

Provision	Section in Multi-Unit Development Agreement	Summary
s. Modification of the Agreement	Section 12	Modifications only upon written agreement of the parties.
t. Integration/merger clause	Section 12	Only the terms of the Multi-Unit Development Agreement are binding (subject to applicable state laws). Any representations or promises outside of this Disclosure Document and the Multi-Unit Development Agreement may not be enforceable, subject to state law. Notwithstanding the foregoing, nothing in the Development Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 21	Except for certain claims, all disputes will be arbitrated in Southern Pines, North Carolina, subject to state law.
v. Choice of forum	Section 21	North Carolina, except as provided in a State Specific Addendum, subject to applicable state law.
w. Choice of law	Section 18	North Carolina law applies, except as provided in a State Specific Addendum, subject to applicable state law.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

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

The business manages two neighboring territories in Seattle under a single management structure. The total number of pools that Water Babies USA LLC operated out of throughout 2023, 2024, and 2025 is four. This represents all of the pools Franchisor or its affiliates operated from in the United States throughout that time period. The total number of territories that existed throughout 2023, 2024, and 2025 is two. This represents all of the territories Franchisor or its affiliates operated out of in the United States throughout that time period.:

- **Territory 1** includes three hosted pools—two of which have been in operation since approximately 2004, with the third added in 2014. Two of these pools form part of a local athletics club and the third is the 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.

Water Babies Renton operates both territories under one accounting system, as represented in Table 1 below:

Table 1

	31 December 2023	31 December 2024	31 December 2025
Gross Revenue	1,896,362	1,989,969	1,902,543
Average Weekly Customer No’s.	1,126	1,188	1,081
Median Weekly Customer No’s.	1,140	1,195	1,068

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.

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Table 2

January 1, 2025 - December 31, 2025 Income Statement Performance				January 1, 2024 - December 31, 2024 Income Statement Performance			
	Combined	Ratios		Combined	Ratios		
	Average Weekly Customers			Average Weekly Customers			
	1,081			1,188			
	\$			\$			
Gross Revenue	1,902,543	96%		Gross Revenue	1,989,969	100%	
Cost of Sales				Cost of Sales			
Pool Rental	361,742	18%		Pool Rental	365,276	18%	
Labor	412,772	21%		Labor	503,685	25%	
Total Cost of Sales	1,128,029	57%		Total Cost of Sales	1,121,008	56%	
Gross Profit	1,128,029	57%		Gross Profit	1,121,008	56%	
<i>% of Gross Revenue</i>	<i>59%</i>			<i>% of Gross Revenue</i>	<i>56%</i>		
Operating Expenses				Operating Expenses			
Product costs	14,933	1%		Product costs	13,627	1%	
Photography costs	3,750	0%		Photography costs	2,578	0%	
IT	7,878	0%		IT	7,878	0%	
Advertising & Promotion	57,076	3%		Advertising & Promotion	59,699	3%	
Merchant and Bank Fees	60,504	3%		Merchant and Bank Fees	62,297	3%	
Insurance	7,800	0%		Insurance	7,800	0%	
Other cost of sales	10,985			Other cost of sales	9,917		
Total Operating Expenses	162,926	8%		Total Operating Expenses	163,795	8%	
	<i>9%</i>				<i>8%</i>		
Net Operating Income	965,103	48%		Net Operating Income	957,213	48%	
<i>% of Gross Revenue</i>	<i>51%</i>			<i>% of Gross Revenue</i>	<i>48%</i>		
Royalty fees	190,254	10%		Royalty fees	198,997	10%	
Marketing fund fee	38,051	2%		Marketing fund fee	39,799	2%	
	228,305	11%			238,796	12%	
<i>% of Gross Revenue</i>	<i>12%</i>			<i>% of Gross Revenue</i>	<i>12%</i>		
Net Operating Income	736,798	37%		Net Operating Income	718,417	36%	
<i>% of Gross Revenue</i>	<i>39%</i>			<i>% of Gross Revenue</i>	<i>36%</i>		

Notes to Table 2:

(1) The data presented in Table 2 is based on the two company-owned territories that operated throughout 2025. Because our affiliate operated both territories as a single operating unit during this period, Gross Revenue and average weekly customer counts are presented on a combined basis, and all expenses are reflected in a single profit and loss statement.

(2) A “Customer” is defined as 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.

General Notes:

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

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

(3) 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 2023, 2024, 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Company-Owned	2023	0	2	+2
	2024	2	2	0
	2025	2	2	0
Total Outlets	2023	0	2	+2
	2024	2	2	0
	2025	2	2	0

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