

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

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location under particular circumstances.

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

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

The business manages two neighboring territories in Seattle under a single management structure:

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

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

Table 1

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

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

1. A "customer" is one unique individual.

Notes to Table 1:

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

Table 2

January 1, 2024 - December 31, 2024 Income Statement Performance					
	Combined Average Weekly Customers 1,188	Ratios	Territory 1 Average Weekly Customers 210	Territory 2 Average Weekly Customers 978	
Gross Revenue	\$ 1,989,969	100%	\$ 340,596	\$ 1,649,374	
Cost of Sales					
Pool Rental	365,276	18%			
Labor	503,685	25%			
Total Cost of Sales	1,121,008	56%			
Gross Profit	1,121,008	56%			
<i>% of Gross Revenue</i>	<i>56%</i>				
Operating Expenses					
Product costs	13,627	1%			
Photography costs	2,578	0%			
IT	7,878	0%			
Advertising & Promotion	59,699	3%			
Merchant and Bank Fees	62,297	3%			
Insurance	7,800	0%			
Other cost of sales	9,917				
Total Operating Expenses	163,795	8%			
	<i>8%</i>				
Net Operating Income	957,213	48%			
<i>% of Gross Revenue</i>	<i>48%</i>				
Royalty fees	198,997	10%			
Marketing fund fee	39,799	2%			
	238,796	12%			
<i>% of Gross Revenue</i>	<i>12%</i>				
Net Operating Income	718,417	36%			
<i>% of Gross Revenue</i>	<i>36%</i>				

Notes to Table 2:

- (1) The data contained in Table 2 is derived based upon the two company-owned territories operating throughout 2024. While the Gross Revenue and the average weekly customer counts have been identified by territory, our affiliated effectively operated both territories as one operating unit and therefore all expenses are combined into one P & L.
- (2) A “Customer” is defined one unique person who has received at least one swimming lesson during the measured period.
- (3) Labor costs have been adapted to include two Aquatics Directors to be consistent with the requirements in the Franchise Agreement.
- (4) The IT costs have been normalized to represent a franchise operating two territories. This does not include Microsoft account costs which the franchise will be operating.
- (5) Advertising and promotion costs have been normalized to represent a franchise operating two territories.
- (6) Insurance costs have been normalized to represent a franchise operating two territories.
- (7) Royalty is calculated at 10% of aggregated Gross Revenue per Territory.
- (8) The Marketing Fee (Brand Fund Fee) is calculated at 2% of aggregated Gross Revenue per Water Babies Business.
- (9) Net Operating Income is calculated before payment of any compensation or dividend to the owner of the business.
- (10) Table 2 does not include all other expenses that you may incur and that are not included in the information presented. Such expenses may include, but are not limited to, expenses associated with office locations and facility supplies, training expenses, personal franchise owner expenses, aggregated franchise owner financial expenses, miscellaneous expenses not essential to running a Water Babies Swim School Business, and owner's compensation.

General Notes:

- (1) Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.
- (2) Other than the preceding financial performance representation, Water Babies US Franchise LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Carl Higgins at Water Babies USA Franchising, LLC, 115 E Pennsylvania Ave., Suite 16, Southern Pines, NC 28387, telephone 833-268-5650, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

Systemwide Outlet Summary
For Fiscal Years 2022, 2023, 2024

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

TABLE NO. 2

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

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

TABLE NO. 3

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

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