreement with respect to a second Pool for your British Swim School Business within ninety (90) days of executing the Pool Agreement for your first Pool.

2B. OPERATING ASSETS.

You agree to use in operating your British Swim School Business only those products, signs, inventory, supplies and equipment (“**Operating Assets**”) that we approve for British Swim School Businesses as meeting our specifications and standards for customer service, quality, design, appearance, function, and performance. You agree to place or display at the Pool of your British Swim School Business the Operating Assets as required by us from time to time. You agree to purchase or lease approved brands, types, or models of Operating Assets in accordance with Section 8D of this Agreement.

2C. COMPUTER SYSTEM.

Within fifteen (15) days after the Effective Date, you agree to obtain and use the computer hardware and software, including, but not limited to, our proprietary lesson scheduling, booking and payment processing software that we specify from time to time (the “**Computer System**”). Without limiting the foregoing, you must use the computer software we designate to schedule all swim lesson appointments for your British Swim School Business and to process all customer payments. We may modify specifications for and components of the Computer System from time to time, and you agree to implement our modifications within thirty (30) days after you receive notice from us, which may include purchasing, leasing and/or licensing new or modified computer hardware and/or software and obtaining service and support for the Computer System. You must also pay for any additional or replacement proprietary software or technology that we, our affiliates or a third-party designee licenses to you and for other maintenance and support services that we, our affiliates or a third-party designee provides during this Agreement’s term. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement’s remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support.

You agree to obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly. You agree that we or our affiliates may condition the license of any additional or replacement proprietary software to you, or your use of additional technology that we or our affiliates develop or maintain, on your signing the form of license agreement or similar document that we or our affiliates prescribe at such time to regulate your use of, and our and your respective rights and responsibilities with respect to, such additional or replacement software or technology. You acknowledge and agree that the Computer System we designate may give us and our affiliates independent, unlimited access to all information relating to your British Swim School Business generated by the Computer System, including, but not limited to, customer, price maintenance and payroll information. At our request, you agree to sign a release with any vendor of your Computer System providing us with unlimited access to your data.

You will pay us or our affiliate a technology fee (as set forth in Section 3D) for use of any software or other technology that we (or our affiliates) license or provide to you. Despite the fact that you agree to buy, license, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) your connectivity to the Computer System at all times; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

2D. SWIM LESSONS.

Only swim instructors who have satisfied the training requirements we specify from time to time, which may include, without limitation, training in our proprietary teaching methods, may teach swim lessons at your British Swim School Business. We may modify the required training and teaching techniques to be used by a swim instructor from time to time, and you agree to implement such modifications within the time period we specify. Our modification of training and techniques for the swim instructors and/or other personnel might require you to incur additional training and labor expenses. You must pay for any additional training provided by us or any third party designated by us. Although we cannot estimate the future costs of training or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, you agree to incur the costs of keeping all of your swim instructors and other personnel trained to satisfy any additions or modifications in our training requirements.

2E. OPENING REQUIREMENTS.

Subject to your compliance with the following conditions, you agree to begin providing swim lessons through your British Swim School Business by no later than sixty (60) days after signing your first Pool Agreement. The date that your British Swim School Business first provides swim lessons shall be referred to herein as the "**Opening Date.**"

You agree not to begin teaching swim lessons from any Pool until you have satisfied the following conditions with respect to such Pool, at your own expense:

- (1) You activate the Pool as a swim lesson site on the Computer System;
- (2) You have obtained all required health, safety, business, and other permits and licenses necessary to operate your British Swim School Business at the Pool;
- (3) You give us certificates for all required insurance policies with respect to the Pool (as described in Section 8G); and
- (4) We notify you in writing that the Pool meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that your British Swim School Business complies with any licensing, environmental, labor, health, fire, sanitation, occupational, fitness facility, insurance, safety, tax, governmental, or other statutes, laws, ordinances, rules, regulations,

requirements, or recommendations nor a waiver of our right to require continuing compliance with our requirements, standards, or policies).

3. **FEES.**

3A. **INITIAL FRANCHISE FEE.**

You agree to pay us a nonrecurring, nonrefundable initial franchise fee in the amount of Twenty Nine Thousand Five Hundred Dollars (\$29,500) (the “**Initial Franchise Fee**”). Such Initial Franchise Fee is for a Territory with a population ranging from fifteen thousand (15,000) to twenty thousand (20,000) children under the age of twelve (12). The Initial Franchise Fee is due, and fully earned by us, when you sign this Agreement. If the Territory you and we agree upon has a population of children under the age of twelve (12) that is more than twenty thousand (20,000) children, you will pay an additional two dollars (\$2) for each child under the age of twelve (12) in the Territory, which adjustment to the Initial Franchise Fee shall be due and payable within fifteen (15) days of the determination of the Territory.

3B. **ROYALTY FEE.**

You agree to pay us a recurring royalty fee (the “**Royalty**”) for each calendar month (or other accounting period that we may designate from time to time). The amount of the Royalty will be equal to ten percent (10%) of your Gross Sales for the previous calendar month (or other accounting period we designate). You agree to pay each Royalty within five (5) days after the end of the calendar month (or other accounting period we designate). For purposes of this Agreement, “**Gross Sales**” means all revenue that you receive from operating your British Swim School Business, including, but not limited to, all amounts or other consideration that you receive, directly or indirectly, at or away from the Pool, and in the form of cash, check, credit and debit card, barter exchange, trade credit or other credit transactions. For example, Gross Sales includes, without limitation, the following:

- (1) all monies you receive from customers, including, but not limited to, monies received from Swim School Subscriptions (as defined in Section 8C) or the sale of products and services;
- (2) the amount of gift card redemptions;
- (3) the proceeds of any business loss or interruption insurance or similar insurance; and
- (4) any other revenue you derive.

Gross Sales does not include any federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority or any customer refunds.

3C. **MARKETING FEES.**

You agree to pay us a Marketing Fund Contribution (as defined in Section 9C) and, if established, a Local Advertising Cooperative (as defined in Section 9D) contribution (collectively, the “**Marketing Fees**”). The Marketing Fees are due and payable in the same manner as the Royalty.

3D. **TECHNOLOGY FEE.**

You agree to pay us or our affiliate a monthly technology fee, as determined by us from time to time. The amount of the technology fee may vary based on the number of students in the database at your British Swim School Business. The technology fee is due and payable in the same manner as the Royalty.

3E. **INTEREST ON LATE PAYMENTS.**

All amounts which you owe us or our affiliates for any reason, will bear interest accruing as of their original due date at one and one half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for service charges and interest. You acknowledge that this Section 3D is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, your British Swim School Business.

3F. **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.

3G. **METHOD OF PAYMENT.**

You hereby authorize us to debit your business checking account you designate automatically for the Royalty, Marketing Fund Contribution and other amounts due under this Agreement (the “**EFT Authorization**”). Such EFT Authorization will remain in full force and effect during the term of this Agreement. You agree to execute any documents we require for the EFT Authorization. We will debit the account you designate in the EFT Authorization for these amounts on their due dates (or the subsequent business day if the due date is a national holiday or a weekend day). You agree to ensure that funds are available in your designated account to cover our withdrawals. You shall pay us a fee of One Hundred Dollars (\$100) each time we attempt to debit your designated account and we receive a notice of insufficient funds.

We may receive information regarding your Gross Sales through the Computer System. If we ever cease to have access to this information, and you fail to report your Gross Sales when due, we may debit your designated account for an estimated Royalty and Marketing Fund Contribution on the date it is due. We will debit your designated account one hundred ten

percent (110%) of the average of the last three (3) Royalty payments and Marketing Fees that we debited. If the amounts that we debit from your designated account are less than the amounts you actually owe us (once we have determined your true and correct Gross Sales), we will debit your designated account for the balance on the day we specify. If the amounts that we debit from your designated account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your designated account on the next payment due date.

We may require you to pay any amounts due under this Agreement or otherwise by means other than the EFT Authorization (*e.g.*, by check) whenever we deem appropriate, and you agree to comply with our payment instructions.

4. **TRAINING AND ASSISTANCE.**

4A. **INITIAL AND ONGOING TRAINING.**

We will train you (or your Operating Partner) in the material aspects of operating a British Swim School Business and provide one of your swim instructors the training described in Section 2D hereof, both at our expense (the “**Initial Training Program**”). You (or your Operating Partner) may not attend the Initial Training Program until you (or your Operating Partner) complete a preliminary test over our System Standards (using materials that we provide to you) and receive the minimum score that we require. We will provide the Initial Training Program in Sunrise, Florida (or another designated training facility location of our choice). The Initial Training Program will last up to ten (10) days; provided that we reserve the right to vary the length and content of the Initial Training Program based upon the experience and skill level of the individual attending the Initial Training Program. You may not begin teaching swim lessons until you (or your Operating Partner, if you are an Entity) complete our Initial Training Program to our satisfaction. If we determine that you (or your Operating Partner) cannot complete the Initial Training Program to our satisfaction, we may terminate this Agreement. We provide the Initial Training Program for no tuition fee for you (or the Operating Partner) and one swim instructor. You may invite additional employees to attend the Initial Training Program if space allows, though we reserve the right to charge you our then-current training fee for each additional individual attending the Initial Training Program. We reserve the right to limit the number of attendees for the Initial Training Program.

In the event that you (or your Operating Partner) fail to complete the Initial Training Program to our satisfaction, we reserve the right to require such individual to attend additional training and we will charge you our then-current training fee for such additional training. Such additional training will be provided at our offices in Sunrise, Florida (or another designated training facility of our choice). We may, but are not obligated to, provide you additional training at your Pool(s) and charge you our then-current off-site training fee. If you (or your Operating Partner) are unable to complete the additional training to our satisfaction, we reserve the right, in our sole discretion, to terminate this Agreement.

You or your designated swim instructor manager (as may be required, pursuant to Section 8F) are responsible for providing the swim instructor training described in Section 2D to all of your swim instructors and for training all of your employees other than the attendees of the

Initial Training Program that we provide. At your request, we may, from time to time in our discretion, train your swim instructors for an additional fee. All employees must satisfactorily pass a training program prior to providing services at your British Swim School Business. If we determine, in our sole discretion, that you (or your Operating Partner), or any of your employees, including your swim instructors, are not properly trained to provide the services offered by your British Swim School Business, we may require such person to cease providing services at your British Swim School Business and/or to be trained by one of our trainers at our then-current training fee. If you appoint a new Operating Partner (subject to Sections 1C and 12), he or she must attend the then-current Initial Training Program within thirty (30) days of the appointment date and you shall pay our then-current training fee.

You (or your Operating Partner) may request additional training in the operation of a British Swim School Business. We and you will jointly determine the duration of this additional training, and we reserve the right to charge you our then-current training fee for such additional training. However, if your attendees satisfactorily complete our Initial Training Program and have not expressly informed us at the end of the program that they do not feel sufficiently trained in the operation of a British Swim School Business, then you and they will be deemed to have been trained sufficiently to operate a British Swim School Business.

We may require you (or your Operating Partner), and/or certain other employees, including swim instructors, of your British Swim School Business to attend various training courses, meetings, conferences and seminars, which may include an annual meeting of franchise owners, at the times and locations that we designate; provided that we will not require physical attendance at such events for more than a total of ten (10) business days per calendar year. You agree to pay all travel and living expenses (including, without limitation, wages, transportation, food, lodging, and workers' compensation insurance) that you (or your Operating Partner), or any employees (including swim instructors) incur during their attendance at any conferences, seminars, annual meetings and/or training courses and programs. Notwithstanding the foregoing, you acknowledge and agree that we may require the individuals described above to participate in additional meetings or training through the Internet or other electronic means. You understand and agree that any specific ongoing training or guidance we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or guidance, all of which we may discontinue and modify from time to time.

4B. ON-SITE ASSISTANCE.

We will, at no additional cost to you and at our expense, send a support team (the identity and composition of which shall be in our discretion and may be comprised of only one (1) person) to your British Swim School Business to assist you with marketing and promotional strategies, provide swim lesson guidance and provide advice, guidance, and initial operations support for a total period of up to seven (7) days (which may or may not be consecutive); provided that we shall determine whether to provide the assistance before or after your Opening Date.

4C. GUIDANCE AND SYSTEM STANDARDS.

We may advise you from time to time regarding your British Swim School Business's operation based on your reports or our inspections. We will provide mandatory and suggested specifications, standards, operating procedures, and rules ("**System Standards**") that we periodically prescribe for operating a British Swim School Business and information on your other obligations under this Agreement, which may include, but are not limited to: (1) standards, specifications, and operating procedures and methods that British Swim School Businesses use, including, but not limited to, scheduling and managing swim lessons; (2) customer service standards and policies; (3) qualifications and tests for swim instructors and other employees, including criminal background checks (although you will have sole responsibility and authority concerning employee selection and promotion); (4) staffing levels, training, dress, and appearance of your employees; (5) amounts and types of swim lessons to be offered, including lesson class sizes; (6) days and hours of operation; (7) supplies, equipment and inventory management; (8) use and display of the Marks at your British Swim School Business and on Operating Assets and other materials; (9) the offer, sale and management of Swim School Subscriptions (defined in Section 8C), including the terms and conditions upon which a customer may utilize, modify or cancel Swim School Subscriptions; (10) sales, marketing, advertising, and promotional strategies and programs and materials/media used in these programs; (11) recommended liability waiver forms for customers; (12) use and acceptance of gift cards, loyalty programs, coupons, passes, certificates and discounts; (13) policies regarding credit and debit cards, other payment systems, and check verification services; (14) required and recommended associations and membership, including membership in the United States Swim School Association; (15) participation in market research and testing and product and service development programs as well as participation in, and dues assessed for, advisory councils; and (16) administrative, accounting, reporting and record retention. Such guidance and System Standards will be furnished in the form of our operations manual for the operation of British Swim School Businesses (collectively, the "**Operations Manual**"), which may include access to an Internet site containing information, as well as audiotapes, videotapes, compact discs, computer software, newsletters, bulletins and other written or electronic materials. We may also provide guidance via telephonic conversations and/or consultation at our offices. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then-applicable fee, including our personnel's per diem charges and travel and living expenses. We reserve the right to periodically visit the Pool(s) and evaluate your British Swim School Business.

4D. OPERATIONS MANUAL.

We will provide you access to some or all of the Operations Manual on a restricted Website or extranet to which you will have access. (For purposes of this Agreement, "**Website**" means an interactive electronic document contained in a network of computers linked by the Internet.) We may modify the Operations Manual periodically to reflect changes in System Standards.

You agree to monitor and access the Website or extranet for any updates to the Operations Manual or System Standards. If there is a dispute over its contents, our version of the

Operations Manual shall control. You agree that the Operations Manual's contents are confidential and that you will not disclose the Operations Manual to any person other than swim instructors or employees of your British Swim School Business who need to know its contents. You may not at any time print, distribute or otherwise communicate any part of the Operations Manual except as authorized by this Agreement. Any passwords or other digital identifications necessary to access the Operations Manual on a Website or extranet will be deemed to be part of Confidential Information (as defined in Section 6 below).

4E. DELEGATION OF PERFORMANCE.

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

5. MARKS.

5A. OWNERSHIP AND GOODWILL OF MARKS.

Our affiliate (the “**Trademark Owner**”) has licensed the Marks to us to use 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 your British Swim School 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 the Trademark Owner's and our rights in the Marks. You acknowledge and agree that any unauthorized use of the Marks will cause us and the Trademark Owner irreparable harm for which there is no adequate remedy at law and will entitle us and the Trademark Owner to injunctive relief. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our and the Trademark Owner's benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your British Swim School 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 and the Trademark Owner's ownership, of the Marks.

5B. LIMITATIONS ON YOUR USE OF MARKS.

You agree to use the Marks to identify your British Swim School Business and to identify yourself as the independent owner of your British Swim School 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 9E) 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 your British Swim School 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 your British Swim School 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 and to obtain any fictitious or assumed name registrations required under applicable law.

5C. 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 and/or the Trademark Owner may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office ("USPTO") proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

5D. DISCONTINUANCE OF USE OF MARKS.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing your British Swim School Business's Operating Assets or other products, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

Our rights in this Section 5D apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason, business or otherwise, that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

5E. INDEMNIFICATION FOR USE OF MARKS.

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At

our option, we and/or the Trademark Owner may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

5F. **NON-DISPARAGEMENT.**

You agree not to (and to use your best efforts to cause your current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, current and former franchisees of us or our affiliates, the British Swim brand, the Franchise System, any British Swim School Business, any business using the Marks, any other brand or service-marked or trademarked concept of us or our affiliates, or which would subject the British Swim brand or such other brands to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us, the British Swim brand or such other brands.

5G. **OWNERS BOUND.**

Unless otherwise specified, each and every one of your obligations to take or refrain from taking specific actions, or to engage or refrain from engaging in specific activities, set forth in this Section 5, shall also apply to each of your owners.

6. **CONFIDENTIAL INFORMATION.**

We and our affiliates possess (and may continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “**Confidential Information**”), relating to developing and operating British Swim School Businesses, whether or not marked confidential, including (without limitation):

- (1) training and operations materials and manuals, including the Operations Manual;
- (2) the System Standards and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating British Swim School Businesses, including the proprietary teaching techniques used by swim instructors of British Swim School Businesses;
- (3) market research and promotional, marketing and advertising strategies and programs for British Swim School Businesses;
- (4) strategic plans, including expansion strategies and targeted demographics;
- (5) knowledge of, specifications for, suppliers of, and methods of ordering Operating Assets and other products and supplies;

(6) any computer software or similar technology which is proprietary to us, our affiliates, or the Franchise System, including, without limitation, the Computer System, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;

(7) knowledge of the operating results and financial performance of British Swim School Businesses other than your British Swim School Business;

(8) information generated by, or used or developed in, your British Swim School Business's operation, including customer information, buying habits, preferences, demographic information and related information and any other information contained from time to time in the Computer System or otherwise in the Franchise System; and

(9) any other information designated as confidential or proprietary by us.

All Confidential Information furnished to you by us or on our behalf, whether orally or by means of written material (i) shall be deemed proprietary, (ii) shall be held by you in strict confidence, (iii) shall not be copied, disclosed or revealed to or shared with any other person except to your employees or contractors who have a need to know such Confidential Information for purposes of this Agreement and who are under a duty of confidentiality no less restrictive than your obligations hereunder, or to individuals or entities specifically authorized by us in advance, and (iv) shall not be used in connection with any other business or capacity. You will not acquire any interest in Confidential Information other than the right to use it as we specify in operating your British Swim School Business during this Agreement's term. You agree to protect the Confidential Information from unauthorized use, access or disclosure in the same manner as you protect your own confidential or proprietary information of a similar nature and with no less than reasonable care. We may require you to have your employees and contractors execute individual undertakings and shall have the right to regulate the form of and to be a party to or third-party beneficiary under any such agreements. Attached as **Exhibit C** is our current form of confidentiality and non-competition agreement.

You acknowledge and agree that, as between us and you, we are the sole owner of all right, title, and interest in and to the Franchise System and any Confidential Information. All improvements, developments, derivative works, enhancements, or modifications to the Franchise System and any Confidential Information (collectively, "**Innovations**") made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, shall be owned solely by us. You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us. To that end, you shall execute, verify, and deliver such documents (including, without limitation, assignments) and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. In the

event we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section 6, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 6 with the same legal force and effect as if executed by you. The obligations of this Section 6 shall survive any expiration or termination of the Agreement.

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time that we disclosed it to you, already had lawfully become generally known through publication or communication by others (without violating an obligation to us or our affiliates); or which, after we disclose it to you, lawfully becomes generally known through publication or communication by others (without violating an obligation to us or our affiliates). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

From and after the Effective Date, we own the current and future lists of your British Swim School Business's customers, including all information on students and their parents such as addresses, e-mail addresses, telephone numbers, lesson records and other data. At our request from time to time, you must send us the customer information we shall request, in the manner and form we designate. You acknowledge and agree that all such customer information comprises part of the Confidential Information, and that we may use such customer information in any way we wish and irrespective of, any transfer, termination, expiration, repurchase or otherwise.

7. **EXCLUSIVE RELATIONSHIP DURING TERM.**

7A. **COVENANTS AGAINST COMPETITION.**

You acknowledge that we have granted you a franchise in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during this Agreement's term, neither you, any of your owners, nor any of your or your owners' immediate family members will:

- (a) have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business (as defined below), wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph); or
- (b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating.

The term “**Competitive Business**” means (i) any program, facility or enterprise (whether for profit or otherwise) providing swimming or water survival training (excluding any British Swim School Businesses operated under a franchise agreement with us) or (ii) any business granting franchises or licenses to others to operate the type of business specified in part (i).

7B. NON-SOLICITATION AND NON-INTERFERENCE.

You further agree that, during the term of this Agreement, neither you, any of your owners, nor any of your or your owners’ immediate family members will:

(1) recruit or hire any person who is then or was, within the immediately preceding twenty-four (24) months, employed by us, by any of our affiliates, or by a British Swim School Business owner as an officer, general manager, or other senior executive, without our consent or that of the relevant employer;

(2) solicit, interfere, or attempt to interfere with our or our affiliates’ relationships with any British Swim School Business customers, vendors, or consultants; or

(3) engage in any other activity that might injure the goodwill of the Marks and/or the Franchise System.

8. OPERATION OF YOUR BRITISH SWIM SCHOOL BUSINESS.

8A. CONDITION AND APPEARANCE OF POOLS.

You agree that:

(1) you will maintain a clean and organized appearance at each Pool from where you operate your British Swim School Business, including your Operating Assets, in accordance with System Standards and consistent with the image of a British Swim School Business as an efficiently operated business offering high quality products and services and observing the highest standards of professionalism, cleanliness, sanitation, efficient, courteous service and pleasant ambiance, and, in that connection, will repair or replace damaged, worn out or obsolete Operating Assets;

(2) you will place or display at the Pool those products, signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve;

(3) if at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of any of your Pools or your British Swim School Business’s equipment, supplies, products or signs does not meet our standards, we have the right to notify you, specifying the action you must take to correct the deficiency. If you do not cure the deficiency, or cause the owner or operator of the Pool to initiate action to correct such deficiency, within the time period we specify, we may terminate this Agreement; and

(4) at our request, you will periodically improve and modify your British Swim School Business to conform to the then-current System Standards.

8B. SPECIFICATIONS, STANDARDS AND PROCEDURES.

You agree that: (1) your British Swim School Business will provide the swim lessons and offer the products and services that we specify from time to time; (2) your British Swim School Business will offer and sell approved products and services only in the manner we have prescribed and, except for sales methods designated by us, will not sell any products or services wholesale or through alternative channels of distribution (including, but not limited to, the Internet or retail stores); (3) you will not offer for sale or sell at your British Swim School Business any products or services we have not approved; (4) you will discontinue selling and offering for sale at your British Swim School Business any products or services that we at any time decide (in our sole discretion) to disapprove in writing; and (5) you will use certain equipment, supplies and products that we designate in connection with providing swim lessons to customers at your British Swim School Business.

8C. SWIM SCHOOL SUBSCRIPTIONS.

You will offer and sell customer subscriptions for swim and water-survival lessons that may be utilized at a designated time and Pool (a “**Swim School Subscription**”). We may prescribe the types and terms of Swim School Subscriptions to be offered by British Swim School Businesses and you agree to offer and sell such Swim School Subscriptions. You will only offer for sale Swim School Subscriptions in strict compliance with System Standards and our standards, policies and procedures. We may establish, from time to time, additional policies regarding Swim School Subscriptions. You acknowledge that such regulations may be necessary to ensure the efficient operation of British Swim School Businesses and to protect the goodwill and brand image of British Swim School Businesses, and you agree to comply with our policies, which may include, without limitation, requirements regarding payment terms and refunds for Swim School Subscriptions.

8D. APPROVED PRODUCTS, DISTRIBUTORS, AND SUPPLIERS.

We have developed or may develop standards and specifications for types, models and brands of required Operating Assets, other products, materials, supplies and services for your British Swim School Business. We reserve the right from time to time to approve specifications or manufacturers, suppliers and distributors of the above items that meet our reasonable standards and requirements. You agree to purchase only such items meeting those specifications, and if we require it, only from distributors and other suppliers we have approved, including ourselves or our affiliates.

We may concentrate purchases with one or more manufacturers, distributors or suppliers to obtain lower prices and/or the best advertising support and/or services for any group of British Swim School Businesses franchised or operated by us or our affiliates. We may also designate a single manufacturer, distributor or supplier (collectively, “**supplier**”) for any product, service, Operating Asset, or other material and may approve a supplier only as to certain products. If we or any of our affiliates designate such goods and services are to be purchased through approved

and/or designated third-party suppliers, then you shall purchase such goods and services from such suppliers pursuant to the terms and in the manner approved by us and or our affiliates. The designated supplier may be us or an affiliate of ours. You acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases (including, without limitation, from charging you for products and services we or our affiliates provide to you and from promotional allowances, rebates, volume discounts and other payments made to us by suppliers that we designate or approve for some or all of our franchise owners). We and/or any of our affiliates may use such revenue or profit without restriction.

If you would like to purchase or use any products, services, supplies or materials that we have not approved or from any unapproved supplier, you must submit to us a written request for approval of the proposed supplier prior to purchasing any such products, services, supplies or materials. Approval of a supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency and speed of delivery, past experience with our affiliates, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier from time to time. We reserve the right to charge you our then-current new product/supplier application fee and require you to reimburse us for our expenses (not to exceed the reasonable cost of the research and inspection and the actual cost of the test) to make the evaluation. We have the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to a third party we designate for testing. We shall notify you in writing of the approval or rejection of the proposed supplier within a reasonable time after completion of the investigation of the proposed supplier. If we fail to respond within sixty (60) days, your request will be deemed denied. We may, in our sole discretion, elect to withhold approval of the supplier. You acknowledge that we are likely to reject your request for a new supplier without conducting any investigation if the proposed new supplier is for items bearing our proprietary Marks or if we already have designated an exclusive supplier for the items proposed to be offered by the new supplier. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our criteria. We also reserve the right to charge suppliers a royalty for the right to manufacture products for use in British Swim School Businesses.

8E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of your British Swim School Business and must at all times operate your British Swim School Business in full compliance with all applicable laws, ordinances and regulations. You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws, regulations (including, without limitation, anti-discrimination laws), Executive Orders or otherwise relating to anti terrorist activities (including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations). In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your British Swim School Business as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing

with a person so listed (the Annex is currently available at <http://www.treasury.gov>). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 16D pertain to your obligations hereunder.

Your British Swim School Business must in all dealings with its customers, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other British Swim School Businesses. You must notify us in writing within five (5) days of the threat of or commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of your British Swim School Business and of any notice of violation of any law, ordinance, or regulation relating to your British Swim School Business.

8F. MANAGEMENT OF YOUR BRITISH SWIM SCHOOL BUSINESS.

You (or your Operating Partner, if you are an Entity) are responsible for the day-to-day management, direction and control of your British Swim School Business, subject to the terms and conditions of this Agreement. You (or your Operating Partner) must supervise the day-to-day operations of your British Swim School Business and continuously exert your (or the Operating Partner's) best efforts to promote and enhance your British Swim School Business. Your British Swim School Business must always be under the direct, full-time supervision of you (or the Operating Partner). You are not required to directly manage and train the swim instructors; however, you must at all times have a designated swim instructor manager (if someone other than you) who must have satisfactorily completed our initial training program.

8G. INSURANCE.

During the term of this Agreement, you must maintain in force at your sole expense comprehensive public liability, general liability, personal injury liability, product liability, workmen's compensation, commercial liability umbrella and other types of insurance we require. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated vendor. The liability insurance must cover claims for bodily and personal injury, drowning, death, and property damage caused by or occurring in connection with your British Swim School Business's operation or activities of your personnel in the course of their employment (within and outside your British Swim School Business and each Pool). All of these policies must contain the minimum coverage we prescribe from time to time, apply to each Pool where you operate your British Swim School Business and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports

published by A.M. Best Company (or other similar publication or criteria we designate). Each insurance policy must name us and any affiliates we designate as additional named insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including without limitation termination, we may (but need not) obtain such insurance for you and your British Swim School Business on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

8H. PRICING.

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for swim lessons, products and services offered by your British Swim School Business. If we impose such a maximum or minimum price for any lesson, product or service, you may charge any price for the swim lesson, product or service up to and including the maximum price we impose or down to and including the minimum price we impose, but may not charge any price in excess of the maximum price, or below the minimum price, set by us. For any swim lessons, products or services for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a swim lesson, product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any swim lesson, product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such swim lesson, product or service.

8I. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge and agree that operating and maintaining your British Swim School Business according to System Standards is essential to preserve the goodwill of the Marks and all British Swim School Businesses. Therefore, you agree at all times to operate and maintain your British Swim School Business according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the Franchise System's or your best interests. Although we retain the right to establish and periodically modify System Standards that you have agreed to maintain, you (or your Operating Partner) retain the right to and responsibility for the day-to-day management and operation of your British Swim School Business and implementing and maintaining System Standards at your British Swim School Business.

As examples, and without limitation, System Standards may regulate any one or more of the items described in Sections 4C and 8A above, as well as any other aspects of operating and maintaining your British Swim School Business that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and British Swim School Businesses. You agree that System Standards we prescribe in the Operations Manual, or

otherwise communicate to you in writing or another tangible form (for example, via a Franchise System extranet or Website), are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified.

8J. VARIATION AND MODIFICATION OF SYSTEM STANDARDS.

We may permit variations in the System Standards as we deem advisable, including without limitation, variations to accommodate local or regional differences. We periodically may modify System Standards, and these modifications may obligate you to invest additional capital in your British Swim School Business and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve buying new Operating Assets, adding new products and services, updating your Computer System and adding personnel or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date.

9. MARKETING.

9A. GRAND OPENING MARKETING.

You agree to spend at least Five Thousand Dollars (\$5,000) for a pre-marketing and grand opening marketing program for your British Swim School Business to take place during the period beginning at least seven (7) days after we approve the first Pool and ending up to ninety (90) days after the Opening Date. You agree to provide a grand opening marketing program strategy for our approval before you implement your grand opening marketing program, which shall include proposed marketing materials and promotions to gain brand exposure in your Territory. Upon our request, you agree to send us, in the manner we prescribe, an accounting of your pre-marketing and grand opening advertising expenditures.

9B. LOCAL ADVERTISING.

Each calendar month, you agree to spend the greater of (a) Five Hundred Dollars (\$500) and (b) 2% of your Gross Sales during the previous calendar month, to advertise and promote your British Swim School Business (which may include the costs of online advertising) (the “**Local Advertising Expenditure**”). Upon our request, you agree to send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures during the preceding months.

Any advertising and promotion conducted by you with respect to your British Swim School Business must follow our guidelines. All advertising and promotional materials that you develop for your British Swim School Business must contain notices of the domain of our Franchise System Website (as defined in Section 9E 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 (10) 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 (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.

9C. **ADVERTISING AND MARKETING FUND.**

Recognizing the value of advertising and marketing to the goodwill and public image of British Swim School Businesses, we have established a national advertising and marketing fund (the “**Marketing Fund**”) for the advertising, marketing, and public relations programs and materials we deem appropriate that will be used nationally, regionally, or locally in our franchise owners’ markets. You agree to contribute to the Marketing Fund in an amount equal to two percent (2%) of your Gross Sales, due and payable in the same manner as the Royalty (“**Marketing Fund Contribution**”). British Swim School Businesses owned by us or our affiliates will contribute to the Marketing Fund on the same basis as our franchise owners.

We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining our Franchise System Website or related Websites that promote British Swim School Businesses and/or related strategies; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or “next generations” of any such devices; to implement a loyalty program or other marketing programs designed to encourage the use of British Swim School Businesses; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

The Marketing Fund periodically will give you samples of advertising, marketing, and promotional formats and materials that we may develop at no cost. The Marketing Fund will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling and storage charges.

We will account for the Marketing Fund separately from our other funds. We may use the Marketing Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Fund’s other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Marketing Fund and its programs, including, without limitation, conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Marketing Fund Contributions.

The Marketing Fund is not our asset. Although the Marketing Fund is not a trust, we will hold all Marketing Fund Contributions for the benefit of the contributors and use contributions only for the purposes described in this Section. We do not have any fiduciary obligation for

administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Marketing Fund Contributions to pay costs before using the Marketing Fund's other assets.

We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give you the statement upon written request. We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent certified public accountant. We may incorporate the Marketing Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 9C.

The purpose of the Marketing Fund is to maximize recognition of the Marks, patronage of British Swim School Businesses and the British Swim School brand generally. Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place such materials, that will benefit all British Swim School Businesses, we cannot ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to Marketing Fund Contributions by contributors operating in that geographic area or that any contributor benefits directly or in proportion to its Marketing Fund Contribution from the development of advertising and marketing materials or the placement of advertising and marketing.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

We may at any time defer or reduce contributions of a British Swim School Business franchise owner and, upon thirty (30) days' prior written notice to you, reduce or suspend Marketing Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unspent monies to our franchise owners, and to us and our affiliates, in proportion to their, and our, respective Marketing Fund Contributions during the preceding twelve (12) month period.

9D. LOCAL ADVERTISING COOPERATIVE.

Subject to the terms and conditions of this Section 9D, you agree that we or our affiliates or designees may establish or direct the establishment of a local advertising cooperative ("**Local Advertising Cooperative**") in geographical areas (as determined by us) in which two (2) or more British Swim School Businesses are operating. The Local Advertising Cooperative will be organized and governed by written documents in a form and manner, and begin operating on a date, that we determine in advance. Such written documents will be available for participating Local Advertising Cooperative franchise owners to review. We may change, dissolve and merge Local Advertising Cooperatives. Each Local Advertising Cooperative's purpose is, with our

approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Local Advertising Cooperative covers. If, as of the time you sign this Agreement, we have established a Local Advertising Cooperative for the geographic area in which your British Swim School Business is located, or if we establish a Local Advertising Cooperative in that area during this Agreement's term, you agree to sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative as those documents require.

If we establish a Local Advertising Cooperative in your geographic area pursuant to this Section 9D, you agree to participate and contribute your share to such Local Advertising Cooperative. Your contributions to a Local Advertising Cooperative will be credited to your Local Advertising Expenditure described in Section 9B and payable in the same manner as the Royalty. Your contributions to a Local Advertising Cooperative may also be capped based on the provisions of the by-laws adopted by the Local Advertising Cooperative, subject to our approval. You will pay these monies to us electronically and we will remit them periodically to the Local Advertising Cooperative. British Swim School Businesses owned by us or our affiliates will contribute to their respective Local Advertising Cooperative on the same basis as our franchise owners.

Each British Swim School Business contributing to a Local Advertising Cooperative will have one (1) vote on matters involving the activities of the particular Local Advertising Cooperative. The Local Advertising Cooperative may not use any advertising, marketing or promotional plans or materials without our prior written consent. We agree to assist in the formulation of marketing plans and programs, which will be implemented under the direction of the Local Advertising Cooperative. You acknowledge and agree that, subject to our approval and subject to availability of funds, the Local Advertising Cooperative will have discretion over the creative concepts, materials and endorsements used by it. You agree that the Local Advertising Cooperative assessments may be used to pay the costs of preparing and producing video, audio and written advertising and direct sales materials for British Swim School Businesses in your area; purchasing direct mail and other media advertising for British Swim School Businesses in your area; implementing direct sales programs; and employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs for British Swim School Businesses in your area.

The monies collected by us on behalf of a Local Advertising Cooperative will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You agree to submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative require.

You understand and acknowledge that your British Swim School Business might not benefit directly or in proportion to its contribution to the Local Advertising Cooperative from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for British Swim School Businesses will be developed separately and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative on behalf of and at the expense of the Local Advertising

Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in this Section 9D, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Local Advertising Cooperative.

9E. **FRANCHISE SYSTEM WEBSITE.**

We may establish a Website to advertise, market, and promote British Swim School Businesses; the swim lessons, products and services that they offer and sell; and/or a British Swim School franchise opportunity (the “**Franchise System Website**”). We may, but are not obligated to, provide you with a webpage on the Franchise System Website that references your British Swim School Business. If we provide you with a webpage on the Franchise System Website, you must: (i) provide us the information and materials we request to develop, update, and modify your webpage, including information on your Pool(s); (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We reserve the right to include a charge as part of the technology fee for our maintenance of your webpage. We will own all intellectual property and other rights in the Franchise System Website, including your webpage and all information it contains (including, without limitation, the domain name or URL for your webpage, the log of “hits” by visitors, and any personal or business data that visitors supply).

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). You acknowledge that 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 this Agreement and all System Standards we implement (including, without limitation, those relating to the Franchise System Website). If you are in default of any obligation under this Agreement or the Franchise System, then we may, in addition to our other remedies, 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 this 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.

We reserve the sole right to sell the 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 Business products or services to customers on a Website through the Internet or through any alternative channels of distribution except as approved by us.

Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any Website (other than the Franchise System Website), domain name, URL address, other online presence or other electronic medium that mentions your British Swim School Business, links to the Franchise System Website or displays any of the Marks. If we approve the use of any such Websites, other online presences or electronic mediums, including social networking Websites (such as LinkedIn[®], instagram[®], twitter[®], facebook[®], or YouTube[®]) in the operation of your British Swim School Business, or the posting of messages relating to your British Swim School Business on other Websites, you will do so only in accordance with our guidelines. We reserve the right to require our approval of any message you compose for a social networking Website or of commentary for any other Website before you post such message or commentary. We also reserve the right to revoke your approval to use any Website at any time.

10. **RECORDS, REPORTS, AND FINANCIAL STATEMENTS.**

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You must use the Computer System to maintain certain sales data and other information. You agree that we shall have access to the Computer System of your British Swim School Business at all times and that we shall have the right to collect and retain from the Computer System any and all data concerning your British Swim School Business.

You agree to give us in the manner and format that we prescribe from time to time:

- (a) on or before the Royalty payment, a report on your Gross Sales during the preceding calendar month (or other accounting period we designate);
- (b) within fifteen (15) days after the end of each calendar month, the operating statements, financial statements, statistical reports and other information we request regarding your British Swim School Business covering that month;
- (c) within the time limits specified in the Operations Manual, such other periodic operating statements, financial statements, statistical reports and other information we request regarding you and your British Swim School Business;
- (d) by April 15th of each year, annual profit and loss and source and use of funds statements and a balance sheet for your British Swim School Business as of the end of the prior calendar year; and
- (e) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we may periodically require relating to you and your British Swim School Business.

An officer must certify and sign each report and financial statement in the manner we prescribe. We reserve the right to disclose data derived from these reports.

Subject to applicable law, you agree to preserve and maintain all records in a secure location at your British Swim School Business for at least three (3) years (including, but not limited to, sales transaction records, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipt and disbursement journals, credit card processing reports, and general ledgers). We may require you to have audited financial statements prepared annually during the term of this Agreement.

Further, at our request, you will provide financial information of your owners and guarantors sufficient to demonstrate such owners' and guarantors' ability to satisfy their financial obligations under this Agreement and their individual guarantees.

11. INSPECTIONS AND AUDITS.

11A. OUR RIGHT TO INSPECT YOUR BRITISH SWIM SCHOOL BUSINESS.

To determine whether you and your British Swim School Business are complying with this Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1) inspect your British Swim School Business; (2) photograph your British Swim School Business and observe and videotape your British Swim School Business's operation for consecutive or intermittent periods we deem necessary; (3) continuously or periodically monitor your British Swim School Business using electronic surveillance or other means; (4) remove samples of any products and supplies; (5) interview your British Swim School Business's swim instructors, employees and customers; (6) utilize mystery shoppers or other marketing research techniques at your expense; and (7) inspect and copy any books, records, and documents relating to your British Swim School Business's operation. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with your British Swim School Business's operation.

11B. OUR RIGHT TO AUDIT.

We may, at any time and without prior notice to you, examine your and your British Swim School Business's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of your Gross Sales, you agree to pay us, within fifteen (15) days after receiving the examination report, the Royalty, Marketing Fees, and any other fees understated, plus interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Gross Sales exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. **TRANSFER.**

12A. **BY US.**

You acknowledge that we maintain a staff to manage and operate the Franchise System and that staff members can change as employees come and go. You acknowledge that you did not sign this Agreement in reliance on the continued participation by or employment of any of our shareholders, directors, officers, or employees. We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or the other obligations under this Agreement. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

12B. **BY YOU.**

You understand and acknowledge that the rights and duties this Agreement creates are personal to you and your owners and that we have granted you the franchise in reliance upon our perceptions of your and your owners' individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement (or any interest in this Agreement); (ii) your British Swim School Business (or any right to receive all or a portion of your British Swim School Business's profits or losses or capital appreciation related to your British Swim School Business); (iii) substantially all of the assets of your British Swim School Business; (iv) any ownership interest in you (regardless of its size); or (v) any ownership interest in any of your owners (if such owners are legal entities). A transfer of your British Swim School Business's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

In this Agreement, the term "**transfer**" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest;
- (c) any sale of a security convertible to an ownership interest;
- (d) transfer of an interest in you, this Agreement, your British Swim School Business or substantially all of its assets, or in your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(e) if one of your owners or an owner of one of your owners dies, a transfer of an interest in you or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(f) foreclosure upon your British Swim School Business, or your transfer, surrender, or loss of your British Swim School Business's possession, control, or management.

Additionally, you may not pledge this Agreement, an ownership interest in you or your owners, or your assets as security for any loan or other financing (to someone other than us), unless (1) we grant our prior written consent and (2) the lender agrees that its claims will be subordinate to all amounts you owe at any time to us or our affiliates.

If you intend to list your British Swim School Business for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement. You may not use or authorize the use of any Mark in advertising the transfer or other disposition of your British Swim School Business or of any ownership in you without our prior written consent. You shall not use or authorize the use of, and no third party shall on your behalf use, any written materials to advertise or promote the transfer of your British Swim School Business or of any ownership interest in you without our prior written approval of such materials.

12C. CONDITIONS FOR APPROVAL OF TRANSFER.

If you and your owners are fully complying with this Agreement, then, subject to the other provisions of this Section 12, we will approve a transfer that meets all of the requirements in this Section 12C.

For any proposed transfer (including a transfer of this Agreement, a transfer of a "controlling ownership interest" (as defined in Section 17K) in you or one of your owners, or a transfer which is one of a series of transfers, regardless of the time period over which these transfers take place, which in the aggregate transfer this Agreement or a controlling ownership interest in you or one of your owners) all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) the transferee has sufficient business experience, aptitude, integrity and financial resources to operate your British Swim School Business;

(2) you have paid all Royalties, Marketing Fees, and other amounts owed to us, our affiliates, and third-party vendors; have submitted all required reports and statements; and have not violated any provision of this Agreement or any other agreement with us or our affiliates;

(3) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(4) the transferee's representatives satisfactorily complete our then-current initial training program;

(5) the owner of the facility in which each Pool is located allows you to transfer the corresponding Pool Agreement to the transferee;

(6) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Marketing Fees; provided, however, that the term of the new franchise agreement signed will equal the remainder of the then-remaining term of this Agreement;

(7) you pay us a transfer fee equal to fifty percent (50%) of the then-current Initial Franchise Fee for a British Swim School Business;

(8) you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents;

(9) all individuals and entities who will be direct or indirect owners must execute or have executed a guaranty in the form we prescribe;

(10) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of your British Swim School Business;

(11) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your British Swim School Business are subordinate to the transferee's obligation to pay the Royalty, Marketing Fees, and other amounts due to us, our affiliates, and third-party vendors and otherwise to comply with this Agreement;

(12) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other British Swim School Businesses you own and operate) identify yourself or themselves or any business as a current or former British Swim School Business or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a British Swim School Business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us; and

(13) you and your transferring owners comply with the non-compete obligations under Section 15E of this Agreement.

We may review all information regarding your British Swim School Business that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your British Swim School Business.

12D. EFFECT OF CONSENT TO TRANSFER.

Our consent to a transfer of this Agreement and your British Swim School Business, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guaranty of your British Swim School Business's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

12E. TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY.

Notwithstanding Section 12C above, if you are in full compliance with this Agreement, you may transfer this Agreement to a corporation or limited liability company which conducts no business other than your British Swim School Business and, if applicable, other British Swim School Businesses, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of your British Swim School Business's assets are owned, and your British Swim School Business is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of your obligations under this Agreement. You agree to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur and sign the form of consent to assignment and assignment to corporate entity satisfactory to us which may include a general release of any and all claims against us and our owners, officers, directors, employees and agents. You further agree to provide us with all organizational documents for the corporation or limited liability company that we require.

12F. OUR RIGHT OF FIRST REFUSAL.

If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement, and your British Swim School Business, or an ownership interest in you (except to or among your current owners, which is not subject to this Section), in a transaction that otherwise would be allowed under Sections 12B and 12C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send to us a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your British Swim School Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 12B and C above. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you or your selling owner(s) within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

- (1) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);
- (2) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);
- (3) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and
- (4) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in an Entity, as applicable, including, without limitation, representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 12F.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections 12B and C above, and if you (and your owners) and the transferee comply with the conditions in Sections 12B and C above.

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

12G. **YOUR DEATH OR DISABILITY.**

Upon your or your Operating Partner's death or disability, your or the Operating Partner's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the Operating Partner's ownership interest in you, to a third party (which may be your or the Operating Partner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12 (except that any transferee that is the spouse or immediate family member of you or your Operating Partner shall not have to pay the transfer fee described in Section 12C(7) if the transfer meets all the other conditions in Section 12C). A failure to transfer your interest in this Agreement or the Operating Partner's ownership interest in you within this time period is a breach of this Agreement. The term "**disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Operating Partner from supervising the management and operation of your British Swim School Business. If, upon your or the Operating Partner's death or disability, a manager approved by us is not managing your British Swim School Business, your or the Operating Partner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager. The manager must complete our then-current initial training program at your expense. A new Operating Partner acceptable to us also must be appointed for your British Swim School Business within sixty (60) days.

13. **EXPIRATION OF THIS AGREEMENT.**

13A. **YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.**

Upon expiration of this Agreement, if you meet certain conditions and subject to the terms and conditions of this Section 13 and subject to the terms and conditions of this Agreement, then you will have the option to acquire a successor franchise to operate your British Swim School Business as a British Swim School Business for an additional term of ten (10) years. The qualifications and conditions for the successor franchise term are described below.

When this Agreement expires:

- (1) if you (and each of your owners) have substantially complied with this Agreement during its term, including your Performance Goals;
- (2) if you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise (as provided in Section 13B below) and on the date on which the term of the successor franchise would commence, in full compliance with this Agreement and all System Standards;
- (3) if you add, update or replace Operating Assets (if necessary) at our request; and

(4) if you (a) retain the right to use the Pool(s) and agree to renew your Pool Agreements, or (b) at your option, secure rights to use one or more substitute Pools that we approve and you enter into Pool Agreements with such Pools according to System Standards then-applicable for British Swim School Businesses,

then you have the option to acquire a successor franchise commencing immediately upon the expiration of this Agreement. You agree to sign the franchise agreement we then use to grant franchises for British Swim School Businesses (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement. You also agree to complete any additional training programs to meet our then-current standards at your expense.

If you (and each of your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise and on the date on which the term of the successor franchise commences, in full compliance with this Agreement and all System Standards, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Section 14B.

13B. GRANT OF A SUCCESSOR FRANCHISE.

You agree to give us written notice (“**Your Notice**”) of your election to acquire a successor franchise no more than twelve (12) months and no less than six (6) months before this Agreement expires. We agree to give you written notice (“**Our Notice**”) not more than three (3) months after we receive your notice, of our decision:

- (1) to grant you a successor franchise;
- (2) to grant you a successor franchise on the condition that you correct existing deficiencies of your British Swim School Business or in your operation of your British Swim School Business;
- (3) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term or were not in full compliance with this Agreement and all System Standards on the date you gave us written notice of your election to acquire a successor franchise; or
- (4) not to grant you a successor franchise if we are no longer offering franchises for British Swim School Businesses.

If applicable, Our Notice will:

- (a) describe the improvements, technology upgrades, trade dress updates, and/or modifications required to bring the Operating Assets of your British Swim School Business into compliance with then-applicable System Standards for new British Swim School Businesses; and

(b) state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies.

If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise, your right to acquire a successor franchise is subject to your full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

If Our Notice states that you must cure certain deficiencies of your British Swim School Business or its operation as a condition to our granting you a successor franchise, we will give you written notice of our decision not to grant a successor franchise, based upon your failure to cure those deficiencies, not less than ninety (90) days before this Agreement expires; provided, however, that we need not give you ninety (90) days' notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the ninety (90) day period before it expires. We may extend this Agreement's term for the time period necessary to give you either reasonable time to correct deficiencies or the ninety (90) days' notice of our refusal to grant a successor franchise. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

13C. AGREEMENTS/RELEASES.

If you satisfy all of the other conditions for a successor franchise, you and your owners agree to execute the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for British Swim School Businesses (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement, including the financial terms and the territorial description. You and your owners further agree to sign, in a form satisfactory to us, guaranties and general releases of any and all claims against us and our shareholders, officers, directors, employees, agents, successors, and assigns. We will consider your or your owners' failure to sign these agreements and releases and to deliver them to us for acceptance and execution within thirty (30) days after their delivery to you to be an election not to acquire a successor franchise.

13D. MODIFICATION OF TERRITORY.

Notwithstanding anything to the contrary contained herein, we reserve the right to modify your Territory based on demographic changes as a condition of granting you a successor franchise; provided that if you do not consent to our modifications to your Territory, you may revoke your election to acquire a successor franchise.

14. **TERMINATION OF AGREEMENT.**

14A. **TERMINATION BY YOU.**

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within thirty (30) days after you deliver written notice of the material failure to us or, if we cannot correct the failure within thirty (30) days, give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination.

Your termination of this Agreement other than according to this Section 14A will be deemed a termination without cause and a breach of this Agreement.

14B. **TERMINATION BY US.**

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the franchise or operating your British Swim School Business;

(2) you (or your Operating Partner) do not complete the Initial Training Program in accordance with Section 4A of this Agreement;

(3) you do not open your British Swim School Business for business in accordance with Section 2E and teach your first swim lesson within sixty (60) days after signing your first Pool Agreement;

(4) you fail to meet the Performance Goals set forth on **Exhibit B** of this Agreement;

(5) an individual, other than a swim instructor satisfying the training requirements specified in Section 2D, teaches a swim lesson at your British Swim School Business;

(6) you abandon your British Swim School Business or fail to provide swim lessons for more than fourteen (14) consecutive days, unless you have obtained our prior written approval of the suspension;

(7) you (or your owners) make or attempt to make any transfer in violation of Section 12;

(8) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony;

(9) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(10) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects your British Swim School Business's reputation or the goodwill associated with the Marks;

(11) you lose the right to use any of your Pools due to your actions or your breach of a Pool Agreement;

(12) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

(13) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate your British Swim School Business in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours after you receive notice from us or any other party;

(14) you fail to maintain the appearance and condition of a Pool as required by us or your British Swim School Business's Operating Assets pursuant to Section 8A;

(15) you violate any other applicable law, regulation, ordinance or consent decree, or fail to maintain any bond, license or permit, and do not cure such violation or failure within ten (10) days after we or any applicable government agency deliver notice to you of that violation or failure;

(16) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(17) you fail to pay when due any federal or state income, service, sales, or other taxes due on your British Swim School Business's operation, unless you are in good faith contesting your liability for these taxes;

(18) you have insufficient funds in your designated account to cover your payments owed for the Royalty, Marketing Fees and other amounts due on three (3) separate occasions within a twelve (12) month period;

(19) you understate your Gross Sales three (3) times or more during this Agreement's term or by more than five percent (5%) on any one occasion;

(20) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligation under this Agreement, whether or not

we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(21) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your British Swim School Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you or your British Swim School Business is not vacated within thirty (30) days following the order's entry;

(22) you fail to pay any Pool operator or any other third-party supplier the fees due within thirty (30) days after the due date;

(23) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you; or

(24) there is a termination of any other agreement between you or your affiliates and us (or any of our affiliates).

15. **OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.**

15A. **PAYMENT OF AMOUNTS OWED TO US.**

You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine the amounts due to us (or our affiliates), the Royalties, Marketing Fees, interest, and all other amounts owed to us (and our affiliates) which then are unpaid. We have the right to set off any amount you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You acknowledge and agree that, upon the termination or expiration of this Agreement, we shall not become responsible for paying any other third-party amounts you may owe to such third party.

In addition, if this Agreement is terminated by you (other than in accordance with Section 14A) or because of your (or your owner's) default, you and we agree that it would be difficult if not impossible to determine the amount of damages that we would suffer. The parties agree that a reasonable estimate of those damages is the net present value of your Royalties and Marketing Fees that would have become due from the date of termination until the scheduled expiration date of this Agreement, such Royalty and Marketing Fees to be based on the average monthly Royalty and Marketing Fees during the preceding twelve (12) calendar months times the number of months remaining in the term of this Agreement. If, as of the termination date, you have been operating your British Swim School Business for less than twelve (12) months, then such Royalties and Marketing Fees shall be based on the average monthly Royalty and Marketing Fees of all British Swim School Businesses during the twelve (12) months preceding the termination date.

15B. UNUSED SWIM SCHOOL SUBSCRIPTIONS.

In the event that this Agreement expires or is terminated for any reason while you have customer obligations outstanding under Swim School Subscriptions, then immediately after the date of termination or expiration of this Agreement, you agree to provide each customer a refund with respect to the unused portion of the Swim School Subscription for which the customer has paid. In the event that you do not refund your customers for unused Swim School Subscriptions within ten (10) days after the termination or expiration of this Agreement, we reserve the right to pay such customers a refund on your behalf and charge you five percent (5%) interest (or the highest interest allowed by applicable law) on such refund amounts until we receive reimbursement in full.

15C. MARKS.

(1) Removal of Signs and Marks. In the case of expiration, you must deliver to us all Operating Assets and other products and materials containing any Mark or otherwise identifying or relating to a British Swim School Business on or before the date on which this Agreement expires. In the case of a termination, you must deliver to us all Operating Assets and other products and materials containing any Mark or otherwise identifying or relating to a British Swim School Business within seven (7) days after the date this Agreement is terminated.

(2) Additional De-Identification Requirements. When this Agreement expires or is terminated:

(a) you may not directly or indirectly at any time or in any manner (except with other British Swim School Businesses you own and operate) identify yourself or any business as a current or former British Swim School Business or as one of our current or former franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a British Swim School Business in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

(b) you agree to take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(c) if you fail to do so in the required time period, you agree to allow us, without liability to you or third parties for trespass or any other claim, to remove any signs or other materials containing any Marks from Pools or any other locations used by your British Swim School Business;

(d) you agree to notify the telephone company and all telephone directory and Internet directory publishers of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark; to authorize the transfer of these numbers and directory listings to us or at our direction; and/or to instruct the listing company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and

sign whatever documents we deem appropriate on your behalf to effect these events. You agree that, as between you and us, upon termination or expiration, we have the sole right and interest in the telephone numbers and listings, and you appoint us as your attorney-in-fact to direct the telephone company to assign the same to us and to sign any required documents on your behalf;

(e) you agree to comply with all applicable laws in connection with the closure or de-identification of your British Swim School Business, including, without limitation, laws which require you to refund payments received for Swim School Subscriptions to customers;

(f) if applicable, immediately (i) cease using or operating any Website or other online presences or electronic mediums, including, but not limited to, social networking Websites (such as LinkedIn[®], instagram[®], twitter[®], facebook[®], or YouTube[®]), related to your British Swim School Business or the Marks, (ii) take any action as may be required to disable such Websites or social networking Website accounts, and (iii) cancel all rights in and to any accounts for such Websites.

(g) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

15D. CONFIDENTIAL INFORMATION.

You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including computer software or similar technology, digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the Franchise System, and customer information) in any business or otherwise and return to us all copies of the Operations Manual and any other Confidential Information that we have loaned you.

15E. COVENANT NOT TO COMPETE.

Upon termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 15E begin to comply with this Section 15E, whichever is later, neither you nor any of your owners (or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business located or operating:

- (1) within the Territory; and
- (2) within a ten (10) mile radius of the Territory; and
- (3) within a five (5) mile radius of any swimming pool from which a British Swim School Business is operated as of the date of termination or expiration of this Agreement.

These restrictions also apply after transfers, as provided in Section 12C(13) above. If any person restricted by this Section 15E refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 15E will not deprive you of your personal goodwill or ability to earn a living.

15F. NON-SOLICITATION AND NON-INTERFERENCE.

Upon termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 15E begin to comply with this Section 15E, whichever is later, neither you nor any of your owners (or their immediate family members) will:

(a) recruit or hire any person who is then or was, within the immediately preceding twenty-four (24) months, employed by us, any of our affiliates, or one of our franchise owners as an officer, general manager, or other senior executive without our consent or that of the relevant employer;

(b) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any British Swim School Business customers, vendors, or consultants; or

(c) engage in any other activity that might injure the goodwill of the Marks and/or the Franchise System.

15G. CONTINUING OBLIGATIONS.

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

16A. INDEPENDENT CONTRACTORS.

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, British Swim School Business personnel, and others as your British Swim School Business's owner under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time.

16B. NO LIABILITY FOR ACTS OF OTHER PARTY.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of your British Swim School Business's operation or the business you conduct under this Agreement.

16C. TAXES.

We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property, or other taxes, whether levied upon you or your British Swim School Business, due to the business you conduct (except for income taxes due in our home state). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

16D. INDEMNIFICATION.

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of your British Swim School Business's operation, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction.

For purposes of this indemnification, "**claims**" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim for indemnity under this Section. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover under this Section.

17. **ENFORCEMENT.**

17A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

17B. **WAIVER OF OBLIGATIONS.**

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other British Swim School Businesses; the existence of franchise agreements for other British Swim School Businesses which contain provisions different from

those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalties or Marketing Fees due afterward.

17C. COSTS AND ATTORNEYS' FEES.

The prevailing party in any arbitration or litigation arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorney's fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

17D. RIGHTS OF PARTIES ARE CUMULATIVE.

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

17E. ARBITRATION.

WE AND YOU AGREE THAT ALL CONTROVERSIES, DISPUTES, OR CLAIMS BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO:

(1) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES);

(2) OUR RELATIONSHIP WITH YOU;

(3) THE SCOPE OR VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES) OR ANY PROVISION OF ANY OF SUCH AGREEMENTS (INCLUDING THE VALIDITY AND SCOPE OF THE ARBITRATION OBLIGATION UNDER THIS SECTION 17E, WHICH WE AND YOU ACKNOWLEDGE IS TO BE DETERMINED BY AN ARBITRATOR, NOT A COURT); OR

(4) ANY SYSTEM STANDARD;

MUST BE SUBMITTED FOR BINDING ARBITRATION, ON DEMAND OF EITHER PARTY, TO THE AMERICAN ARBITRATION ASSOCIATION (“AAA”). THE ARBITRATION PROCEEDINGS WILL BE CONDUCTED BY ONE ARBITRATOR AND, EXCEPT AS THIS SECTION OTHERWISE PROVIDES, ACCORDING TO THE THEN-CURRENT COMMERCIAL ARBITRATION RULES OF THE AAA. ALL PROCEEDINGS WILL BE CONDUCTED AT A SUITABLE LOCATION CHOSEN BY THE ARBITRATOR WHICH IS WITHIN A FIFTY (50) MILE RADIUS OF OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, SUNRISE, FLORIDA). ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). JUDGMENT UPON THE ARBITRATOR’S AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION.

THE ARBITRATOR SHALL ISSUE ONLY A STANDARD DECISION NOT A REASONED DECISION. THE ARBITRATOR HAS THE RIGHT TO AWARD OR INCLUDE IN HIS OR HER AWARD ANY RELIEF WHICH HE OR SHE DEEMS PROPER, INCLUDING, WITHOUT LIMITATION, MONEY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM THE DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, AND ATTORNEYS’ FEES AND COSTS (AS ALLOWABLE UNDER THIS AGREEMENT OR APPLICABLE LAW), PROVIDED THAT THE ARBITRATOR MAY NOT DECLARE ANY TRADEMARKS OWNED BY US OR OUR AFFILIATES GENERIC OR OTHERWISE INVALID OR, EXCEPT AS EXPRESSLY PROVIDED IN SECTION 17H BELOW, AWARD ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST EITHER PARTY (WE AND YOU HEREBY WAIVING TO THE FULLEST EXTENT PERMITTED BY LAW, EXCEPT AS EXPRESSLY PROVIDED IN SECTION 17H BELOW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER).

WE AND YOU AGREE TO BE BOUND BY THE PROVISIONS OF ANY LIMITATION ON THE PERIOD OF TIME IN WHICH CLAIMS MUST BE BROUGHT UNDER APPLICABLE LAW OR THIS AGREEMENT, WHICHEVER EXPIRES EARLIER. WE AND YOU FURTHER AGREE THAT, IN ANY ARBITRATION PROCEEDING, EACH MUST SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY CLAIM WHICH IS NOT SUBMITTED OR FILED AS REQUIRED IS FOREVER BARRED. THE ARBITRATOR MAY NOT CONSIDER ANY SETTLEMENT DISCUSSIONS OR OFFERS THAT MIGHT HAVE BEEN MADE BY EITHER YOU OR US. WE RESERVE THE RIGHT, BUT HAVE NO OBLIGATION, TO ADVANCE YOUR SHARE OF THE COSTS OF ANY ARBITRATION PROCEEDING IN ORDER FOR SUCH ARBITRATION PROCEEDING TO TAKE PLACE AND BY DOING SO SHALL NOT BE DEEMED TO HAVE WAIVED OR RELINQUISHED OUR RIGHT TO SEEK THE RECOVERY OF THOSE COSTS IN ACCORDANCE WITH SECTION 17C ABOVE.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING BETWEEN US AND ANY OTHER PERSON. NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS SECTION 17E OR SECTION 17A, IF ANY COURT OR ARBITRATOR DETERMINES THAT ALL OR ANY PART OF THE PRECEDING SENTENCE IS UNENFORCEABLE WITH RESPECT TO A DISPUTE THAT OTHERWISE WOULD BE SUBJECT TO ARBITRATION UNDER THIS SECTION 17E, THEN ALL PARTIES AGREE THAT THIS ARBITRATION CLAUSE SHALL NOT APPLY TO THAT DISPUTE AND THAT SUCH DISPUTE SHALL BE RESOLVED IN A JUDICIAL PROCEEDING IN ACCORDANCE WITH THIS SECTION 17 (EXCLUDING THIS SECTION 17E).

DESPITE OUR AND YOUR AGREEMENT TO ARBITRATE, WE AND YOU EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION; PROVIDED, HOWEVER, THAT WE AND YOU MUST CONTEMPORANEOUSLY SUBMIT OUR DISPUTE FOR ARBITRATION ON THE MERITS AS PROVIDED IN THIS SECTION.

YOU AND WE AGREE THAT, IN ANY ARBITRATION ARISING AS DESCRIBED IN THIS SECTION, REQUESTS FOR DOCUMENTS SHALL BE LIMITED TO DOCUMENTS THAT ARE DIRECTLY RELEVANT TO SIGNIFICANT ISSUES IN THE CASE OR TO THE CASE'S OUTCOME; SHALL BE RESTRICTED IN TERMS OF TIME FRAME, SUBJECT MATTER AND PERSONS OR ENTITIES TO WHICH THE REQUESTS PERTAIN; AND SHALL NOT INCLUDE BROAD PHRASEOLOGY SUCH AS "ALL DOCUMENTS DIRECTLY OR INDIRECTLY RELATED TO." YOU AND WE FURTHER AGREE THAT THERE SHALL BE NO INTERROGATORIES OR REQUESTS TO ADMIT. WITH RESPECT TO ANY ELECTRONIC DISCOVERY, YOU AND WE AGREE THAT:

(A) PRODUCTION OF ELECTRONIC DOCUMENTS NEED ONLY BE FROM SOURCES USED IN THE ORDINARY COURSE OF BUSINESS. NO SUCH DOCUMENTS SHALL BE REQUIRED TO BE PRODUCED FROM BACK-UP SERVERS, TAPES OR OTHER MEDIA;

(B) THE PRODUCTION OF ELECTRONIC DOCUMENTS SHALL NORMALLY BE MADE ON THE BASIS OF GENERALLY AVAILABLE TECHNOLOGY IN A SEARCHABLE FORMAT WHICH IS USABLE BY THE PARTY RECEIVING THE DOCUMENTS AND CONVENIENT AND ECONOMICAL FOR THE PRODUCING PARTY. ABSENT A SHOWING OF COMPELLING NEED, THE PARTIES NEED NOT PRODUCE METADATA, WITH THE EXCEPTION OF HEADER FIELDS FOR EMAIL CORRESPONDENCE;

(C) THE DESCRIPTION OF CUSTODIANS FROM WHOM ELECTRONIC DOCUMENTS MAY BE COLLECTED SHALL BE NARROWLY TAILORED TO INCLUDE ONLY THOSE INDIVIDUALS WHOSE ELECTRONIC DOCUMENTS MAY REASONABLY BE EXPECTED TO CONTAIN EVIDENCE THAT IS MATERIAL TO THE DISPUTE; AND

(D) WHERE THE COSTS AND BURDENS OF ELECTRONIC DISCOVERY ARE DISPROPORTIONATE TO THE NATURE OF THE DISPUTE OR TO THE AMOUNT IN CONTROVERSY, OR TO THE RELEVANCE OF THE MATERIALS REQUESTED, THE ARBITRATOR SHALL EITHER DENY SUCH REQUESTS OR ORDER DISCLOSURE ON CONDITION THAT THE REQUESTING PARTY ADVANCE THE REASONABLE COST OF PRODUCTION TO THE OTHER SIDE, SUBJECT TO ALLOCATION OF COSTS IN THE FINAL AWARD AS PROVIDED HEREIN.

IN ANY ARBITRATION ARISING OUT OF OR RELATED TO THIS AGREEMENT, EACH SIDE MAY TAKE THREE DISCOVERY DEPOSITIONS. EACH SIDE'S DEPOSITIONS ARE TO CONSUME NO MORE THAN A TOTAL OF 15 HOURS. THERE ARE TO BE NO SPEAKING OBJECTIONS AT THE DEPOSITIONS, EXCEPT TO PRESERVE PRIVILEGE. THE TOTAL PERIOD FOR THE TAKING OF DEPOSITIONS SHALL NOT EXCEED SIX WEEKS.

THE PROVISIONS OF THIS SECTION ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD PARTY NON-SIGNATORIES AND WILL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING THIS AGREEMENT'S EXPIRATION OR TERMINATION.

ANY PROVISIONS OF THIS AGREEMENT BELOW THAT PERTAIN TO JUDICIAL PROCEEDINGS SHALL BE SUBJECT TO THE AGREEMENT TO ARBITRATE CONTAINED IN THIS SECTION.

17F. GOVERNING LAW.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF FLORIDA, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISE OWNER WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION. IF THE COVENANTS AGAINST COMPETITION ARE NOT ENFORCEABLE UNDER FLORIDA LAW, THEN THE LAWS OF THE STATE IN WHICH YOUR BRITISH SWIM SCHOOL BUSINESS IS LOCATED WILL APPLY TO THE ENFORCEABILITY OF SUCH COVENANTS.

17G. CONSENT TO JURISDICTION.

SUBJECT TO SECTION 17E ABOVE AND THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION CLOSEST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, SUNRISE, FLORIDA), AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, WE AND YOU (AND YOUR OWNERS) AGREE THAT ANY OF US MAY ENFORCE ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR YOUR BRITISH SWIM SCHOOL BUSINESS IS LOCATED.

17H. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD-PARTY CLAIMS UNDER SECTION 16D, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

17I. BINDING EFFECT.

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.

17J. CLASS ACTION BAR AND LIMITATIONS OF CLAIMS.

ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS, AND A PROCEEDING BETWEEN US AND YOU OR YOUR OWNERS MAY NOT BE CONSOLIDATED WITH ANOTHER PROCEEDING BETWEEN US AND ANY OTHER PERSON OR ENTITY, NOR MAY ANY CLAIMS OF ANOTHER PARTY OR PARTIES BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN YOU AND US. EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR

RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. HOWEVER, THE PARTIES AGREE THAT, IN ORDER TO COMPLY WITH THIS PROVISION, EITHER PARTY MAY COMMENCE A JUDICIAL OR ARBITRATION PROCEEDING BEFORE A RELATED MEDIATION PROCEEDING IS DECLARED COMPLETED.

17K. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Operations Manual (which may be periodically modified, as provided in this Agreement) and the related documents, constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your British Swim School Business. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Nothing contained herein shall be deemed a waiver of any rights you may have to rely on the franchise disclosure document.

Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change and are not a part of this Agreement.

Except as expressly provided in this Agreement, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “**affiliate**” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term “**control**” means the power to direct or cause the direction of management and policies.

If two or more persons are at any time the owners of your British Swim School Business, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “**owner**” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your British Swim School Business or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement or your British Swim School Business and any person who has any other legal or

equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a “**controlling ownership interest**” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

The term “**person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term “**your British Swim School Business**” includes all of the assets of the British Swim School Business you operate under this Agreement, including its revenue.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

18. **NOTICES AND PAYMENTS.**

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered:

- (a) at the time delivered by hand;
- (b) at the time delivered via computer transmission and, in the case of the Royalty, Marketing Fees, and other amounts due, at the time we actually receive payment via the EFT Authorization;
- (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission;
- (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or
- (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice.

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

19. **ELECTRONIC MAIL.**

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates (“**Official Senders**”) to you during the term of this Agreement.

You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors, and employees to give their consent to Official Senders’ transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

The consent given in this Section 19 shall not apply to the provision of notices by either party under this Agreement pursuant to Section 18 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

20. **COUNTERPARTS.**

This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. The parties agree that faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

21. **BUSINESS JUDGMENT.**

We retain the right to operate, develop and change the Franchise System and the products and services offered by British Swim School Businesses in any manner that is not specifically prohibited in this Agreement. Whenever we have reserved the right in this Agreement to take or refrain from taking any action, or to prohibit you from taking or refraining from any action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information then readily available to us and on our judgment of what is in our best interests, the best interests of our affiliates and/or the best interests of British Swim School Businesses as a whole at the time the decision is made, regardless of whether we could have made other reasonable, or even arguably preferable, alternative decisions and regardless of whether our decision or action promotes our interests, those of our affiliates or any other person or entity.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

BRITISH SWIM CENTERS FRANCHISING, LLC, a Florida limited liability company

By: _____
Name: _____
Title: _____

DATED*: _____
(*Effective Date of this Agreement)

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

[Entity Name]

[Signature]

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

[Signature]

[Print Name]

DATED: _____

EXHIBIT A

TO THE FRANCHISE AGREEMENT

**Effective Date: This Exhibit A is current and complete
as of _____, 20**

You and Your Owners

1. Form of Owner.

(a) **Individual Proprietorship.** Your owner(s) (is) (are) as follows:

(b) **Corporation, Limited Liability Company, or Partnership.** (CIRCLE ONE)
You were incorporated or formed on _____, under the laws of the State of
_____. You have not conducted business under any name other than your
corporate, limited liability company, or partnership name and
_____ (INSERT ANY ASSUMED NAME
OR DBA THAT YOU HAVE USED). The following is a list of your directors, if applicable, and
officers as of the effective date shown above:

| <u>Name of Each Director/Officer</u> | <u>Position(s) Held</u> |
|---|--------------------------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

2. **Owners.** The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

| | <u>Owner's Name</u> | <u>Percentage/Description of Interest</u> |
|-----|---------------------|---|
| (a) | _____ | _____ |
| (b) | _____ | _____ |
| (c) | _____ | _____ |
| (d) | _____ | _____ |

3. **Name and Address of Operating Partner.**

- (a) Name: _____
- (b) Postal Address: _____

- (c) E-mail Address: _____
- (d) Telephone Number: _____
- (e) Fax Number: _____

[Signature Page Follows]

BRITISH SWIM CENTERS FRANCHISING, LLC, a Florida limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

[Entity Name]

[Signature]

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

[Signature]

[Print Name]

DATED: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT
TERRITORY / PERFORMANCE GOALS

1. **Territory.** The Territory consists of the area highlighted on the attached map.
2. **Performance Goals.** The Performance Goals shall consist of the following:

| At the Period Ending | | Minimum Number of Student Units* During Period |
|---|--|---|
| Beginning | Ending | |
| Effective Date | Day Before the 6-Month Anniversary of the Effective Date | _____ |
| 6-Month Anniversary of the Effective Date | Day Before the 12-Month Anniversary of the Effective Date | _____ |
| 12-Month Anniversary of the Effective Date | Day Before the 18-Month Anniversary of the Effective Date | _____ |
| 18-Month Anniversary of the Effective Date | Day Before the 24-Month Anniversary of the Effective Date | _____ |
| 24-Month Anniversary of the Effective Date | Day Before the 30-Month Anniversary of the Effective Date | _____ |
| 30-Month Anniversary of the Effective Date | Day Before the 36-Month Anniversary of the Effective Date | _____ |
| 36-Month Anniversary of the Effective Date | Day Before the 42-Month Anniversary of the Effective Date | _____ |
| 42-Month Anniversary of the Effective Date | Day Before the 48-Month Anniversary of the Effective Date | _____ |
| 48-Month Anniversary of the Effective Date | Day Before the 54-Month Anniversary of the Effective Date | _____ |
| 54-Month Anniversary of the Effective Date | Day Before the 60-Month Anniversary of the Effective Date | _____ |

* A “Student Unit” represents one student reservation and payment for one swim lesson. For example, if eight students schedule and pay to attend one swim lesson, that swim lesson would satisfy eight Student Units.

[Signature Page Follows]

BRITISH SWIM CENTERS FRANCHISING, LLC, a Florida limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

[Entity Name]

[Signature]

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

[Signature]

[Print Name]

DATED: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

This “Agreement” is made and entered into as of this _____ day of _____, 20__, by and among Franchisee, Covenantor and **BRITISH SWIM CENTERS FRANCHISING, LLC**, a Florida limited liability company (“Franchisor”).

“Franchisee”: _____

“Covenantor”: _____, being [a swim instructor or other employee of Franchisee who will have access to Confidential Information], [an officer], or [a director] or [general partner] or [managing member] or [a third party who will have access to Confidential Information] of Franchisee.

Address of Covenantor : _____

1. PREAMBLES.

Franchisor has executed or intends to execute a “Franchise Agreement” with Franchisee under which Franchisor grants to Franchisee certain rights with regard to the operation of a business providing swimming and water-survival instruction program for individuals of all ages and/or related services and products (each referred to herein as an “British Swim School Business”). Before allowing Covenantor to have access to the Confidential Information and as a material term of the Franchise Agreement necessary to protect Franchisor’s confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards and procedures authorized or required by Franchisor from time to time for use in the operation of Franchisee’s British Swim School Business, and Franchisor’s proprietary rights in and Franchisee’s right to use the Confidential Information, Franchisor and Franchisee require that Covenantor enter into this Agreement.

As a condition of Covenantor’s employment or continued employment with Franchisee or Covenantor’s appointment as a director or officer of Franchisee, or Covenantor’s receipt of other compensation from Franchisee and to induce Franchisor to enter into the Franchise Agreement, Covenantor agrees to enter into this Agreement. Due to the nature of Franchisor’s and Franchisee’s business, any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause Franchisor and Franchisee substantial harm.

2. DEFINITIONS.

Certain terms that are capitalized in this Agreement are defined in this section or at the places they first appear.

- 2.A.** THE TERM “COMPETITIVE BUSINESS” AS USED IN THIS AGREEMENT MEANS (I) ANY PROGRAM, FACILITY OR ENTERPRISE (WHETHER FOR PROFIT OR OTHERWISE) PROVIDING SWIMMING OR WATER-SURVIVAL TRAINING OR (II) ANY BUSINESS GRANTING FRANCHISES OR LICENSES TO OTHERS TO OPERATE THE TYPE OF BUSINESS SPECIFIED IN SUBPARAGRAPH (I); PROVIDED THAT ANY BUSINESS WHICH SIGNS A FRANCHISE AGREEMENT WITH FRANCHISOR IS NOT A “COMPETITIVE BUSINESS” FOR PURPOSES OF THIS AGREEMENT.
- 2.B.** THE TERM “CONFIDENTIAL INFORMATION” AS USED IN THIS AGREEMENT MEANS CERTAIN CONFIDENTIAL AND PROPRIETARY INFORMATION RELATING TO THE DEVELOPMENT AND OPERATION OF BRITISH SWIM SCHOOL BUSINESSES, WHICH INCLUDES, BUT IS NOT LIMITED TO: (1) TRAINING MATERIALS, OPERATIONS MANUALS, PROGRAMS, AND SYSTEMS FOR FRANCHISEES AND PERSONNEL OF THE BRITISH SWIM SCHOOL BUSINESSES; (2) METHODS, FORMATS, TECHNIQUES, FORMATS, SPECIFICATIONS, STANDARDS, SYSTEMS, PROCEDURES, SALES AND MARKETING TECHNIQUES, KNOWLEDGE AND EXPERIENCE USED IN DEVELOPING AND OPERATING BRITISH SWIM SCHOOL BUSINESSES; (3) MARKET RESEARCH AND MARKETING PROMOTIONAL PROGRAMS, ADVERTISING STRATEGIES AND PROGRAMS FOR THE BRITISH SWIM SCHOOL BUSINESSES; (4) STRATEGIC PLANS, INCLUDING EXPANSION STRATEGIES AND TARGETED DEMOGRAPHICS; (5) KNOWLEDGE OF SPECIFICATIONS FOR AND SUPPLIES OF PRODUCTS, MATERIALS, SUPPLIES, EQUIPMENT AND SERVICES; (6) ANY PROPRIETARY TECHNOLOGY OR COMPUTER SOFTWARE, AS WELL AS PASSWORDS, IDENTIFICATIONS OR ANY SOURCE OF CODE OF, OR DATA AND PRINTED MATERIALS GENERATED BY SUCH TECHNOLOGY OR SOFTWARE; (7) KNOWLEDGE OF OPERATING RESULTS AND FINANCIAL PERFORMANCE OF THE BRITISH SWIM SCHOOL BUSINESSES; (8) ANY INFORMATION REGARDING EMPLOYEE WAGES; (9) ANY CUSTOMER INFORMATION OR OTHER INFORMATION CONTAINED IN THE COMPUTER SYSTEM; OR (10) ANY OTHER INFORMATION DESIGNATED AS CONFIDENTIAL OR PROPRIETARY BY THE FRANCHISEE OR FRANCHISOR.

3. PROTECTION OF CONFIDENTIAL INFORMATION.

Covenantor agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on behalf of Franchisee taking into consideration the confidential nature

Exhibit C-2

of the Confidential Information. Covenantor may disclose the Confidential Information only as agent for Franchisee. Covenantor acknowledges and agrees that neither Covenantor nor any other person or entity will acquire any interest in or right to use the Confidential Information under this Agreement or otherwise other than the right to utilize it as authorized in this Agreement and that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business would be detrimental to Franchisor and Franchisee and would constitute a breach of Covenantor's obligations of confidentiality and an unfair method of competition with Franchisor and/or other British Swim School Businesses owned by Franchisor or franchisees.

Covenantor acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Franchisor. The Confidential Information will be disclosed to Covenantor solely on the condition that Covenantor agrees to the terms and conditions of this Agreement. Covenantor therefore agrees that during the term of the Franchise Agreement and thereafter, he or she: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or in written form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor and Franchisee to prevent unauthorized use or disclosure of or access to the Confidential Information.

Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Covenantor do not apply to (a) disclosure or use of information, methods, or techniques which are generally known and used in the industry (as long as the availability is not because of a disclosure by Covenantor or Covenantor's agents, and such disclosure or use is not otherwise prohibited by this Agreement), provided that Covenantor has first given Franchisor written notice of his or her intended disclosure and/or use; and (b) disclosure of the Confidential Information in legal proceedings when Covenantor is legally required to disclose it, provided that Covenantor has first given Franchisor the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to Franchisor that the information required to be disclosed will be treated confidentially.

4. IN-TERM RESTRICTIVE COVENANT.

Covenantor acknowledges and agrees that Franchisor and Franchisee would be unable to protect the Confidential Information against unauthorized use or disclosure and Franchisor would be unable to achieve a free exchange of ideas and information among British Swim School Businesses if persons authorized to use the Confidential Information were permitted to engage in, have ownership interests in or perform services for Competitive Businesses. Covenantor therefore agrees that for as long as Covenantor is (a) a director, officer, general partner, or managing member of Franchisee, (b) an employee of Franchisee who will have access to Confidential Information, or (c) a third party who has been given access to Confidential Information by the Franchisee, neither Covenantor nor Covenantor's spouse shall (i) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business; or (ii) perform services as a director, officer, member, employee, manager, consultant, representative, agent or otherwise for any Competitive Business. Covenantor further

acknowledges that the restrictions contained in this Section will not hinder his or her activities or those of members of his or her immediate family under this Agreement or in general.

5. RESTRICTIVE COVENANT UPON TERMINATION OR EXPIRATION OF THE FRANCHISE AGREEMENT OR COVENANTOR'S ASSOCIATION WITH FRANCHISEE.

Upon the first to occur of: (a) termination or expiration without renewal of the Franchise Agreement; (b) the date as of which Covenantor is neither (i) a director, officer, general partner or managing member of Franchisee or (ii) an employee of Franchisee who will have access to Confidential Information; or (c) termination or expiration without renewal of the agreement in which Covenantor provides goods or services to Franchisee (each of these events is referred to as a "Termination Event"), Covenantor agrees that for a period of two (2) years commencing on the effective date of a Termination Event, neither Covenantor nor Covenantor's spouse shall have any direct or indirect interest as a disclosed or beneficial owner in, or assist or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for, a Competitive Business located within a five (5) mile radius of any swimming pool where a British Swim School Business is operated at the time of the Termination Event.

6. SURRENDER OF DOCUMENTS.

Covenantor agrees that as of the effective date of a Termination Event Covenantor shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Covenantor and return to Franchisee or to Franchisor if directed by Franchisor all copies of the Confidential Information loaned or made available to Covenantor.

7. COSTS AND ATTORNEYS' FEES.

In the event that Franchisor or Franchisee is required to enforce this Agreement in an action against Covenantor, Covenantor shall reimburse Franchisor and/or Franchisee if it/they prevail (whether or not awarded a money judgment) for its/their reasonable attorneys' fees, whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal.

8. WAIVER.

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

9. SEVERABILITY.

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of or have any other effect

upon such other portions of this Agreement as may remain otherwise intelligible. Such other portions shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if Covenantor is a party thereto or upon Covenantor's receipt of a notice from Franchisor that it will not enforce the section, paragraph, term or provision in question.

10. RIGHTS OF PARTIES ARE CUMULATIVE.

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

11. BENEFIT.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. In the event Franchisor does not execute this Agreement (regardless of the reason) Franchisor shall be deemed a third-party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

12. EFFECTIVENESS.

This Agreement shall be enforceable and effective when signed by Covenantor regardless of whether and when Franchisor or Franchisee signs this Agreement.

13. GOVERNING LAW.

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the State of Florida without regard to its conflict of laws principles. If the covenants against competition are not enforceable under Florida law, then the laws of the state in which the Franchisee's British Swim School Business is located will apply to the enforceability of such covenants.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written.

COVENANTOR:

Print name of **Covenantor**

Signature of **Covenantor**

DATED: _____

BRITISH SWIM CENTERS FRANCHISING, LLC, a Florida limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISEE

(IF A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Entity Name]

[Signature]

Name: _____

Title: _____

DATED: _____

FRANCHISEE

(IF AN INDIVIDUAL AND NOT A LEGAL ENTITY):

[Signature]

[Print Name]

DATED: _____

EXHIBIT D

TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (“GUARANTY”) IS GIVEN THIS ___ day of _____, 20___, by _____

_____ (the “Guarantor”).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date (the “Agreement”) by BRITISH SWIM CENTERS FRANCHISING, LLC (the “Franchisor”), and _____ (“Franchisee”), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement; (5) Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement; and (6) at Franchisor’s request, the undersigned shall present updated financial information to Franchisor as reasonably necessary to demonstrate his or her ability to satisfy the financial obligations of Franchisee under the Agreement.

Each of the undersigned Guarantor represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Guarantor hereby consents and agrees that:

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other owners of Franchisee;

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

Guarantor agrees to be personally bound by the arbitration obligations under Section 17E of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 17E of the Agreement in accordance with its terms.

[Signature Page Follows]

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

GUARANTOR(S):

Signature: _____
Print Name: _____
Percentage Ownership in Franchisee: _____

Signature: _____
Print Name: _____
Percentage Ownership in Franchisee: _____

Signature: _____
Print Name: _____
Percentage Ownership in Franchisee: _____

Signature: _____
Print Name: _____
Percentage Ownership in Franchisee: _____

Signature: _____
Print Name: _____
Percentage Ownership in Franchisee: _____

Signature: _____
Print Name: _____
Percentage Ownership in Franchisee: _____

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

Name of Guarantor

Name of Guarantor's Spouse

Signature of Guarantor's Spouse

Name of Guarantor

Name of Guarantor's Spouse

Signature of Guarantor's Spouse

Name of Guarantor

Name of Guarantor's Spouse

Signature of Guarantor's Spouse

Name of Guarantor

Name of Guarantor's Spouse

Signature of Guarantor's Spouse

EXHIBIT C

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EXHIBIT D
FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

BRITISH SWIM CENTERS FRANCHISING, LLC.
(A Florida Limited Liability Company)
FINANCIAL STATEMENTS
DECEMBER 31, 2013

BRITISH SWIM CENTERS FRANCHISING, LLC.
(A Florida Limited Liability Company)
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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Kilgour & Associates, LLC

Certified Public Accountants & Business Advisors

16201 SW 95TH Avenue, Suite 100-C Miami, FL 33157
Telephone: 305.793.1772 Facsimile: 305.422.5900

INDEPENDENT AUDITOR'S REPORT

To the Members
of British Swim Centers Franchising, LLC

We have audited the accompanying financial statements of British Swim Centers Franchising, LLC (a Florida limited liability company), which comprise the balance sheet as of December 31, 2013, and the related statements of operations, members equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of British Swim Centers Franchising, LLC as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Kilgour & Associates, LLC".

Miami, Florida

March 31, 2014



BRITISH SWIM CENTERS FRANCHISING, LLC.
(A Florida Limited Liability Company)
BALANCE SHEET
DECEMBER 31, 2013

| | 2013 |
|--|------------|
| ASSETS | |
| Current Assets: | |
| Cash | \$ 95,395 |
| Franchise fee receivable | 16,923 |
| Royalty fee receivable | 25,630 |
| Other receivables | 6,889 |
| TOTAL CURRENT ASSETS | 144,837 |
| TOTAL ASSETS | \$ 144,837 |
| LIABILITIES AND MEMBERS' EQUITY | |
| Current Liabilities: | |
| Accounts payable | \$ 3,599 |
| Due to related party | 6,881 |
| TOTAL CURRENT LIABILITIES | 10,480 |
| Equity: | |
| Members' equity | 134,357 |
| TOTAL LIABILITIES & EQUITY | \$ 144,837 |

BRITISH SWIM CENTERS FRANCHISING, LLC.
(A Florida Limited Liability Company)
STATEMENT OF OPERATION
FOR THE YEAR ENDED DECEMBER 31, 2013

| | 2013 |
|----------------------------------|------------|
| REVENUE | |
| Franchise fees | \$ 225,000 |
| Royalty fees | 260,293 |
| IT fees | 3,005 |
| | \$ 488,298 |
| EXPENSES | |
| Leased payroll | \$ 125,321 |
| Professional fees and legal fees | 92,172 |
| Advertising and promotion | 11,738 |
| Automobile | 4,269 |
| Bank charges | 42 |
| Computer and internet | 1,681 |
| Contributions | 300 |
| Delivery | 3,409 |
| Dues and subscriptions | 1,218 |
| Finance charges | 105 |
| Insurance | 6,133 |
| Internet/website | 9,600 |
| Meals and entertainment | 13,564 |
| Marketing | 12,292 |
| Office supplies | 24,724 |
| Printing | 356 |
| Recruiting | 795 |
| Rent | 32,065 |
| Repairs and maintainence | 12,613 |
| Security | 102 |
| Business fees | 1,275 |
| Telephone | 6,906 |
| Travel | 61,270 |
| Trade shows | 9,357 |
| Utilities | 2,924 |
| Total Expenses | 434,231 |
| Net Income | \$ 54,067 |

BRITISH SWIM CENTERS FRANCHISING, LLC.
(A Florida Limited Liability Company)
STATEMENT OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

| | <u>A</u> <u>90%</u> | <u>B</u> <u>5%</u> | <u>C</u> <u>5%</u> | <u>Total</u> |
|---|------------------------|-----------------------|-----------------------|-------------------|
| BEGINNING MEMBERS' EQUITY January 1, 2013 | \$ (44,505) | \$ 70,632 | \$ 70,633 | \$ 96,760 |
| Capital Contributions | - | - | - | - |
| Members draws | (16,470) | | | (16,470) |
| Share of net gain | 48,661 | 2,703 | 2,703 | 54,067 |
| ENDING MEMBERS' EQUITY December 31, 2013 | <u>\$ (12,314)</u> | <u>\$ 73,335</u> | <u>\$ 73,336</u> | <u>\$ 134,357</u> |

BRITISH SWIM CENTERS FRANCHISING, LLC.
(A Florida Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

| | 2013 |
|--|-----------|
| Cash flows from operating activities: | |
| Net Income | \$ 54,067 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Changes in assets and liabilities: | |
| (increase) decrease in: | |
| Franchise fee receivable | 5,803 |
| Royalty fee receivable | (25,629) |
| Other receivable | (6,889) |
| Accounts payable | 3,598 |
| Due to British Swim Company | 6,881 |
| Net cash provided by operating activities | 37,831 |
| Cash flows from investing activities: | |
| Member A draw | (16,469) |
| Net cash used in investing activities | (16,469) |
| Cash flows from financing activities: | |
| Net cash provided by financing activities | - |
| Net increase in cash | 21,362 |
| Cash, at beginning of year | 74,033 |
| Cash, at end of year | \$ 95,395 |

BRITISH SWIM CENTERS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

British Swim Centers Franchising, LLC (British Swim) was organized in the state of Florida on March 3, 2011. British Swim is primarily engaged in the business of soliciting and entering into British Swim School franchise agreements, as well as monitoring the activities of the franchisees and enforcing its rights and ensuring the performance of obligations under the relevant agreements.

Members Percentage

| | |
|----------|--------------|
| Member A | 90 % |
| Member B | 5 % |
| Member C | 5 % |
| Total | <u>100 %</u> |

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of British Swim are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Royalties

Royalties are accrued based on a percentage of gross sales less discounts, as reported by the franchisees.

Income taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the members individually.

Cash and cash equivalents

Cash and cash equivalents include cash and interest bearing accounts with an original maturity of three months or less.

Deferred Franchise Costs

Franchise costs paid by British Swim are deferred and expensed when all material services and conditions have been substantially completed.

BRITISH SWIM CENTERS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Initial Franchise Fees

Initial franchise fees collected by British Swim are recognized as revenue when all material services and conditions required to be performed by British Swim have been substantially completed. Initial franchise fees collected by British Swim before all material services and conditions are substantially performed are recorded as deferred initial franchise fees. These franchise fees are non-refundable.

Subsequent Events

British Swim has evaluated and noted no subsequent events through March 31, 2014 which is the date the financial statements were available to be issued.

NOTE 3—CONCENTRATIONS OF CREDIT RISK

British Swim maintains its cash balance in one financial institution located Florida. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, British Swim's uninsured cash balances total \$0.

NOTE 4—RELATED PARTY TRANSACTION

British Swim leases all its employees from the British Swim Company, Inc. which is fully owned by Member A. At December 31, 2013, British Swim had accrued payroll of approximately \$ 6,100, and leased payroll expense for the year ended December 31, 2013 of \$125,321.

In addition, British Swim leases its office space from the British Swim Company, Inc. on a month to month basis. The total related party amount included in rent expense for the year ended December 31, 2013 is \$32,065.

BRITISH SWIM CENTERS FRANCHISING, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2012

**BRITISH SWIM CENTERS FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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ALPERN ROSENTHAL

Certified Public Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Members
British Swim Centers Franchising, LLC
Sunrise, Florida

We have audited the accompanying balance sheet of British Swim Centers Franchising, LLC (a Florida limited liability company) as of December 31, 2012, and the related statements of operations, changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the financial statements provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of British Swim Centers Franchising, LLC as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Alpern Rosenthal

February 27, 2013

BRITISH SWIM CENTERS FRANCHISING, LLC
BALANCE SHEET
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS

| | | |
|---------------------------|-----------|-----------|
| Cash | \$ 74,033 | |
| Franchise fee receivables | 22,727 | |
| | | |
| Total Current Assets | | 96,760 |
| | | \$ 96,760 |

LIABILITIES AND MEMBERS' EQUITY

| | | |
|-----------------|-----------|-----------|
| MEMBERS' EQUITY | \$ 96,760 | |
| | | 96,760 |
| | | \$ 96,760 |

The accompanying notes are an integral part of these financial statements.

BRITISH SWIM CENTERS FRANCHISING, LLC
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | | | |
|--------------------------------|----|---------------|---------------------------|
| REVENUES | | | |
| Franchise fee income | \$ | 85,000 | |
| Royalties | | <u>94,640</u> | |
| | | | \$ 179,640 |
| EXPENSES | | | |
| Advertising and promotion | | 6,170 | |
| Automobile expenses | | 1,656 | |
| Bank charges | | 55 | |
| Computer and internet expenses | | 612 | |
| Delivery expense | | 608 | |
| Dues and subscriptions | | 12 | |
| Insurance | | 721 | |
| Internet/website | | 1,897 | |
| Meals and entertainment | | 3,405 | |
| Marketing | | 1,989 | |
| Office expense | | 9,280 | |
| Outside labor | | 19,736 | |
| Professional development | | 6,792 | |
| Professional and legal fees | | 100,413 | |
| Rent | | 11,083 | |
| Repairs and maintenance | | 382 | |
| Security | | 158 | |
| State filing fees | | 3,395 | |
| Telephone | | 5,356 | |
| Travel expenses | | 15,630 | |
| Trade shows | | 2,255 | |
| Utilities | | 1,916 | |
| | | | <u>193,521</u> |
| NET LOSS | | | <u><u>\$ (13,881)</u></u> |

The accompanying notes are an integral part of these financial statements.

BRITISH SWIM CENTERS FRANCHISING, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Member A | Member B | Member C | Member D | Total |
|--|--------------------|-------------|------------------|------------------|------------------|
| BEGINNING MEMBERS' EQUITY, January 1, 2012 | \$ 19,202 | \$ (35,838) | \$ 76,627 | \$ - | \$ 59,991 |
| Reclassify beginning members' equity | - | - | (38,314) | 38,314 | - |
| Beginning Members' Equity as Restated, January 1, 2012 | 19,202 | (35,838) | 38,313 | 38,314 | 59,991 |
| Share of net loss | (9,940) | (1,859) | (1,041) | (1,041) | (13,881) |
| Exchange of partnership interest | (37,697) | 37,697 | - | - | - |
| Member contributions | - | - | 33,360 | 33,360 | 66,720 |
| Member draws | (16,070) | - | - | - | (16,070) |
| ENDING MEMBERS' EQUITY, December 31, 2012 | <u>\$ (44,505)</u> | <u>\$ -</u> | <u>\$ 70,632</u> | <u>\$ 70,633</u> | <u>\$ 96,760</u> |

The accompanying notes are an integral part of these financial statements.

BRITISH SWIM CENTERS FRANCHISING, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|-------------------|----------|
| Net loss | \$ (13,881) | |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| (Increase) Decrease: | | |
| Franchise fee receivables | (22,727) | |
| Due from related party | 7,461 | |
| | <u> </u> | |
| Net cash used in operating activities | | (29,147) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|-------------------|-------------------------|
| Member contributions | 66,720 | |
| Member draws | (16,070) | |
| | <u> </u> | |
| Net cash provided by financing activities | | <u>50,650</u> |
| Net increase in cash | | 21,503 |
| Cash at January 1, 2012 | | <u>52,530</u> |
| Cash at December 31, 2012 | | <u><u>\$ 74,033</u></u> |

SUPPLEMENTAL DISCLOSURES

| | | |
|---------------|----|---|
| Interest paid | \$ | - |
|---------------|----|---|

The accompanying notes are an integral part of these financial statements.

BRITISH SWIM CENTERS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

British Swim Centers Franchising, LLC (the Company) was organized in the state of Florida on March 3, 2011. The Company is primarily engaged in the business of soliciting and entering into British Swim School franchise agreements, as well as monitoring the activities of the franchisees and enforcing its rights and ensuring the performance of obligations under the relevant agreements.

Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Deferred Franchise Costs

Franchise costs paid by the Company are deferred and expensed when all material services and conditions have been substantially completed.

Initial Franchise Fees

Initial franchise fees collected by the Company are recognized as revenue when all material services and conditions required to be performed by the Company have been substantially completed. Initial franchise fees collected by the Company before all material services and conditions are substantially performed are recorded as deferred initial franchise fees. These franchise fees are non-refundable.

Royalties

Royalties are accrued based on a percentage of gross sales less discounts, as reported by the franchisees.

BRITISH SWIM CENTERS FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Accordingly, the income and losses of the Company are reported on the income tax returns of the Company's members and no provision for income taxes has been recorded on the accompanying financial statement.

Date of Management's Review

Subsequent events have been evaluated through February 27, 2013, which is the date the financial statement was available to be issued.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BRITISH SWIM CENTERS FRANCHISING, LLC

(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

DECEMBER 31, 2011

**BRITISH SWIM CENTERS FRANCHISING, LLC
(A DEVELOPMENT STAGE COMPANY)
FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Members
British Swim Centers Franchising, LLC
Sunrise, Florida

We have audited the accompanying balance sheet of British Swim Centers Franchising, LLC (a development stage company and a Florida limited liability company) as of December 31, 2011, and the related statements of operations, changes in members' equity, and cash flows for the period March 3, 2011 (date of inception) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the financial statements provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of British Swim Centers Franchising, LLC as of December 31, 2011, and the results of its operations and its cash flows for the period March 3, 2011 (date of inception) to December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

May 15, 2012

Certified Public Accountants and Business Advisors

2101 West Commercial Boulevard • Suite 4800
Fort Lauderdale, FL 33309

954.731.5555 • www.alpern.com

West Palm Beach, FL • Fort Lauderdale, FL • Pittsburgh, PA • Philadelphia, PA

BRITISH SWIM CENTERS FRANCHISING, LLC
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

| | | |
|----------------------------------|--------------|-------------------------|
| Cash | \$ 52,530 | |
| Due to British Swim Centers, LLC | <u>7,461</u> | |
| Total Current Assets | | <u>59,991</u> |
| | | <u><u>\$ 59,991</u></u> |

LIABILITIES AND MEMBERS' EQUITY

| | | |
|-----------------|------------------|-------------------------|
| MEMBERS' EQUITY | <u>\$ 59,991</u> | |
| | | <u>59,991</u> |
| | | <u><u>\$ 59,991</u></u> |

The accompanying notes are an integral part of these financial statements.

BRITISH SWIM CENTERS FRANCHISING, LLC
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
FOR THE PERIOD MARCH 3, 2011 (DATE OF INCEPTION) TO DECEMBER 31, 2011

| | | | |
|--------------------------------|----|-------------------|----------------------------|
| REVENUES | | | |
| Franchise fee income | \$ | 10,000 | |
| Royalties | | 4,536 | |
| Merchandise sales | | 50 | |
| | | <u> </u> | \$ 14,586 |
| EXPENSES | | | |
| Advertising and promotion | | 6,192 | |
| Bank charges | | 20 | |
| Computer and internet expenses | | 440 | |
| Delivery expense | | 363 | |
| Internet/website | | 21,947 | |
| Meals and entertainment | | 1,051 | |
| Marketing | | 6,052 | |
| Office expense | | 1,891 | |
| Outside labor | | 273 | |
| Professional development | | 27,027 | |
| Professional and legal fees | | 93,871 | |
| Rent | | 692 | |
| State filing fees | | 5,300 | |
| Travel expenses | | 5,285 | |
| | | <u> </u> | <u>170,404</u> |
| NET LOSS | | | <u><u>\$ (155,818)</u></u> |

The accompanying notes are an integral part of these financial statements.

BRITISH SWIM CENTERS FRANCHISING, LLC
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD MARCH 3, 2011 (DATE OF INCEPTION) TO DECEMBER 31, 2011

| | Member A | Member B | Member C | Total |
|---|------------------|--------------------|------------------|------------------|
| BEGINNING MEMBERS' EQUITY, March 3, 2011 | \$ - | \$ - | \$ - | \$ - |
| Share of net loss | (96,607) | (35,838) | (23,373) | (155,818) |
| Member contributions | 124,574 | - | 100,000 | 224,574 |
| Member draws | (8,765) | - | - | (8,765) |
| ENDING MEMBERS' EQUITY, December 31, 2011 | <u>\$ 19,202</u> | <u>\$ (35,838)</u> | <u>\$ 76,627</u> | <u>\$ 59,991</u> |

The accompanying notes are an integral part of these financial statements.

BRITISH SWIM CENTERS FRANCHISING, LLC
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
FOR THE PERIOD MARCH 3, 2011 (DATE OF INCEPTION) TO DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----------------|-----------|
| Net loss | \$ (155,818) | |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| | <u>(7,461)</u> | |
| Net cash used in operating activities | | (163,279) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|----------------|------------------|
| Member contributions | 224,574 | |
| Member draws | <u>(8,765)</u> | |
| Net cash provided by financing activities | | <u>215,809</u> |
| Net increase in cash | | 52,530 |
| Cash at March 3, 2011 | | <u>-</u> |
| Cash at December 31, 2011 | | <u>\$ 52,530</u> |

SUPPLEMENTAL DISCLOSURES

| | | |
|---------------|----|---|
| Interest paid | \$ | - |
|---------------|----|---|

The accompanying notes are an integral part of these financial statements.

**BRITISH SWIM CENTERS FRANCHISING, LLC
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

British Swim Centers Franchising, LLC (the Company) was organized in the state of Florida on March 3, 2011. The Company is primarily engaged in the business of soliciting and entering into British Swim School franchise agreements, as well as monitoring the activities of the franchisees and enforcing its rights and ensuring the performance of obligations under the relevant agreements.

From inception through December 31, 2011, the Company's activities have consisted of drafting franchise documents and organizational activities. As such, significant revenue from planned principal operations has not yet commenced and the Company is considered to be in the development stages.

Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Deferred Franchise Costs

Franchise costs paid by the Company are deferred and expensed when all material services and conditions have been substantially completed.

Initial Franchise Fees

Initial franchise fees collected by the Company are recognized as revenue when all material services and conditions required to be performed by the Company have been substantially completed. Initial franchise fees collected by the Company before all material services and conditions are substantially performed are recorded as deferred initial franchise fees. These franchise fees are non-refundable.

Royalties

Royalties are accrued based on a percentage of gross sales less discounts, as reported by the franchisees.

**BRITISH SWIM CENTERS FRANCHISING, LLC
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Accordingly, the income and losses of the Company are reported on the income tax returns of the Company's members and no provision for income taxes has been recorded on the accompanying financial statement.

Date of Management's Review

Subsequent events have been evaluated through May 15, 2012, which is the date the financial statement was available to be issued.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNAUDITED FINANCIAL STATEMENTS

12:29 PM

04/12/14

Accrual Basis

BRITISH SWIM CENTERS FRANCHISING, LLC
Balance Sheet - UNAUDITED
As of March 31, 2014

| | <u>Mar 31, 14</u> |
|---|--------------------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| 10000 · Bank of America - Checking | 60,972.27 |
| 10010 · BOA - Checking Marketing Fund | 13,669.36 |
| Total Checking/Savings | <u>74,641.63</u> |
| Other Current Assets | |
| 12000 · Franchise Fee Rec - Dobbs - Elm | 211.56 |
| 12160 · Franchise Fee Rec - SoChi Acq. | 15,512.51 |
| 12500 · Royalty Receivables | 37,932.11 |
| 12505 · Marketing Receivables | 7,586.41 |
| 12510 · IT Receivable | 1,195.92 |
| Total Other Current Assets | <u>62,438.51</u> |
| Total Current Assets | <u>137,080.14</u> |
| TOTAL ASSETS | <u>137,080.14</u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Other Current Liabilities | |
| 20100 · Accrued Expenses | 16,573.73 |
| 25500 · Due to British Swim Company, In | 8,657.02 |
| Total Other Current Liabilities | <u>25,230.75</u> |
| Total Current Liabilities | <u>25,230.75</u> |
| Total Liabilities | 25,230.75 |
| Equity | |
| 30300 · Member 1 Draws-HG | -5,843.44 |
| 30400 · Member 1 Equity-HG | -12,313.02 |
| 30700 · Member 3 Equity-KH | 73,335.00 |
| 30800 · Member 4 Equity-HH | 73,336.00 |
| Net Income | -16,665.15 |
| Total Equity | <u>111,849.39</u> |
| TOTAL LIABILITIES & EQUITY | <u>137,080.14</u> |

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

BRITISH SWIM CENTERS FRANCHISING, LLC
Profit & Loss - UNAUDITED
 January through March 2014

| | <u>Jan - Mar 14</u> |
|---------------------------------------|--------------------------|
| Ordinary Income/Expense | |
| Income | |
| 41000 · Royalties | 91,403.23 |
| 42000 · Marketing Fees | 21,410.20 |
| 43000 · IT Fees | 4,820.00 |
| Total Income | <u>117,633.43</u> |
| Gross Profit | 117,633.43 |
| Expense | |
| 60000 · Advertising and Promotion | 13,934.84 |
| 60200 · Automobile Expense | 579.73 |
| 60400 · Bank Service Charges | 830.42 |
| 60500 · Conference | 609.07 |
| 61800 · Delivery Expense | 222.55 |
| 62500 · Dues and subscriptions | 2,080.00 |
| 63300 · Insurance Expense | 896.52 |
| 63401 · Internet/Website | 5,643.60 |
| 63500 · Janitorial Expense | 233.33 |
| 64300 · Meals and Entertainment | 1,020.30 |
| 64400 · Marketing | 17,493.61 |
| 64500 · Miscellaneous | 50.00 |
| 64900 · Office Supplies | 125.73 |
| 64950 · Office Expense | 2,145.11 |
| 66000 · Payroll Reimbursement -BS Co. | 29,975.19 |
| 66700 · Professional Fees | |
| 66701 · Legal Fees | 62.02 |
| 66702 · Accounting | 5,537.50 |
| 66703 · Consulting Fees | 19,600.00 |
| Total 66700 · Professional Fees | <u>25,199.52</u> |
| 67100 · Rent Expense | 9,304.07 |
| 67200 · Repairs and Maintenance | 2,850.65 |
| 68100 · Telephone Expense | 564.03 |
| 68200 · Travel Expenses | 8,776.69 |
| 68300 · Trade Shows | 12,197.50 |
| 68600 · Utilities | 469.19 |
| Total Expense | <u>135,201.65</u> |
| Net Ordinary Income | -17,568.22 |
| Other Income/Expense | |
| Other Income | |
| 70000 · Other Income | 903.07 |
| Total Other Income | <u>903.07</u> |
| Net Other Income | 903.07 |
| Net Income | <u><u>-16,665.15</u></u> |

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

EXHIBIT E

SAMPLE GENERAL RELEASE

BRITISH SWIM CENTERS FRANCHISING, LLC

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

British Swim Centers Franchising, LLC (“we,” “us,” or “our”) and the undersigned franchisee,

_____ (“you” or “your”), currently are parties to a certain franchise agreement (the “Franchise Agreement”) dated _____, 20____. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation]_____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, owners, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "British Swim Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the British Swim Parties, including without limitation, Claims (1) arising out of or related to the British Swim Parties' obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the British Swim Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Releasing Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

If the franchise is located in Maryland or if you are a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this release on the date stated on the first page hereof.

**BRITISH SWIM CENTERS
FRANCHISING, LLC**
A Florida limited liability company

By: _____

Name: _____

Title: _____

Dated: _____

FRANCHISEE:

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

By: _____

Name: _____

Title: _____

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT F

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to British Swim Centers Franchising, LLC (“Franchisor”) that each person signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a British Swim School franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

| | |
|---|-----------------|
| <p>I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables over which Franchisor has no control such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.</p> | <p>INITIAL:</p> |
| <p>I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan and New York) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.</p> | <p>INITIAL:</p> |
| <p>Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.</p> | <p>INITIAL:</p> |
| <p>My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.</p> | <p>INITIAL:</p> |
| <p>I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.</p> | <p>INITIAL:</p> |

SPECIAL REPRESENTATION REGARDING RECEIPT OF FINANCIAL INFORMATION.

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.

Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of success) other than information contained in the FDD?

Yes No (INSERT INITIAL HERE:_____)

If you selected "Yes," please describe the information you received on the lines below:

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

NOTICE TO MARYLAND RESIDENTS OR FRANCHISEES WITH A BRITISH SWIM SCHOOL BUSINESS IN MARYLAND: This questionnaire is not intended to and shall not waive any liability Franchisor may have under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE:

Sign here if you are taking the franchise as an **INDIVIDUAL(S)**
(Note: use these blocks if you are an individual or a partnership but the partnership is not a separate legal entity)

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Sign here if you are taking the franchise as a **CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**

Print Name of Legal Entity

By: _____
Signature

Print Name: _____
Title: _____
Date: _____

EXHIBIT G
LIST OF FRANCHISEES

BRITISH SWIM CENTERS FRANCHISING, LLC
Current as of December 31, 2013

LIST OF FRANCHISEES

| Franchisee | Address | City | State | Zip | Telephone # |
|---|--|--------------|--------------|------------|--------------------|
| Simple Minds, Corp. Glauco Frizzera | 14071 SW 50 Lane | Miramar | FL | 33021 | 305-209-7836 |
| Eliezer and Jenifer Rivera | 7301 NW 11th Place | Plantation | FL | 33313 | 954-341-1718 |
| JustJack, Inc. ¹ Howard Berkowitz and Sarah Hoffman | 93 Pacer Circle | Wellington | FL | 33414 | 561-855-7043 |
| Sakana Swim School, LLC Tad and Duangkamol Naglestad Nicholas Dobbs | 409 S. Lodge Lane | Lombard | IL | 60148 | 630-833-8145 |
| British Swim Chicago, LLC Antony White | 325 N. Forest Avenue | Oak Park | IL | 60302 | 708-613-5179 |
| Sochi Aquatics, LLC Antony White and Nicholas Dobbs | 325 N. Forest Avenue | Oak Park | IL | 60302 | 708-613-5179 |
| Dobbs Aquatics Company, Inc. Nicholas Dobbs | 140 W. St. Charles Road, Suite D | Villa Park | IL | 60181 | 630-833-8145 |
| Wooddale Swim Club, LLC Nicholas Dobbs and David Moroney | 140 W. St. Charles Road, Suite D | Villa Park | IL | 60181 | 630-833-8145 |
| Bonnie Ventures, LLC ² Bonnie Alcidi | 45 Appleseed Lane | Gaithersburg | MD | 20878 | 301-963-3500 |
| DEC Family, LLC ³ Darlene Coons | 849 Quince Orchard Boulevard, Suite 1 | Gaithersburg | MD | 20878 | 708-848-2800 |

**LIST OF FRANCHISE AGREEMENTS SIGNED BUT BRITISH SWIM SCHOOL
BUSINESSES NOT YET OPERATIONAL**

| Franchisee | Address | City | State | Zip | Telephone # |
|---|-----------------------|-------------|--------------|------------|--------------------|
| Brooklyn Aquatics, LLC ⁴ Howard Berkowitz, Sarah Hoffman and Martin Goldberg | 93 Pacer Circle | Wellington | FL | 33414 | 561-855-7043 |
| JustJack, Inc. ⁵ Howard Berkowitz and Sarah Hoffman | 93 Pacer Circle | Wellington | FL | 33414 | 561-855-7043 |
| Steel City Aquatics Group, LLC Rebecca Grindle, Traci Brown and Ryan Grindle | 145 Westminster Drive | Pittsburgh | PA | 15229 | 724-241-8602 |

¹ This franchisee has signed 2 separate franchise agreements for 2 separate Territories located in Florida.

² This franchisee has signed 2 separate franchise agreements for 2 separate Territories located in Maryland.

³ Although franchisee address is located in Maryland, the Territory is located in Virginia.

⁴ Although franchisee address is located in Florida, the Territory is located in New York.

⁵ Although franchisee address is located in Florida, the Territory is located in New York.

EXHIBIT H
ADDITIONAL DISCLOSURES/STATE SPECIFIC RIDERS TO FRANCHISE
AGREEMENT

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
BRITISH SWIM CENTERS FRANCHISING, LLC**

The following are additional disclosures for the Franchise Disclosure Document of British Swim Centers Franchising, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

ILLINOIS

1. The following language is added as the last paragraph of Item 5:

Due to our financial condition, the Illinois Attorney General's Office requires us to defer payment of the initial franchise fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you have begun operating your British Swim School Business.

2. The disclosure under the column "When Due" in the Item 7 chart, entitled "Initial Franchise Fee," is hereby deleted and replaced by the following:

Upon completion of our pre-opening obligations.

3. The "Summary" section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety.

4. The "Summary" section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the state of Illinois apply.

MARYLAND

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the "Summary" section of Item 17(h), entitled "**Cause**" defined – non-curable defaults:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The "Summary" section of Item 17(v), entitled "**Choice of forum**", is amended to add the following:

, except that you must bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of the chart in Item 17:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to us, our parent, predecessor or affiliate, the persons identified in Item 2, or an affiliate offering franchises under our principal trademark:

- A. There is no pending administrative, criminal, or civil action alleging: a felony; violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.
- B. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action alleging: violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable allegations.
- C. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a franchise as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

No person identified in Item 1, and no officer of franchisor, or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document have, during the 10 year period immediately preceding the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year

after that officer or general partner of ours held this position in the company or partnership.

4. The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

5. The following is added to the end of the "Summary" section of Item 17(j), entitled **Assignment of contract by franchisor**:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

6. The following is added to the end of the "Summary" sections of Item 17(v), entitled **Choice of forum**, and Item 17(w), entitled **Choice of law**:

However, the governing choice of law and choice of forum shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

VIRGINIA

1. The following language is added to the end of the "Summary" section of Item 17(e), entitled **Termination by franchisor without cause**:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The following language is added as the last paragraph of Item 5:

Due to our financial condition, the Washington Department of Financial Institutions requires us to defer payment of the initial franchise fee and other initial payments you owe us until we have completed all of our pre-opening

obligations to you under the Franchise Agreement and you have begun operating your British Swim School Business.

2. The disclosure under the column “When Due” in the Item 7 chart, entitled “Initial Franchise Fee,” is hereby deleted and replaced by the following:

Upon completion of our pre-opening obligations.

3. The following paragraph is added at the end of Item 17:

If any of the provisions in this Franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail over the inconsistent terms of the Franchise Disclosure Document or Franchise Agreement.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE BRITISH SWIM CENTERS FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER is made and entered into by and between **BRITISH SWIM CENTERS FRANCHISING, LLC**, a limited liability company formed under the laws of the State of Florida, with its principal business address at 2084 North University Drive, Sunrise, Florida 33322 (“we,” “us,” or “our”), and _____
_____ a _____ whose principal business address is _____
_____ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the British Swim School Business that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **INITIAL FRANCHISE FEE.** The following language is added to the end of Section 3A of the Franchise Agreement:

Due to our financial condition, the Illinois Attorney General’s Office requires us to defer payment of the initial franchise fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under this Agreement and you have begun operating the British Swim School Business.

3. **GOVERNING LAW.** Section 17F of the Franchise Agreement is deleted and replaced with the following:

UNLESS A MATTER IS GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES. HOWEVER, ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS SUCH LAW APPLIES TO YOU OR THE FRANCHISE RELATIONSHIP INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION 17F.

4. **CONSENT TO JURISDICTION.** Section 17G of the Franchise Agreement is deleted in its entirety.

5. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL** The following language is added to the end of Section 17H of the Franchise Agreement:

HOWEVER, THIS SECTION SHALL NOT BIND ANY PERSON ACQUIRING ANY FRANCHISE TO WAIVE COMPLIANCE WITH ANY PROVISION OF THE ILLINOIS FRANCHISE DISCLOSURE ACT AT SECTION 705/41 OR ILLINOIS REGULATIONS AT SECTION 200.609.

6. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS.** The following language is added to the end of Section 17J of the Franchise Agreement:

HOWEVER, NOTHING CONTAINED IN THIS SECTION SHALL CONSTITUTE A WAIVER OF ANY PROVISION OF THE ILLINOIS FRANCHISE DISCLOSURE ACT OR ANY OTHER LAW OF THE STATE OF ILLINOIS, TO THE EXTENT APPLICABLE.

7. **CONSTRUCTION.** The first paragraph of Section 17K of the Franchise Agreement is deleted and replaced with the following:

The preambles and exhibits are part of this Agreement which, together with the System Standards contained in the Operations Manual (which may be periodically modified, as provided in this Agreement) and the related documents, constitutes our and your entire agreement. Other than the representations in the franchise disclosure document you received from us, there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your British Swim School Business. Any understandings or agreements reached, or any representations made, before this Agreement are replaced by this Agreement. Nothing contained in this Agreement shall be deemed a waiver of any rights you may have to rely on the franchise disclosure document.

8. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as Section 17L of the Franchise Agreement:

L. **ILLINOIS FRANCHISE DISCLOSURE ACT.**

Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

BRITISH SWIM CENTER FRANCHISING LLC, a Florida limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

[Entity Name]

[Signature]

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

[Signature]

[Print Name]

DATED: _____

**RIDER TO THE BRITISH SWIM CENTERS FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **BRITISH SWIM CENTERS FRANCHISING, LLC**, a limited liability company formed under the laws of the State of Florida, with its principal business address at 2084 North University Drive, Sunrise, Florida 33322 (“we,” “us,” or “our”), and _____ a _____ whose principal business address is _____ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Maryland or (b) the British Swim School Business that you will operate under the Franchise Agreement will be located in Maryland.

2. **ACKNOWLEDGMENTS.** The following is added to the end of Section 1B (“Acknowledgments”) of the Franchise Agreement:

These acknowledgments are not intended to act, nor shall they act, as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. **RELEASES.** The following is added to the end of Section 12C(8) (under Section 12C “Conditions for Approval of Transfer”) and 12E (“Transfer to a Wholly-Owned Corporation or Limited Liability Company”) and 13C (“Agreements/Releases”) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY.** The following is added to the end of Sections 12B(d) (under Section 12B “Transfer by You”) and 14B(21) (under Section 14B (“Termination by Us”) of the Franchise Agreement:

; however, we and you acknowledge that certain aspects of this provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 17G (“Consent to Jurisdiction”) of the Franchise Agreement:

A franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS.** The following language is added to the end of Section 17J (“Class Action Bar and Limitations of Claims”) of the Franchise Agreement:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

BRITISH SWIM CENTER FRANCHISING LLC, a Florida limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

[Entity Name]

[Signature]

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

[Signature]

[Print Name]

DATED: _____

**RIDER TO THE BRITISH SWIM CENTERS FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

THIS RIDER is made and entered into by and between **BRITISH SWIM CENTERS FRANCHISING, LLC**, a limited liability company formed under the laws of the State of Florida, with its principal business address at 2084 North University Drive, Sunrise, Florida 33322 (“we,” “us,” or “our”), and _____ a _____ whose principal business address is _____ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, (the "Franchise Agreement"). This Rider is being signed because (a) you are domiciled in the State of New York and the British Swim School Business that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **TRANSFER BY US.** The following language is added to the end of Section 12A of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **RELEASES.** The following is added to the end of Section 12C(8) and 12E (transfer) and 13C (successor franchise) of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **TERMINATION BY YOU.** The following language is added to the end of Section 14A of the Franchise Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW.** Section 17F of the Franchise Agreement is deleted and replaced with the following:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

6. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 17G of the Franchise Agreement:

THIS SECTION SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE NEW YORK STATE GENERAL BUSINESS LAW, AS AMENDED, AND THE REGULATIONS ISSUED THEREUNDER.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

BRITISH SWIM CENTER FRANCHISING LLC, a Florida limited liability company

By: _____
Name: _____
Title: _____

DATED: _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Entity Name]

[Signature]

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

[Signature]

[Print Name]

DATED: _____

**RIDER TO THE BRITISH SWIM CENTERS FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

THIS RIDER is made and entered into by and between **BRITISH SWIM CENTERS FRANCHISING, LLC**, a limited liability company formed under the laws of the State of Florida, with its principal business address at 2084 North University Drive, Sunrise, Florida 33322 (“we,” “us,” or “our”), and _____ a _____ whose principal business address is _____ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Washington; and/or (b) the British Swim School Business that you will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **INITIAL FRANCHISE FEE.** The following language is added to the end of Section 3A of the Franchise Agreement:

Due to our financial condition, the Washington Department of Financial Institutions requires us to defer payment of the initial franchise fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under this Agreement and you have begun operating the British Swim School Business.

3. **WASHINGTON LAW.** The following paragraphs are added to the end of the Franchise Agreement:

In recognition of the requirements of the Washington Franchise Investment Protection Act (the “Act”) and the rules and regulations promulgated thereunder, the Franchise Agreement shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There might also be court decisions which supersede this Agreement in your relationship with us, including termination and renewal of your franchise.

In any arbitration involving a franchise purchased in the State of Washington, the arbitration site shall be, but only if required by the Act (to the extent such requirement is not preempted by the Federal Arbitration Act), in the State of Washington, or in a place mutually agreed upon by the parties at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

To the extent required by the Act, a release or waiver of rights executed by you shall not include rights under the Act, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.

To the extent required by the Act, transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

BRITISH SWIM CENTER FRANCHISING LLC, a Florida limited liability company

By: _____
Name: _____
Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

[Entity Name]

[Signature]

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

[Signature]

[Print Name]

DATED: _____

NEW YORK REPRESENTATIONS PAGE

FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT I
RECEIPTS

RECEIPT

(Keep this copy for your records)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If British Swim Centers Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If British Swim Centers Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is British Swim Centers Franchising, LLC, located at 2084 North University Drive, Sunrise, Florida 33322, (954) 747-7251.

Issuance date: April 25, 2014.

The individual franchise seller who offered you a British Swim School franchise is:

| | | |
|--|--|--|
| <input type="checkbox"/> Rita Goldberg British Swim Centers Franchising, LLC 2084 North University Drive Sunrise, FL 33322 | <input type="checkbox"/> Name of Franchise Seller: _____ Principal Business Address: _____ _____ | <input type="checkbox"/> Name of Franchise Seller: _____ Principal Business Address: _____ _____ |
|--|--|--|

British Swim Centers Franchising, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated April 25, 2014 that included the following Exhibits:

- | | |
|--|---|
| A List of State Agencies/Agents for Service of Process | F Representations and Acknowledgment Statement |
| B Franchise Agreement | G List of Franchisees |
| C Table of Contents to Operations Manual | H State Addenda and Riders to the Franchise Agreement |
| D Financial Statements | I Receipts |
| E Sample Release | |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

RECEIPT

(Return this copy to us)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If British Swim Centers Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If British Swim Centers Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is British Swim Centers Franchising, LLC, located at 2084 North University Drive, Sunrise, Florida 33322, (954) 747-7251.

Issuance date: April 25, 2014.

The individual franchise seller who offered you a British Swim School franchise is:

| | | |
|--|--|--|
| <input type="checkbox"/> Rita Goldberg British Swim Centers Franchising, LLC 2084 North University Drive Sunrise, FL 33322 | <input type="checkbox"/> Name of Franchise Seller: _____ Principal Business Address: _____ _____ | <input type="checkbox"/> Name of Franchise Seller: _____ Principal Business Address: _____ _____ |
|--|--|--|

British Swim Centers Franchising, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated April 25, 2014 that included the following Exhibits:

- | | |
|--|---|
| A List of State Agencies/Agents for Service of Process | F Representations and Acknowledgment Statement |
| B Franchise Agreement | G List of Franchisees |
| C Table of Contents to Operations Manual | H State Addenda and Riders to the Franchise Agreement |
| D Financial Statements | I Receipts |
| E Sample Release | |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating and mailing it to British Swim Centers Franchising, LLC, 2084 North University Drive, Sunrise, Florida 33322, or by faxing a copy of the signed and dated receipt to Rita Goldberg at (954) 358-2153.