

FRANCHISE DISCLOSURE DOCUMENT



HV Swim Franchise LLC
a New York limited liability company
827 State Route 82, Ste. 10-199
Hopewell Junction, New York 12533
888-4HVSWM
franchise@hvswim.com
www.hvswim.com

Hudson Valley Swim businesses provide classes that teach proper swim techniques and water safety for all age groups and abilities (“Hudson Valley Swim Business(es)”).

The total investment necessary to begin operation of a Hudson Valley Swim franchised business is between \$98,345 and \$131,495. This includes between \$63,600 and \$73,400 that must be paid to the franchisor or its affiliate(s).

Hudson Valley Swim area developers acquire the right to develop multiple Hudson Valley Swim Businesses in a designated development area. Area developers must open a minimum of two Hudson Valley Swim Businesses.

The total investment necessary to begin operation as an area developer with two Hudson Valley Swim Businesses is between \$173,590 and \$243,490. This includes between \$107,700 and \$127,300 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation as an area developer with three Hudson Valley Swim Businesses is between \$243,835 and \$350,485. This includes between \$146,800 and \$176,200 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation as an area developer with four Hudson Valley Swim Businesses is between \$309,080 and \$422,480. This includes between \$180,900 and \$200,100 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation as an area developer with five Hudson Valley Swim Businesses is between \$374,325 and \$554,475. This includes between \$215,000 and \$264,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jeffrey G. Gartner at 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533, 888-4HVSWM or franchise@hvswim.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. 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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 26, 2024



How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Hudson Valley Swim business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 <i>tell</i> you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a(n) Hudson Valley Swim franchisee?	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in New York. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in New York than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
5. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**NOTICE REQUIRED BY
STATE OF MICHIGAN**

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 the 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 terms 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 six (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 or 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 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 the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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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, “HVSF,” “we,” “us” and “our” means HV Swim Franchise LLC, the franchisor. “You,” “your” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from HVSF.

The Franchisor

HVSF is a New York limited liability company formed on May 17, 2021. We operate under our corporate name and the name Hudson Valley Swim. Our principal business address is 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533. We offer franchises (“Hudson Valley Swim Franchise(s)” or “Franchise(s)”) for Hudson Valley Swim Businesses and have done so since January 2022. We do not conduct, and have never conducted, business under any other name or in any other line of business. We do not offer, and have never offered, franchises in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document. We do not have a predecessor. We do not have a parent entity.

Our affiliate Hudson Valley Swim Inc. (“HVSI”) owns and controls the intellectual property for the Hudson Valley Swim Franchises and licenses it to us. HVSI shares our principal address. HVSI operates one Hudson Valley Swim Business which operates in multiple territories and has done so since June 2011. Its predecessor, Set & Swim Aquatics, Inc. operated a Hudson Valley Swim Business from 2003 to 2011. HVSI does not and has not ever offered franchises in any line of business.

Our agent for service of process in New York is Jeffrey G. Gartner, 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533. Our agents for service of process for other states are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

The Franchise

Hudson Valley Swim franchisees operate businesses that provide classes that teach proper swim techniques and water safety for all age groups and abilities. Our operating system includes recognizable design, décor and color scheme; uniform standards, specifications, rules and procedures of operation; techniques; philosophies; quality and uniformity of products and services offered; and procedures (“System”). We grant franchises the right to operate Hudson Valley Swim Businesses using the System and our trade names, trademarks, service marks, emblems, logos, slogans and copyrights (“Marks”) as authorized by us in an approved territory (“Territory”). Your Hudson Valley School Business will provide private and group swim lessons from swimming pools that have been approved by us (each, a “Pool”). Each Hudson Valley Swim Business will operate from a single Pool approved by us, unless we approve the use of additional Pools in the Territory.

Each Hudson Valley Swim Business must designate an experienced lead swim instructor (“Lead Instructor”) approved by us, to oversee the programs and other swim instructors at the Hudson Valley Swim Business. We anticipate that your Hudson Valley 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. In some instances, HVSF may have a master facility license agreement with Pool facilities in your Territory (“Master Facility License Agreement” or “MFLA”), which may require you to pay HVSF directly for your use of the Pool or require you to enter into a sub-license with us for use of the Pool (“MFLA Sublicense Agreement”) under



which you pay rent directly to us. A sample form of the MFLA Sublicense Agreement is attached to this Franchise Disclosure Document in Exhibit H. You will operate from one Pool when you first open your Hudson Valley Swim Business. You may operate from additional Pools within the licensed Territory with our approval, though your agreements with Pools may contain limits on where you can operate. We will evaluate additional Pools based on criteria which includes the suitability of location, the distance from other Hudson Valley Swim Businesses, and the operational efficiency of your first Pool.

You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit C (“Franchise Agreement”). You may operate one Hudson Valley Swim Business for each Franchise Agreement you sign.

We also offer to select qualified persons (“Area Developers”) the opportunity to sign our area development agreement attached to this Franchise Disclosure Document as Exhibit D (“Area Development Agreement”) and acquire the right to develop multiple Hudson Valley Swim Businesses in a designated development area (“Development Territory”) in accordance with a specified development schedule (“Development Schedule”). The Development Territory will be established based on the consumer demographics of the Development Territory, geographical area, city, county and other boundaries. Area Developers must open a minimum of two Hudson Valley Swim Businesses. If you enter into an Area Development Agreement, you must sign a Franchise Agreement for your first Hudson Valley Swim Business (“Initial Franchise Agreement”) at the same time that you sign the Area Development Agreement. You will be required to sign our then-current form of Hudson Valley Swim Franchise Agreement, which may be materially different from the current Franchise Agreement included with this Franchise Disclosure Document for each Hudson Valley Swim Business that you develop under the Area Development Agreement, except that any additional franchise agreements signed pursuant to the Development Schedule will have the same royalty rate as the Initial Franchise Agreement. Unless otherwise stated, any reference in this Franchise Disclosure Document to “you” or “Franchisee” includes you both as an Area Developer under an Area Development Agreement and as a franchisee under a Franchise Agreement.

Market and Competition

Hudson Valley Swim Businesses service the needs of the general public. Our services are not seasonal in nature. The children’s swimming lessons sector is competitive and well-developed. Hudson Valley Swim Businesses compete with other businesses, including franchised operations, national chains and other professionals who specialize in the children’s swimming school industry offering swimming lesson services.

Industry-Specific Laws

Certain states and local jurisdictions may have enacted laws, rules, regulations, and ordinances that apply to the care and supervision of children or that apply to conducting swim lessons in a pool. Local laws may govern requirements for the certification of swim instructors. All your employees, including swim instructors, are subject to criminal background checks. You must obtain all required licenses, permits, and certificates necessary to operate your Hudson Valley Swim Business. You should investigate all of these laws. You are responsible for investigating and complying with all applicable laws and regulations.

ITEM 2 BUSINESS EXPERIENCE

Jeffrey G. Gartner – Chief Executive Officer



Jeffrey G. Gartner is our Chief Executive Officer in Hopewell Junction, New York and has been since our formation in May 2021. Mr. Gartner is also the President of our affiliate, Hudson Valley Swim, Inc. Hopewell Junction, New York and has been since its formation in June 2011. Prior to that, Mr. Gartner was the President of Set & Swim Aquatics, Inc. starting in April 2003 in Hopewell Junction, New York. Set & Swim Aquatics, Inc. was reincorporated as Hudson Valley Swim, Inc. in June 2011.

Joan M. Gartner – Chief Operating Officer

Joan M. Gartner is our Chief Operating Officer in Hopewell Junction, New York and has been since our formation in May 2021. Ms. Gartner is also the Vice President of our affiliate, Hudson Valley Swim, Inc. in Hopewell Junction, New York and has been since its formation in June 2011.

**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**

Franchise Agreement

Initial Franchise Fee

The “Initial Franchise Fee” for a single Hudson Valley Swim Business is \$59,500. The Initial Franchise Fee is payment for the pre-opening assistance that we provide to you to allow you to open your Hudson Valley Swim Business and also offsets some of our franchise recruitment expenses. The Initial Franchise Fee is uniform, fully earned by us once paid and is non-refundable under any circumstances. You must pay the Initial Franchise Fee when you sign your Franchise Agreement. In limited circumstances, we reserve the right to negotiate Initial Franchise Fees for areas larger than a standard Territory.

If you are a veteran of the U.S. Armed Forces that has been honorably discharged, your Initial Franchise Fee will be discounted by 20% for your first Hudson Valley Swim Business as part of our “Salute to Service” program. We reserve the right to reduce or waive the Initial Franchise Fee for our officer’s family members.

During our last fiscal year ended December 31, 2023, we collected initial franchise fees ranging from \$1,000 to \$39,500. The low range was for the sale of a franchise to a family member and the high range was our then-current Initial Franchise Fee.



Startup Packages

We require all franchisees to purchase a “Marketing Startup Package” from us. The Marketing Startup Package includes: i) one (1) 6-foot stretch table cover; ii) one (1) rollup banner; iii) one thousand (1,000) glossy postcards; iv) five hundred (500) business cards; v) two (2) car magnets; vi) one thousand (1,000) color flyers; vii) thirty (30) double-sided yard signs; and viii) two hundred fifty (250) screened pens. The Marketing Startup Package for certain Hudson Valley Swim Business will also include i) one window cling; ii) two changing pods; 12 long noodles; two waterproof cases; two water barbells; and one baby rinse bucket. The Marketing Startup Package will cost between \$2,200 and \$3,000. As of the Issuance Date of this Disclosure Document, the cost is \$2,200. The price may vary due to pricing changes from our designated suppliers and other market changes. The Marketing Startup Package payment is due 30 days after you sign the Franchise Agreement for your first Hudson Valley Swim Business and 30 days after you sign the Franchise Agreement for each Hudson Valley Swim Business that you develop under an Area Development Agreement (if applicable). The Marketing Startup Package payment is uniform and not refundable under any circumstances. We will order the Marketing Startup Package items, which will be shipped to you directly from specific vendors. Shipping times on the Marketing Startup Package items may vary.

We also require all franchisees to purchase a “Facility Equipment Startup Package” from us. The package cost will range from \$1,500 to \$2,000. As of the issuance date of this document, the cost is \$1,500. The price may vary due to pricing changes from our designated suppliers and other market changes. The Facility Equipment Startup Package includes: i) four (4) kickboards; ii) one (1) baby float mat; iii) four 2x9 and 4x2 size swim fins and two sets of swim fins in other sizes; iv) two (2) swim lesson floor signs; v) one (1) depository safe; vi) one (1) set of dive sticks; vii) one (1) set of dive rings; viii) two (2) sets of swim fins in all sizes; ix) fifty (50) rubber ducks; and additional items. The Facility Equipment Startup Package payment is due 60 days before you open your first Hudson Valley Swim Business and 60 before you open each additional Hudson Valley Swim Business that you develop under an Area Development Agreement (if applicable). The Facility Equipment Startup Package payment is uniform and not refundable under any circumstances. We will order the Facility Equipment Startup Package items, which will be shipped to you directly from specific vendors. Shipping times on the Facility Equipment Startup Package items may vary.

Master Facility License Agreement Pool Rental Fees

If you wish to provide classes at a Pool operated by an entity that HVSF has a Master Facility License Agreement, you may be required to pay HVSF directly for your use of the Pool. HVSF will pay the owner or operator of the Pool on your behalf. HVSF does not charge an administrative fee or mark-up the rental fees charged by the owner or operator of the Pool. The rental fees are non-refundable unless otherwise provided under the terms of the Master Facility License Agreement. The fees are not uniform and will vary based on the terms of the Master Facility License Agreement and/or then-current fees charged by the owner or operator. We estimate the deposit due for the initial Pool where you operate will be approximately \$6,000 to \$8,500. This deposit may be applied to your first and last month of rental fees. If you operate under a sublicense from us, you will pay this security deposit to us at least one month prior to the opening of your first Franchised Business and at least one month prior to the opening of each additional Hudson Valley Swim Business that you develop under an Area Development Agreement (if applicable). If you do not provide classes at a Pool operated by an entity that HVSF has a Master Facility License Agreement, you will not pay any deposits or pool rental fees to HVSF.

Technology Fee

You will pay a monthly technology fee equal to \$200 per Pool to cover the software expenses that we incur to oversee your Hudson Valley Swim Business. This includes items such as a single



@hvswim.com email address, a single virtual@hvswim.com redirect address, a single Microsoft Office 360 license, our CRM system, and your website on our main webpage. The fee may increase based on price increases that we incur. You will begin paying the Technology Fee approximately two months before your scheduled opening date for your first Hudson Valley Swim Business and approximately two months before your scheduled opening date for each additional Hudson Valley Swim Business that you develop under an Area Development Agreement (if applicable). We anticipate that you will pay Technology Fees of \$400 prior to the opening of your Hudson Valley Swim Business. The amount assumes that you are operating one Pool. Generally, franchisees will not operate in more than one Pool upon opening. The Technology Fee is uniformly calculated and non-refundable under any circumstances.

Area Development Agreement

Franchisees may also purchase the rights to open additional Hudson Valley Swim Businesses by signing our Area Development Agreement and paying a development fee (“Development Fee”). The Development Fee is calculated based on the chart below:

Number of Hudson Valley Swim Business	Development Fee	IFF Discount Per Additional Hudson Valley Swim Business
2	\$99,500	16%
3	\$134,500	25%
4	\$164,500	31%
5	\$194,500	35%

Area Developers must open a minimum of two Hudson Valley Swim Businesses. To open additional Hudson Valley Swim Businesses, you will be required to sign the then-current Hudson Valley Swim franchise agreement, but you will not be required to pay an Initial Franchise Fee because it is already included in the Development Fee, and the franchise agreement will have the same royalty that applied to the first Franchise Agreement you entered into under your Area Development Agreement (all other fees will apply). The Development Fee is uniform, payable when you sign your Area Development Agreement and is non-refundable under any circumstances, even if you fail to open any Hudson Valley Swim Businesses.

If you form a separate entity to open any of the Hudson Valley Swim Businesses within the Development Territory, you must own at least 51% of each entity. You must provide us with documentation showing your ownership interest.

Financial Assurances

Some states have imposed a financial assurance. Please refer to the State Addendum in Exhibit G to the Franchise Disclosure Document.



**ITEM 6
OTHER FEES**

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty ⁽²⁾	The greater of the Minimum Royalty (see Note 2 below) or 6% - 8% of Gross Sales depending on the level of Gross Sales you generated in the previous calendar year.	Due on 5 th day of each month	The “ <u>Royalty</u> ” is based on “ <u>Gross Sales</u> ” during the previous month, and, after your first year of operation, the percentage will be determined by your total Gross Sales in your previous calendar year. For example, if your total Gross Sales in the previous calendar year was \$600,000, your Royalty rate for the following year would be 7% of Gross Sales, and if your total Gross Sales that year dropped to \$400,000, your Royalty rate in the following year would be 8% of Gross Sales. You will pay no less than the Minimum Royalty each month. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance.
Brand Fund Contribution	Up to 2% of Gross Sales (not currently charged).	Same as Royalty	If established, this contribution will be used for a system-wide “ <u>Brand Fund</u> ” for our use in promoting and building the Hudson Valley Swim brand. Also, if you fail to meet your required local advertising requirement for local advertising, you must pay us the difference between the amount you spent and the required local advertising expenditure, which will be contributed to us, or if established, the Brand Fund. We anticipate having a tiered Brand Fund Contribution that will start at 2% and reduce to 1% upon reaching certain Gross Sales thresholds.
Local Marketing & Advertising Payment	The difference between the amount you spent on local advertising each month and your required local advertising expenditure (\$3,000 per month per Pool)	Payable after receipt of invoice	If you fail to meet your required local advertising requirement on local advertising, you must pay the difference between the amount you spent and the required advertising expenditure, which will be contributed to the Brand Fund, if established, or us.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Local and Regional Advertising Cooperatives ⁽³⁾	Established by cooperative members, up to 2% of Gross Sales	Established by cooperative members	We currently do not have a cooperative but reserve the right to require one to be established in the future. We anticipate that each Hudson Valley Swim franchise and each Hudson Valley Swim Business that we own will have one vote for each Hudson Valley Swim franchise operated in the designated market. Each Hudson Valley Swim Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. Item 11 contains more information about advertising cooperatives. Any cooperative payments will count towards the "Local Advertising Requirement" discussed in Item 11.
Pool Rental Fees	Varies based on your rental agreement or the Master Facility License Agreement (MFLA) terms. Currently the maximum MFLA rental fee is equal to the greater of 25% of Gross Sales or \$4,000	Payable after receipt of invoice	If you provide services at a Pool under our Master License Facility Agreement, you may be required to pay the rental fees to us under an MFLA Sublicense Agreement. We will pay these rental fees to the Pool's owner or operator on your behalf. Current fees are based on a percentage of Gross Sales ranging from 10% to 25% and a minimum flat fee of \$3,000 per month. Some Master License Facility Agreement's require rental fees of \$4,000 per month. The terms of future Master License Facility Agreements may contain different payment terms, including higher monthly fees.
Unauthorized Advertising Fee	\$500 per occurrence	On demand	This fee is payable to us or, if established, the Brand Fund, if you use unauthorized advertising in violation of the terms of the Franchise Agreement.
Insurance	Reimbursement of our costs, plus a 20% administration charge	Within ten days after invoicing	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Additional Training or Assistance Fees	The then-current fee (currently \$500 per additional person for initial training and \$300 per attendee per day for additional training)	Within ten days after invoicing	We provide initial training at no charge for up to three people. We may charge you for training additional persons, newly hired personnel, refresher training courses, remedial training, advanced training courses, and additional or special assistance or training you need or request. You are responsible for any expenses incurred by you or your employees in connection with attending training, including transportation, lodging, meals, wages and other incidentals. If the training program is conducted at your Hudson Valley Swim Business, then you must reimburse us for the expenses we or our representatives incur in providing the training.
Technology Fee	Currently \$200 per month per Pool	Same as Royalty	This fee covers your website, access to the CRM system for managing your account, including insurance certificates and renewal reminders, reporting monthly sales, maintaining all federally mandated documents and contracts, and a single Microsoft Professional Email subscription (with backup) under the hvswim.com domain along with a single Office 365 subscription. Additional email accounts can be purchased for an additional \$20/month fee for each additional license. This fee may include fees paid by us to third-party vendors and it may be adjusted to reflect their price increases, upgrades or additional software required. You will begin paying the Technology Fee approximately two (2) months before you open your Hudson Valley Swim Business.
Customer Registration System Fee	Then-current fee (currently, \$129 per month per Pool)	Monthly	You will begin paying this fee two months before opening your Hudson Valley Swim Business. This fee covers the registration system used for enrollments, management, email marketing and reporting for your Hudson Valley Swim Business (“ <u>Customer Registration System</u> ”) and is paid to a third-party supplier.
Conference Fee	The then-current fee (currently estimated to be \$500 per person)	Upon receipt of written notice that such convention is being held	Your “ <u>Responsible Owner</u> ” or “ <u>Franchise Manager</u> ,”(both defined in Item 15) if any, must attend any national or regional conferences we hold. This fee defrays the cost of your attendance. It is due regardless of whether or not you attend.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$500)	Within ten days after invoicing	If we inspect a new product, service or proposed supplier nominated by you, we may require you to reimburse us for the cost of the inspection.
Customer Issue Resolution	The actual costs we incur for responding to a customer complaint, including administrative expenses	Within 5 days of receipt of invoice	Payable if a customer of your Hudson Valley Swim Business contacts us with a complaint and we provide a gift card, refund or other value to the customer as part of our addressing the issue.
Payment Service Fee	Up to 4% of total charge	As incurred	We may charge this fee if you make a payment to us or our affiliate by credit card.
Late Payment Fee	\$100 per occurrence, plus the lesser of the daily equivalent of 18% per year simple interest or the highest rate allowed by law	As incurred	Payable if any payment due to us or our affiliate is not made by the due date. Interest accrues from the original due date until payment is received in full.
Non-Sufficient Funds Fee	\$100 per occurrence, plus the lesser of the daily equivalent of 18% per year simple interest or the highest rate allowed by law	As incurred	Payable if any check or electronic payment is not successful due to insufficient funds, stop payment or any similar event.
Failure to Submit Required Report Fee	\$100 per occurrence and \$100 per week	Your bank account will be debited for failure to submit any requested report or financial statement when due	Payable if you fail to submit any required report or financial statement when due. You will continue to incur this fee until you submit the required report.
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting, legal and travel expenses	On demand	You will be required to pay this if an audit reveals that you understated weekly Gross Sales by more than 2% or you fail to submit the required reports.
Management Fee	Our then-current fee (currently \$500 per interim manager per day, plus costs and expenses)	As incurred	Payable if we manage your Hudson Valley Swim Business after: (1) you cease to perform your responsibilities (whether due to retirement, death, disability, or for any other reason) and you fail to find an adequate replacement Responsible Owner (defined in Item 15) within 30 days; (2) you are in material breach of this Franchise Agreement; or (3) upon a crisis management event.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Professional Fees and Expenses	The actual costs we incur	As incurred	You must reimburse us for any legal, accounting or other professional fees that we incur as a result of any breach or termination of your Franchise Agreement or as a result of your indemnity obligations. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Indemnification	The expenses, losses, payments or obligations to make payments either (i) to or for third party claimants, including refunds, or (ii) incurred to investigate, take action, respond to or defend a matter, including investigation and trial charges, costs and expenses, fees, fees paid to professionals, attorney fees, experts' fees, court costs, settlement amounts, judgments and costs of collection	As incurred	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to your Hudson Valley Swim Business.
Renewal Fee	20% of the then-current Initial Franchise Fee	At the time you sign the successor franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement. If we are not offering Franchises at the time of your renewal, the renewal fee will be 20% of the initial franchise fee listed in the most recent Franchise Disclosure Document.
Relocation Fee	Our costs (including attorney fees)	Upon relocation	You must reimburse us for our reasonable expenses if we permit you to relocate to a different Pool.
De-Identification	All amounts incurred by us related to de-identification, including an administrative fee of up to \$100 per hour.	As incurred	Payable if we must de-identify your Hudson Valley Swim Business' social media or online presence upon the termination or expiration of your Franchise Agreement. .

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Transfer Fee	The greater of: i) 25% of the then-current Initial Franchise fee; or ii) 5% of the sale price	\$1,000 non-refundable deposit at time of transfer application submittal and the remaining balance of fee at time of the approved transfer	Payable in connection with the transfer of your Hudson Valley Swim Business, a transfer of ownership of your legal entity, or the Franchise Agreement (this does not apply to the transfer of an entity you control—see below). If we are not offering Franchises at the time of your transfer, we will use the initial franchise fee listed in the most recent Franchise Disclosure Document.
Transfer to Entity Fee	Our actual costs	Upon demand	If you are transferring the Franchise Agreement to an entity that you control, you will not be required to pay a transfer fee, but you must pay our actual costs.
Liquidated Damages	Determined by multiplying the combined monthly average of Royalties and Brand Fund Contributions (without regard to any fee waivers or other reductions) that are owed by you to us, beginning with the date you open your Hudson Valley Swim Business through the date of early termination, multiplied by the lesser of: (i) 36; or (ii) the number of months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30,000.	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause.
Broker Fees	Our actual cost of the brokerage commissions, finder's fees or similar charges	As incurred	If you transfer your Hudson Valley Swim Business to a third party or purchaser, you must reimburse all of our actual costs for commissions, finder's fees and similar charges.

Notes:

1. Fees. All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (“EFT”) or other similar means. You are required to complete the ACH authorization (in the form attached to this Franchise Disclosure Document in Exhibit H). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term

of the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement. Also, any fee expressed as a fixed dollar amount is subject to adjustment based on changes to the Consumer Price Index (“CPI”) in the United States. We may periodically review and increase these fees based on changes to the CPI, but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of your Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one CPI-related fee adjustment during any calendar year. If you enter into an Area Development Agreement to operate multiple Hudson Valley Swim Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each Hudson Valley Swim Businesses.

2. **Royalty.** “Gross Sales” means the total of all revenues, income and consideration from the sale of all Hudson Valley Swim merchandise, products and services to your customers whether received in cash, coupon, in services in kind, from barter or exchange, on credit (whether or not payment is received) or otherwise. Gross Sales includes all proceeds from any business interruption insurance. If you offer any services, all receipts from these services are included in Gross Sales. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits, charged tips and allowances you give in good faith to your customers. All barter or exchange transactions in which you furnish products or services in exchange for products or services provided to you by a vendor, supplier or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the products or services so provided to you.

You will pay a Royalty equal to 8% of Gross Sales during the first calendar year that you operate your Hudson Valley Swim Business. If you operate under an Area Development Agreement, we will evaluate the Gross Sales generated under each Franchise Agreement you operate for the purpose of determining the applicable Royalty percentage. We consider each unique territory that you operate under a Franchise Agreement to be a “Hudson Valley Swim Business.” After your first calendar year operating your Hudson Valley Swim Business(es), your Royalty will vary depending on the level of Gross Sales you achieved in the previous calendar year as described in the table below:

Total Gross Sales of Hudson Valley Swim Business in Previous Calendar Year	Royalty Percentage Paid on Gross Sales in Current Calendar Year
\$0 - \$500,000	8%
\$500,001 - \$1,000,000	7%
>\$1,000,000	6%

If you operate multiple Hudson Valley Swim Businesses, your Royalty will be calculated based on the preceding calendar year’s Gross Sales for each Hudson Valley Swim Business you operate. We will not consider the aggregate Gross Sales of your Hudson Valley Swim Businesses when determining the applicable Royalty.

The “Minimum Royalty” is calculated based on the total number of Hudson Valley Swim Businesses you operate in, and how long each individual Hudson Valley Swim Business you own has been in operation. The calculation for the Minimum Royalty will include all Territories



operated by your or your affiliate(s) if you operate multiple Hudson Valley Swim Businesses under different legal entities, but the operating months will be specific to each individual Hudson Valley Swim Business. The Minimum Royalty is calculated according to the chart below:

	Number of Active HV Swim Businesses You and/or Your Affiliates Actively Operates			
Month of Operation	2 or less	3	4	5 or more
1 - 6	\$0	\$0	\$0	\$0
7 - 12	\$500	\$750	\$1,000	\$1,250
13 - 24	\$1,000	\$1,250	\$1,500	\$1,750
25 - 36	\$1,100	\$1,350	\$1,600	\$1,850
37 - 48	\$1,200	\$1,450	\$1,700	\$1,950
49 - 60	\$1,300	\$1,550	\$1,800	\$2,050
61 - 72	\$1,400	\$1,650	\$1,900	\$2,000
73+	\$1,500	\$1,750	\$2,000	\$2,250

3. Local and Regional Advertising Cooperatives. If a local or regional advertising cooperative is established, contribution amounts will be established by the cooperative members, subject to our approval. We anticipate that each Hudson Valley Swim franchisee and each Hudson Valley Swim Business that we own will have one vote for each Hudson Valley Swim Business operated in the designated market. Each Hudson Valley Swim Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document. Any cooperative payments will count towards the "Local Advertising Requirement" discussed in Item 11

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽¹⁾	\$59,500	\$59,500	Lump Sum	When you sign the Franchise Agreement	Us
Travel Expenses for Initial Training ⁽²⁾	\$2,000	\$6,000	As incurred	As incurred	Third Parties
Pool Rent (3 months) ⁽³⁾	\$3,000	\$8,500	As incurred	As incurred	Landlord or Us (sublease Owner)
Pool Deposit ⁽³⁾	\$0	\$8,500	As incurred	As incurred	Landlord or Us (sublease Owner)
Lead Instructor Salary ⁽⁴⁾ (4 months)	\$6,000	\$9,700	As incurred	As incurred	Third Parties
Inventory and Supplies ⁽⁵⁾	\$2,000	\$5,000	As incurred	As incurred	Third Parties and Approved Suppliers
Licenses and Permits ⁽⁶⁾	\$0	\$500	As incurred	As incurred	Government Agencies



Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Advertising ⁽⁷⁾ (4 months)	\$12,000	\$12,000	As incurred	As incurred	Designated Suppliers
Marketing Startup Package ⁽⁸⁾	\$2,200	\$3,000	Lump Sum	30 days after you sign the Franchise Agreement	Us
Facility Equipment Startup Package ⁽⁹⁾	\$1,500	\$2,000	Lump Sum	90 Days prior to opening	Us
Computer System ⁽¹⁰⁾	\$0	\$1,500	As incurred	As incurred	Third Parties and Designated Suppliers
Office Supplies	\$500	\$1,000	As incurred	As incurred	Third Parties
Insurance ⁽¹¹⁾ (3 months)	\$4,100	\$5,500	As incurred	As incurred	Designated Insurance Company
Professional Fees ⁽¹²⁾	\$750	\$2,000	As incurred	As incurred	Your Attorneys, Advisors, CPAs and Other Professionals
Phone System ⁽¹³⁾ (5 months)	\$150	\$150	As incurred	As incurred	Designated Phone Provider
Technology Fee ⁽¹⁴⁾ (5 months)	\$1,000	\$1,000	As incurred	As incurred	Us
Customer Registration System Fee ⁽¹⁵⁾ (5 months)	\$645	\$645	As incurred	As incurred	Third Parties
Additional Funds (3 months) ⁽¹⁶⁾	\$3,000	\$5,000	As incurred	As incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT ⁽¹⁹⁾	\$98,345	\$131,495			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Hudson Valley Swim Business. We do not offer direct or indirect financing for these items. All payments made to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. Initial Franchise Fee. See Item 5 for more information in the Initial Franchise Fee.
2. Travel Expenses for Initial Training. We provide remote training for front and back-office roles. Initial remote training is provided at no charge for up to three people so long as everyone attends the same training session. You may invite additional employees to attend the initial remote training program, but we reserve the right to charge you the then-current fee, currently \$500 per day for each additional individual attending the initial training program. We also provide in-person training for your Lead Instructor and Franchise Manager or Responsible Owner at one of our training centers in Newburgh, New York or Hopewell Junction, New York



or at another location designated by us. You must pay for your Lead Instructor's airfare, meals, transportation costs, lodging and incidental expenses in attending in-person training.

3. Pool Rent/Deposit. 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. This estimate provides for three months of payments and may also include a one-month deposit. If your Pool is subject to a Master Facility License Agreement, you may need to pay HVSF directly. You may also be required to pay a Pool Deposit, which may be applied to your first and last month of rental fees. The high estimate includes taxes that may be imposed by local or state law.
4. Lead Instructor's Salary. You must hire an experienced aquatic professional to be your Lead Instructor (unless you are the Lead Instructor). Your Lead Instructor must attend the initial on-site training at our designated facility. The figures provided in this estimate are for a salary range for the first three months of operation but will depend on how soon in advance of your grand opening you hire them. It is unlikely that you will be hiring a Lead Instructor more than one month in advance of your grand opening, but they must successfully attend and complete initial training prior to your grand opening. These estimates include a salary of \$0 (if you do not hire a Lead Instructor prior to your grand opening) to \$2,500 (if you do hire a Lead Instructor prior to your grand opening).
5. Inventory and Supplies. We require all franchisees to purchase certain opening supplies and inventory items, either from us or from third-party suppliers.
6. Licenses and Permits. You may be required to obtain business licenses from the local government agencies to operate your Hudson Valley Swim Business.
7. Initial Advertising. You must spend at least \$3,000 per month on required local advertising, beginning at least one month before you open your Hudson Valley Swim Business. You will continue to spend \$3,000 per month throughout the term of your Franchise Agreement to satisfy the Local Advertising Requirement in order to promote your Hudson Valley Swim Business through our designated marketing vendor(s). Most of the advertising will be done through online platforms.
8. Marketing Startup Package. The Marketing Startup Package includes various items to promote your Hudson Valley Swim Business. The Marketing Startup Package will cost between \$2,500 and \$3,000.
9. Facility Equipment Startup Package: The Facility Equipment Startup Package includes equipment such as kickboards, float mat, swim fins, and other items required to operate your Hudson Valley Swim Business. The package cost will range from \$1,500 to \$2,000. We will order the Facility Equipment Startup Package items, which will be shipped to you directly from specific vendors. Shipping times on the Facility Equipment Startup Package items may vary.
10. Computer System. You are required to have a computer to operate your Hudson Valley Swim Business. The low estimate assumes you already own a computer that you can use to operate your Hudson Valley Swim Business.
11. Insurance. You must obtain and maintain insurance for your Hudson Valley Swim Business. Insurance costs may depend on policy limits, types of policies, nature and value of physical assets, revenue, number of employees, number of students, wages, square footage, location,



business contents and other factors bearing on risk exposure. Additionally, a particular Pool may have their own independent insurance requirements. This estimate includes an annual installment paid before you open your Hudson Valley Swim Business, and well as 3 months of insurance premiums after you open your Hudson Valley Swim Business. All insurance plans must be obtained from our designated insurance broker. If you operate additional Hudson Valley Businesses through the same entity under an Area Development Agreement, you may incur a reduced additional expenses in insurance expenses for each additional location. We estimate that your additional insurance expenses could range from \$500 -\$5,500 for insurance for additional Hudson Valley Swim Businesses.

12. Professional Fees. Rates for professionals can vary significantly based on area and experience.
13. Phone System. We will tell you which cloud-based phone service you must purchase and use for your Hudson Valley Swim Business. The estimate is for one phone line. The system includes a virtual number which is used as the main telephone number for your Hudson Valley Swim Business. We may modify your phone system requirements from time to time in our sole discretion. This estimate covers when you begin paying for phone service approximately two months before opening your Hudson Valley Swim Business and continuing for the three months after opening.
14. Technology Fee. You will pay a monthly technology fee to cover the software expenses that we incur to oversee your business. This includes items such as a single @hvs swim.com email address, a single virtual @hvs swim.com redirect address, a single Microsoft Office 360 license, our CRM system, and your website on our main webpage. It also includes the management module for the customer registration system. The fee may increase based on price increases that we incur. This estimate covers when you begin paying the Technology Fee approximately two months before opening your Hudson Valley Swim Business and continuing for the three months after opening. This estimate assumes you will operate from a single Pool during your initial launch period.
15. Customer Registration System Fee. The Customer Registration System has several modules that help operate your business. These modules include class management, class enrollment, payment, email marketing and reporting. At our sole discretion, we may change registration system vendors which may result in different pricing. The fee for the current Customer Registration System is \$129 per month per Pool.
16. Additional Funds. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Hudson Valley Swim Business. They include payroll (excluding the Lead Instructor's salary), administrative, maintenance, utilities, rent, software license fees, working capital and other items. These figures do not include standard pre-opening expenses, Royalties, or advertising fees payable under the Franchise Agreement or debt service and assume that none of your expenses are offset by any sales generated during the start-up phase. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Hudson Valley Swim Business opens for business. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Hudson Valley Swim Businesses.
17. Total Estimated Pre-Opening Expenses. These amounts represent the estimated expenses you will incur before opening your Hudson Valley Swim Business. They include the expenses listed in the table below. These pre-opening expenses total \$74,168 to \$97,718 and are included in the total estimated initial investment.



Pre-Opening Expense	Low Estimate	High Estimate
Initial Franchise Fee	\$59,500	\$59,500
Travel Expenses for Initial Training	\$2,000	\$6,000
Inventory and Supplies	\$2,000	\$5,000
Licenses and Permits	\$0	\$500
Initial Advertising	\$3,000	\$3,000
Marketing Startup Package	\$2,200	\$3,000
Facility Equipment Startup Package	\$1,500	\$2,000
Computer System	\$0	\$1,500
Office Supplies	\$500	\$1,000
Professional Fees	\$750	\$2,000
Insurance Downpayment	\$2,000	\$2,500
Technology Fee (two months)	\$400	\$400
Phone System (two months)	\$60	\$60
Lead Instructor Salary	\$0	\$2,500
Pool Deposit (first/last rent deposit)	\$0	\$8,500
Customer Registration System Fee (two months)	\$258	\$258
TOTAL ESTIMATED PRE-OPENING EXPENSES	\$74,168	\$97,718

18. **Total Estimated Operating Expenses.** These amounts represent the estimated initial expenses you will incur during the first three months of operating your Hudson Valley Swim Business. They include the expenses listed in the table below. These post-opening expenses total \$24,177 to \$31,277 and are included in the total estimated initial investment.

Operating Expense	Low Estimate	High Estimate
Pool Rent	\$3,000	\$8,500
Lead Instructor Salary	\$6,000	\$7,200
Insurance	\$2,100	\$3,000
Phone System	\$90	\$90
Initial Advertising	\$9,000	\$9,000
Technology Fee	\$600	\$600
Customer Registration System Fee	\$387	\$387
Additional Funds	\$3,000	\$5,000
TOTAL ESTIMATED POST-OPENING EXPENSES	\$24,177	\$33,777

19. This is an estimate of your initial start-up expenses for one Hudson Valley Swim Business.

Area Developer



Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Development Fee ⁽¹⁾	\$99,500	\$194,500	Lump sum	At the Time You Sign your Area Development Agreement	Us
Initial Investment for the First Hudson Valley Swim Business ⁽²⁾	\$38,845	\$71,995	Per Table Above	Per Table Above	Per Table Above
Initial Investment for Each Additional Hudson Valley Swim Business ⁽³⁾	\$35,245	\$71,995	Per Table Above	Per Table Above	Per Table Above
TOTAL ESTIMATED INITIAL INVESTMENT FOR UP TO TWO HUDSON VALLEY SWIM BUSINESSES ⁽³⁾	\$173,590	\$243,490			
TOTAL ESTIMATED INITIAL INVESTMENT FOR UP TO THREE HUDSON VALLEY SWIM BUSINESSES ⁽³⁾	\$243,835	\$350,485			
TOTAL ESTIMATED INITIAL INVESTMENT FOR UP TO FOUR HUDSON VALLEY SWIM BUSINESSES ⁽³⁾	\$309,080	\$422,480			
TOTAL ESTIMATED INITIAL INVESTMENT FOR UP TO FIVE HUDSON VALLEY SWIM BUSINESSES ⁽³⁾	\$374,325	\$554,475			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Hudson Valley Swim Businesses under an Area Development Agreement. We do not offer direct or indirect financing for these items. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Area Development



Franchise may be greater or less than the estimates given depending upon the locations of your Hudson Valley Swim Businesses and current relevant market conditions. All expenses payable to the parties are non-refundable, except as you may otherwise arrange.

1. Development Fee. The Development Fee ranges from \$99,500 for two Hudson Valley Swim Businesses to \$194,500 for five Hudson Valley Swim Businesses. Area Developers are required to open a minimum of two Hudson Valley Swim Businesses. The Development Fee is payable when you sign your Area Development Agreement, fully earned immediately upon receipt and is non-refundable, even if you do not open any Hudson Valley Swim Businesses. See Item 11 for more information on the opening deadlines for your Hudson Valley Swim Businesses under an Area Development Agreement. If any of these Hudson Valley Swim Businesses are not open, we have the option to take back the agreed upon Territory for the Hudson Valley Swim Business and place it back into inventory. No refund for your initial fees will be issued.

2. Initial Investment for First Hudson Valley Swim Business. These are the estimates to start your Hudson Valley Swim Business as described in the single franchised Hudson Valley Swim Business chart above, except for the Initial Franchise Fee which is replaced by the Development Fee.

3. Initial Investment for Each Additional Hudson Valley Swim Business. These are the estimates to start your Hudson Valley Swim Business as described in the single franchised Hudson Valley Swim Business chart above, except for the Initial Franchise Fee which is replaced by the Development Fee and the insurance costs. For the insurance estimate, we have reduced the low estimate to \$500 to account for situations where you will operate additional Hudson Valley Swim Businesses under the same entity and will incur minimal additional insurance costs. The high estimate reflects the cost of insuring a separate entity for each additional Hudson Valley Swim Businesses. The costs associated with starting additional Hudson Valley Swim Businesses are subject to factors that we cannot estimate or control, such as inflation, increased labor costs or increased materials costs and will depend on when the additional Hudson Valley Swim Businesses are opened.

4. Figures May Vary. If you purchase multiple franchised businesses under the Area Development Agreement, you will incur all of the costs listed above for each Hudson Valley Swim Business you open except that you will pay a single Development Fee, not Initial Franchise Fees. This is only an estimate of your initial investment and is based on our estimate of domestic costs and market conditions prevailing as of the Issuance Date of this Franchise Disclosure Document. You must bear any deviation or escalation in costs from the estimates that we have given. The availability and terms of financing depend on several factors, including the availability of financing, your creditworthiness, collateral you may have, and lending policies of financial institutions.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Hudson Valley Swim Business according to our System and specifications. This includes purchasing or leasing all products, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Hudson Valley Swim Business under our specifications, which may include purchasing these items from: (i) our designees; (ii) approved suppliers; and/or (iii) us or our affiliates. You must not deviate from these methods, standards and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential operations manual (“Franchise Operations Manual”) states our standards, specifications and guidelines for all products and services we require you to obtain in establishing and



operating your Hudson Valley Swim Business and approved vendors for these products and services. We will notify you of new or modified standards, specifications and guidelines through periodic amendments or supplements to the Franchise Operations Manual or through other written communication (including electronic communication such as email or through a system-wide intranet).

You must purchase, install, maintain in sufficient supply and use fixtures, furnishings, equipment, signs and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing.

We are currently the only approved supplier of the Marketing Startup Package and Facility Equipment Startup Package. We are a provider of sub-licenses to operate under Master Facility License Agreements. We and our affiliates reserve the right to become approved suppliers of other products in the future. Some of our officers own an interest in HVSF.

You must use the computer hardware and software, including the customer registration system that we periodically designate to operate your Hudson Valley Swim Business. You must obtain the computer hardware, software licenses, maintenance and support services and other related services that meet our specifications from the suppliers we specify. You may be required to use approved suppliers for certain technology business solutions at your expense that will support your business efficiencies, which may include phone systems, security systems, scheduling software, employee shift/task management software, inventory solutions and any other solutions we may require from time to time in the Franchise Operations Manual.

You must obtain the insurance coverage required under the Franchise Agreement, as follows:

1) Comprehensive General Liability insurance with a per location limit of \$1,000,000 for each occurrence, \$1,000,000 personal and advertising injury limit, products / completed operations aggregate limit of \$3,000,000 and a \$3,000,000 general aggregate limit and a minimum of \$50,000 for damage of property rented or licensed to you for each occurrence. Professional Liability must also be purchased with limits of at least \$1,000,000 per occurrence, and a \$2,000,000 aggregate. Professional Liability can be included in the General Liability policy form by endorsement. If this endorsement is not available, a separate Professional Liability policy must be purchased with the same limits, outlined above. General liability policy must include blanket additional insured and blanket waiver of subrogation endorsements. These endorsements forms must accompany all certificates of insurance.

2) Sexual Abuse / Molestation Liability insurance is required with limits of \$1,000,000 per occurrence and an annual aggregate limit of \$2,000,000. This policy may be purchased as a stand-alone policy or included in commercial package liability limits;

3) Employer Practices Liability insurance with limits of at least \$1,000,000 and 3rd party liability coverage endorsement must be included for the same \$1,000,000 limit. Deductible limits must not exceed \$10,000;

4) An Umbrella Liability or excess liability insurance policy with a limit of \$4,000,000 for each occurrence / aggregate is required for any franchisee renting or licensing certain facilities with which we maintain a Master Facility License Agreement, in any State. Franchisee's not renting or licensing any of these facilities are required to have a limit of \$2,000,000 for each occurrence / aggregate. If the facility where your Pool is located imposes additional insurance requirements in their contracts, you must comply with these requirements.



5) A Business Owner policy or Commercial Package policy which must include coverage for loss of business income and extra expense for no less than 6 months of current sales levels. The deductible on this coverage must not exceed 48 hours (i.e., you will be eligible for coverage if the interruption that causes the loss of income lasts 48 hours).

6) Commercial Automobile Liability insurance with a combined single limit of \$1,000,000 per occurrence with symbol 1, “Any Auto” endorsement is required for all vehicles owned and used by the Hudson Valley Swim Business. Hired and Non-Owned commercial auto liability with a combined single limit of \$1,000,000 per occurrence is required if no owned / registered vehicles exist.

7) Worker’s compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of your Hudson Valley Swim Business, if required by your state or jurisdiction. This policy must include a Blanket Waiver of Subrogation endorsement. If endorsement is not available, a Waiver of Subrogation endorsement in favor of HVSF must be included in the policy.

You must obtain the required insurance coverages using our Hudson Valley Swim insurance consultant, Vetare Insurance & Consulting Services, Inc. at (845) 765-8727 Ext. 202. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. The Pool facility that you license may have additional insurance requirements that you must meet. All insurance policies must name HVSF and any affiliates we designate as additional named insured parties. Your policy must provide that the insurer will not cancel or materially alter the policies without giving us at least 30 days’ prior written notice.

We will provide you with a list of our designated and approved suppliers in our Franchise Operations Manual. You are required to use our marketing consulting company who will manage your advertising and weekly social media posting requirements. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for products and services that require supplier approval), you must notify us and submit to us the information, specifications and samples we request. We will use commercially reasonable efforts to notify you within 30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. We reserve the right to charge a fee, estimated to be approximately \$100 to \$500, to evaluate the proposed product, service or supplier. We apply the following general criteria in approving a proposed supplier: (1) quality of services; (2) production and delivery capability; (3) proximity to Hudson Valley Swim Businesses to ensure timely deliveries of the products or services; (4) the dependability of the supplier; and (5) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers’ facilities and products, and we reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

We estimate that approximately 75% of purchases required to open your Hudson Valley Swim Business and 10% of purchases required to operate your Hudson Valley Swim Business will be from us or from other approved suppliers or under our specifications. We and our affiliates may receive rebates from some suppliers based on your purchase of products and services and we have no obligation to pass them on to our franchisees or use them in any particular manner. During our last fiscal year ending December 31, 2023, we derived \$4,123.56 in revenue from franchisee’s required purchases or leases. This represents 2.2% of our total revenue of \$186,789. Our affiliates did not derive any revenue or other material consideration as a result of franchisees’ required purchases or leases.



We have entered into Master Facility License Agreements with certain facilities and may enter into these agreements with additional commonly owned or franchised facilities. We negotiate pricing terms with these facility owners. If you wish to provide services from a Pool owned by a facility with which we have a Master Facility License Agreement, subject to the terms of the Master Facility License Agreement and the approval of the facility owner, you may operate under a MFLA Sublicense Agreement from us or pay pool rental fees to us, which we will pay to the owner of the Pool on your behalf. We do not mark up the pool rental fees due or impose any additional terms when we sub-license our rights to you. In addition to these agreements, we may negotiate purchase arrangements with suppliers and distributors for the benefit of our franchisees, and we may receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you. We currently do not have any purchasing or distribution cooperatives.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document. “FA” refers to the Franchise Agreement and “ADA” refers to the Area Development Agreement.

Obligation	Section in Franchise Agreement (“FA”) / Area Development Agreement (“ADA”)	Disclosure Document Item
a. Site selection and acquisition/lease	FA Section 7 ADA Section 6	Items 7 and 11
b. Pre-opening purchases/leases	FA Sections 7 and 19	Items 7, 8 and 11
c. Site development and other pre-opening requirements	FA Sections 7 and 19 ADA Section 6	Items 7 and 11
d. Initial and ongoing training	FA Section 8	Items 6, 7 and 11
e. Opening	FA Sections 7 and 12	Items 6, 7, 9 and 11
f. Fees	FA Sections 5, 6, 7, 8, 10, 11, 12, 13, 14, 16 and 20 ADA Section 3	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	FA Sections 9, 12 and 13	Items 8, 11, 12, 14 and <u>Exhibit F</u>
h. Trademarks and proprietary information	FA Sections 9, 14 and 17 ADA Section 1	Items 13 and 14
i. Restrictions on products/services offered	FA Section 13	Items 8 and 16
j. Warranty and customer service requirements	FA Section 13	Items 1 and 11
k. Territorial development and sales quotas	ADA Sections 1 and 5	Items 1, 11 and 12
l. Ongoing product/service purchases	FA Section 13	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	FA Section 13	Items 7, 8 and 11
n. Insurance	FA Section 19	Items 6, 7 and 8
o. Advertising	FA Section 12	Items 11, 13 and 14
p. Indemnification	FA Section 22 ADA Section 13	Not Applicable
q. Owner’s participation/management and staffing	FA Section 10	Items 11, 15 and 17
r. Records and reports	FA Section 20	Item 11

Obligation	Section in Franchise Agreement (“FA”) / Area Development Agreement (“ADA”)	Disclosure Document Item
s. Inspections and audits	FA Section 21	Items 6 and 11
t. Transfer	FA Sections 15 and 16 ADA Section 9	Item 17
u. Renewal	FA Section 5	Item 17
v. Post-termination obligations	FA Sections 18 and 26 ADA Section 8	Item 17
w. Non-competition covenants	FA Section 18	Item 17 and <u>Exhibit H-2</u>
x. Dispute resolution	FA Section 28 ADA Section 17	Item 17

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

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

Except as listed below, HVSF is not obligated to provide you with any assistance.

Pre-opening Obligations

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

1. Provide an initial training program (See Franchise Agreement - Section 8.1), including training for your Lead Instructor. We will not provide general business or operations training for your employees or independent contractors; however, we may provide limited training on the System and brand standards to your key employees. You will be responsible for hiring, training, directing, scheduling and supervising your employees and independent contractors in the day-to-day operations of the Hudson Valley Swim Business.

2. Loan you one copy of the Franchise Operations Manual. The Franchise Operations Manual contains approximately 80 pages. The table of contents for the Franchise Operations Manual is attached to this Franchise Disclosure Document as Exhibit F (See Franchise Agreement - Section 9.1).

3. Provide you mandatory and suggested criteria for the Pool(s) used for your Hudson Valley Swim Business and approve a Pool that you propose as meeting our standards and specifications (See Franchise Agreement – Section 7.2). Your Hudson Valley Swim 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 Hudson Valley Swim Business. The factors we consider in approving a Pool include location and neighborhood, Pool size, Pool temperature, parking, customer access, and physical characteristics of the Pool. There is no time limit within which we must approve or disapprove a proposed Pool and notify you of our decision. We may terminate the Franchise Agreement if you and we cannot agree on an acceptable Pool for your Hudson Valley Swim Business.

4. Review the Pool rental agreement (“Pool Agreement”) for your Hudson Valley Swim Business to ensure its terms meet our minimum standards (See Franchise Agreement - Section 7.3).



5. We will designate a Territory for your Hudson Valley Swim Business. If you sign an Area Development Agreement, we will designate the Development Territory before you sign the Area Development Agreement.

6. Provide you with materials and consultation in connection with the grand opening marketing for your Hudson Valley Swim Business (See Franchise Agreement - Section 12.5).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Hudson Valley Swim Businesses.

Schedule for Opening

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of your Hudson Valley Swim Business can vary from 30 days to 90 days, depending on when you complete the necessary training, select and obtain our approval for a Pool, acquire the required insurance policies, meet all regulatory requirements, obtain all required permits, and obtain the required equipment.

You must open your Hudson Valley Swim Business to the public within 90 days of signing the Franchise Agreement unless you request and we approve an extension to the opening deadline. We will permit one 30-day extension of the opening deadline.

If you are an Area Developer, you must sign the Initial Franchise Agreement at the same time you sign the Area Development Agreement. The typical length of time between the signing of the Franchise Agreement and the opening of your first Hudson Valley Swim Business under an Area Development Agreement is the same as for a single Hudson Valley Swim Business. Each additional Hudson Valley Swim Business you develop must be opened according to the terms of your Development Schedule. Unless otherwise agreed by us, the first Hudson Valley Swim Business must be opened within 6 months of entering into the Area Development Agreement. The 2nd Hudson Valley Swim Business must be open within 12 months of signing the Area Development Agreement. If a 3rd, 4th and/or 5th Hudson Valley Swim Business is purchased, they must be open within 18, 24, and 30 months of signing the Area Development Agreement.

If any of these Hudson Valley Swim Businesses are not open, we have the option to take back the agreed upon Territory for the Hudson Valley Swim Business and place it back into inventory. No refund for your initial fees will be issued. The site selection and approval process for each additional Hudson Valley Swim Business under an Area Development Agreement is the same as that for a single Hudson Valley Swim Business and will be governed by the then-current standards and specifications for Pool(s) and the Franchise Agreement signed for that location.

Continuing Obligations

During the operation of your Hudson Valley Swim Business, we (or our designee) will provide the following assistance and services to you:

1. Inform you of mandatory standards, specifications and procedures for the operation of your Hudson Valley Swim Business (See Franchise Agreement - Sections , 7, 12.1, 13 and 14.1).

2. Provide you mandatory and suggested criteria for adding additional Pools for your Hudson Valley Swim Business. We will only approve of additional Pools that meet our criteria.

3. Review Pool Agreements for additional Pools in your Territory.



4. Upon reasonable request, provide advice regarding your Hudson Valley Swim Business's operation based on reports or inspections. Advice will be given during our regular business hours and through written materials, electronic media, telephone or other methods at our discretion (See Franchise Agreement - Section 9.2).

5. Provide additional training to you for newly hired personnel on the Hudson Valley Swim brand and System guidelines, refresher training courses and additional training or assistance that, in our discretion, you need or request. You may be required to pay additional fees for this training or assistance (See Franchise Agreement - Section 8).

6. Allow you to continue to use confidential materials, including the Franchise Operations Manual and the Marks (See Franchise Agreement - Sections 9.1, 12.1, 12.2, 14.2 and 17).

7. We will provide you with a list of our designated and approved suppliers in our Franchise Operations Manual. You must purchase at your own cost, install, maintain in sufficient supply, and use only fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing. (See Franchise Agreement – Section 13.3).

Optional Assistance

During the term of the Franchise Agreement, we (or our designee) may, but are not required to, provide the following assistance and services to you:

1. Modify, update or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment or new techniques.

2. Make periodic visits to the Hudson Valley Swim Business for the purpose of assisting in all aspects of the operation and management of the Hudson Valley Swim Business, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Hudson Valley Swim Business, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges.

3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice (See Franchise Agreement - Section 11).

4. Hold periodic national or regional conferences to discuss business and operational issues affecting Hudson Valley Swim franchisees.

5. Reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions, as allowed by law.

6. If your Hudson Valley Franchised Business is using a Pool which falls under a Master Facility License Agreement, we shall provide you with a sub-lease agreement for your use of the Pool.

Advertising



Brand Fund

We have the right to create a Brand Fund for marketing, developing and promoting the System, the Marks, and Hudson Valley Swim Businesses. If established, you must pay up to 2% of your Gross Sales for the Brand Fund (“Brand Fund Contribution”). We anticipate having a tiered Brand Fund Contribution that will start at 2% and reduce to 1% upon reaching certain Gross Sales thresholds. Your contribution to the Brand Fund will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the Brand Fund but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Hudson Valley Swim Businesses owned by us will contribute to the Brand Fund on the same basis as franchisees.

We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for local, regional or national marketing, or any expenditure that we, in our sole discretion, deem necessary or appropriate to promote or improve the System or the Hudson Valley Swim brand. For example, we may use the Brand Fund for: (i) developing, maintaining, administering, directing, preparing or reviewing advertising and marketing materials, promotions and programs, including social media management; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development (including social media) and search engine optimization; (vii) development and implementation of quality control programs; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) collecting and accounting for Brand Fund Contributions; (xii) preparing and distributing financial accountings of the Brand Fund; (xiii) conducting quality assurance programs and other reputation management functions; and (xiv) our and our affiliates’ expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities. Sources for advertising materials may include preparation in-house, as well as national and/or regional advertising agencies.

We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the Brand Fund Contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct or administer the Brand Fund. Any unused funds that were collected in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.

The Brand Fund is not audited. Upon your written request, we will make available an annual accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year. We did not collect or spend any Brand Fund Contributions during our last fiscal year, ended on December 31, 2023.

Local Advertising

In addition to the Brand Fund Contributions, you must spend \$3,000 per month per Pool on local advertising for your Hudson Valley Swim Business (“Local Advertising Requirement”) beginning one month before you open your Hudson Valley Swim Business. If you wish to advertise online, you must follow our online policy which is contained in our Franchise Operations Manual. Our online policy may change as technology and the Internet changes. We may restrict your use of social media. We may not



allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.

We may require you to order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days of the date we receive all the requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks and other name identification materials must follow our approved standards. You may not use our logos, Marks and other name identification materials on items to be sold or services to be provided without our prior written approval. If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to the Brand Fund.

You agree, at your sole cost and expense, to issue and offer such rebates, giveaways and other promotions in accordance with advertising programs established by us, and further agree to honor the rebates, giveaways and other promotions issued by other Hudson Valley Swim franchisees under any such program, so long as such compliance does not contravene any applicable law, rule or regulation. You will not create or issue any gift cards or certificates and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Hudson Valley Swim Businesses, and you will not issue coupons or discounts of any type except as approved by us.

You may be required to participate in any local or regional advertising cooperatives for Hudson Valley Swim Businesses that are established. The area of each local and regional advertising cooperative will be defined by us, based on our assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative for each Hudson Valley Swim Business that the franchisee owns that exists within the cooperative's area. Each Hudson Valley Swim Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. Any advertising cooperative contributions will count toward your Local Advertising Requirement. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. We may require that each cooperative operates with governing documents and prepare annual unaudited financial statements. We reserve the right to form, change, dissolve or merge any advertising cooperative formed in the future. If we elect to form such cooperatives, or if such cooperatives already exist near your Territory, you will be required to participate in compliance with the provisions of the Franchise Operations Manual, which we may periodically modify at our discretion.

System Website

We have established a website for Hudson Valley Swim Businesses ("System Website"). The franchisee website will be accessed only through our System Website. We have the right to use the Brand Fund's assets to develop, maintain and update the System Website. We may update and modify the System Website from time to time. Certain pages such as your session schedule page and your pricing page can be modified by you or your designated admin. You must promptly notify us whenever any information on your listing needs to change or is not accurate. We have final approval rights of all information on the System Website. We may modify, update or add to the System Website and individual location pages at any time.

We are only required to reference your Hudson Valley Swim Business on the System Website while you are in full compliance with your Franchise Agreement and all System standards.



Advisory Council

We currently do not have, but may form, an advisory council (“Council”) to advise us on advertising policies. The Council would be governed by bylaws. Members of the Council would consist of both franchisees and corporate representatives. Members of the Council would be selected by way of a voting method specified in the Council’s bylaws. The Council would serve in an advisory capacity only. We will have the power to form, change or dissolve the Council, in our sole discretion.

Computer System

You are required to own or purchase a computer system (“Computer System”) that consists of the following hardware and software: (a) an office printer and a laptop computer; and (b) iClass Pro Customer Registration and Class Management System (or any designated system that we choose), Microsoft Office, Intuit QuickBooks and a Microsoft Exchange account with a @hvs swim.com email address. All instructors must have a smartphone with Staff Portal App. We estimate the cost of purchasing the Computer System, if needed, will be between \$0 to \$1,500. The Computer System will manage the daily workflow of the Hudson Valley Swim Business, coordinate the customer ordering experience, provide reporting and other information. You must record all Gross Sales using the iClass Pro system or any other system we designate. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System and iClass Pro system will generate reports on the Gross Sales of your Hudson Valley Swim Business. The computer system stores account information that customers enter when setting up their profile, containing address and contact information, students name and date of birth, along with enrollment and payment history. In addition to offering and accepting Hudson Valley Swim gift cards and loyalty cards, you must accept all payment methods that we require.

We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System (Franchise Agreement - Section 14.1). You must arrange for installation, maintenance and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance, repairs or upgrades relating to the Computer System.

The cost of maintaining, updating, or upgrading the Computer System or its components will depend on your repair history, costs of computer maintenance services in your area, and technological advances. We estimate your annual maintenance cost on your Computer System will be \$500, but this could vary. We may revise our specifications for the Computer System periodically, which may cause you to incur additional costs.

You must pay the then-current fees to approved suppliers for certain business solutions that will support your business efficiencies, which may include phone systems, security systems, scheduling software, employee shift/task management software, music subscription, inventory solutions and any other solutions we may require from time to time in the Franchise Operations Manual for your Hudson Valley Swim Business. We reserve the right to upgrade, modify and add new systems and software, which may result in additional initial and ongoing expenses that you will be responsible for. You will be responsible for any increase in fees that result from any upgrades, modifications or additional systems or software and for any increase in fees from third-party providers.

You will grant us (or our designee) access to, and we (or our designee) will have the right to independently access the electronic information and data relating to your Hudson Valley Swim Business and to collect and use your electronic information and data in any manner, including to promote the System and the sale of franchises. This may include posting financial information about each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our



proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your Hudson Valley Swim Business or from other locations.

Training

Initial Training

You or your Responsible Owner and any Franchise Manager (defined in Item 15) or representative that we require must complete the initial training to our reasonable satisfaction, as determined by the specific program instructors, before you open your Hudson Valley Swim Business. We provide remote initial training at no cost for up to three people so long as everyone attends the initial training at the same time. You must pay a \$500 fee for training each additional person. We provide in-person initial training for your Lead Instructor and Responsible Owner or Franchise Manager at a location chosen by us. Initial training classes are held whenever necessary to train new franchisees. You will not receive any compensation or reimbursement for services or expenses for participation in the initial training program. You are responsible for all your expenses and your Lead Instructor's expenses to attend any training program, including lodging, transportation, food and similar expenses. We plan to provide the training listed in the table below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Marketing and Advertising	Up to 5 hours	0 hours	Remote
Location Recruiting	Up to 2 hours	0 hours	Remote
Swim Curriculum	0 hours	Up to 30 hours	Newburgh, NY or Hopewell Junction, NY
Registration & Scheduling System	Up to 10 hours	0 hours	Remote
Business Operations	Up to 5 hours	0 hours	Remote
Total	Up to 22 hours	Up to 30 hours	

Notes:

1. 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 will use the Franchise Operations Manual as the primary instruction materials during the initial training program.
2. Jeffrey G. Gartner, Joan M. Gartner, and Nicholas G. Gartner currently oversee our training program. Together, they have more than 45 years' experience with swim instruction operations. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one year of experience in the subject matters that they teach.

Ongoing Training

From time to time, we may require that you or your Responsible Owner, Franchise Manager and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional, while others may be required. If you appoint a new Responsible Owner or transfer ownership,



or if you hire a new Franchise Manager or Lead Instructor, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Hudson Valley Swim Business or swim classes, respectively. You may also request that we provide additional training (either at corporate headquarters or at your Hudson Valley Swim Business). You must pay us \$300 per attendee per day for additional training, and you must pay for airfare, meals, transportation costs, lodging and incidental expenses for all of your training program attendees. If we determine that you are not operating your Hudson Valley Swim Business in compliance with the Franchise Agreement or the Franchise Operations Manual, we may require that your Responsible Owner, Franchise Manager, Lead Instructor and other employees attend remedial training. You will be required to pay us the then-current training fee for any such training. If the training program is conducted at your Hudson Valley Swim Business, you must reimburse us for the expenses we or our representatives incur in providing the training.

In addition to participating in ongoing training, you will be required to attend any national or regional meeting or conference of franchisees. You are responsible for any conference fee and all travel and expenses for your attendees.

ITEM 12 TERRITORY

Franchise Agreement

When you sign the Franchise Agreement, we will designate a Territory for your Hudson Valley Swim Business. Provided that you are in full compliance with the terms and conditions of your Franchise Agreement and all other agreements with us and our affiliates, we will not operate or grant a franchise for the operations of another Hudson Valley Swim Business in your Territory. A Territory will typically consist of an area defined by one or more zip codes and a population of approximately 36,000 to 44,000 children (which generally contains a population of approximately 100,000 people) under 14 years of age, as determined by business mapping software. Depending on the demographics, population, income levels and other factors, your Territory may be smaller or larger.

You will provide swimming lessons through your Hudson Valley Swim Business at a Pool within your Territory that is approved by us. We may, in our sole discretion, approve an additional Pool(s) in your Territory if such Pool(s) meet our criteria. You may not relocate any of your Pools without our prior written consent. You are required to enter into Pool Agreements such as leases, subleases, or license agreements with the owners of the Pool(s) where you will operate or with us. If you operate under these Pool Agreements, you must comply with the terms of each agreement, which may include competitive restrictions that dictate the minimum distance that you can operate from an additional Pool. You must enter into a Pool Agreement within 60 days of signing the Franchise Agreement, unless you request an extension that we may grant in our discretion.

Except as provided above, we retain all rights with respect to the location of Hudson Valley Swim 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 Hudson Valley Swim 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 Hudson Valley Swim 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 Hudson Valley Swim Businesses, and that sell products and/or services that are identical or similar to, and/or competitive with, those that Hudson Valley Swim 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 Hudson Valley Swim 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 Hudson Valley Swim Businesses under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Hudson Valley Swim 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 have no present plans to establish other related franchises or company-owned businesses offering similar products or services under a name or trademark that is different from Hudson Valley Swim, although we reserve the right to do so.

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

We do not intend to operate or franchise another business under a different trademark that sells services or products similar to the services or products offered at Hudson Valley Swim 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 Hudson Valley Swim Businesses located outside the Territory or from other channels of distribution or competitive brands that we control. We do not currently operate any Hudson Valley Swim Businesses, but we reserve the right to do so in the future. Our affiliate HVSI currently operates a Hudson Valley Swim Business. We and these Hudson Valley Swim Businesses, as well as our 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. However, we will not operate or grant a franchise for the operations of another Hudson Valley Swim Business in your Territory as long as you are in compliance with your Franchise Agreement. There are no limitations on your ability to solicit or accept business from customers located outside of your Territory, but you may only provide services from the approved Pool(s) located within your Territory. Except as approved by us, you may not sell any Hudson Valley Swim product or service through any alternative channel of distribution, including the Internet, television, mail order, catalog sales, or wholesale to unrelated retail outlets, within or outside of your Territory.

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 do not receive the right to acquire additional Hudson Valley Swim Businesses within or



outside the Territory. You are not given a right of first refusal on the sale of existing Hudson Valley Swim Businesses.

If you wish to purchase an additional Hudson Valley Swim Business, you must apply to us, and we may, at our discretion, offer an additional Hudson Valley Swim Business to you. We consider a variety of factors when determining whether to grant additional Hudson Valley Swim Businesses. Among the factors we consider, in addition to the then-current requirements for new Hudson Valley Swim franchisees, are whether or not the franchisee is in compliance with the requirements under their current Franchise Agreement(s) and their performance as a franchisee under these existing Franchise Agreement(s).

Area Development Agreement

You are assigned a Development Territory in the Area Development Agreement. You must develop a designated number of Hudson Valley Swim Businesses in the Development Territory. The size of the Development Territory will depend on the number of Hudson Valley Swim Businesses to be developed, the demographics of the territory, the population and other factors. The size of the Development Territory may be a single or multi-city area, single county area or some other area, and will be described in Attachment A of your Area Development Agreement. We will determine the Development Territory before you sign the Area Development Agreement based on various market and economic factors. In certain densely populated metropolitan areas, a Development Territory may be small if it has a high population density, while Development Territories in less densely populated urban areas may have significantly larger areas. The site selection and approval process for each additional Hudson Valley Swim Business under an Area Development Agreement is the same as that for a single Hudson Valley Swim Business and will be governed by the then-current standards and specifications for Pool(s) and the Franchise Agreement signed for that location.

The Development Territory will be an exclusive territory for the development of Hudson Valley Swim Businesses during the term of the Area Development Agreement so long as you are in compliance with the Area Development Agreement. This exclusivity grants you the exclusive rights to open a certain number of Franchises in the Development Territory. The rights granted under the Area Development Agreement relate only to the development of the Hudson Valley Swim Businesses identified in the Area Development Agreement. So long as you are in compliance with the Area Development Agreement, we will not establish or franchise others to establish another Hudson Valley Swim Business within your Development Territory during the term of the Area Development Agreement.

We may conduct any other type of activities within your Development Territory that we are permitted to conduct under the Franchise Agreement. The Development Territory will terminate upon the earlier of completion of the Development Schedule or the termination of the Area Development Agreement. After the termination or expiration of the Area Development Agreement, the only territorial protections that you will receive upon termination will be those under each individual franchise agreement.


Upon your first failure to adhere to the Development Schedule, you will lose the exclusivity granted for the Development Territory. Any second or additional failures to adhere to the Development Schedule will constitute a material event of default under the Area Development Agreement and we may: (i) terminate the Area Development Agreement; (ii) reduce the area of the Development Territory; (iii) permit you to extend the Development Schedule; or (iv) pursue any other remedy we may have at law or in equity, including, but not limited to, a suit for non-performance.

Area Developers must own at least a fifty-one percent (51%) equity interest in the franchisee for each Hudson Valley Swim Business developed under the Area Development Agreement.



ITEM 13 TRADEMARKS

The Marks and the System are owned by HVSI and are licensed exclusively to us. HVSI has granted us an exclusive license (“Trademark License”) to use the Marks to franchise the System around the world. The Trademark License is for 99 years and began on June 1, 2021. If the Trademark License is terminated, HVSI has agreed to license the Marks directly to our franchisees until each franchise agreement expires or is otherwise terminated. Except for the Trademark License, no agreement significantly limits our right to use or license the Marks in any manner material to the Hudson Valley Swim Franchise. HVSI has registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Trademark	Registration Number	Date of Registration	Status
	6,735,685	May 24, 2022	Registered on the Principal Register
HUDSON VALLEY SWIM	7,240,074	December 12, 2023	Registered on the Principal Register

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board or the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceedings or material litigation involving the Marks. All required affidavits and renewals have been filed.

We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks. You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs or symbols unless you receive our prior written consent. 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 advertising for the transfer, sale or other disposition of the Hudson Valley Swim Business, or any interest in the Hudson Valley Swim Business. All rights and goodwill from the use of the Marks accrue to us.

We will defend you against any claim brought against you by a third party that your use of the Marks, in accordance with the Franchise Agreement, infringes upon that party’s intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us within three business days if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within 30 days after receiving notice. We will not reimburse you for your direct



expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information in the Franchise Operations Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the ingredients and formula of our products and recipes, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Franchise Operations Manual, our advertising materials, the content and format of our products or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“Copyrighted Works”) for the operation of your Hudson Valley Swim Business, but such copyrights remain our sole property.

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

Our Franchise Operations Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation and franchising of Hudson Valley Swim Businesses, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Hudson Valley Swim Businesses and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Franchise Operations Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Hudson Valley Swim Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Hudson Valley Swim Businesses during the term of the Franchise Agreement.

You must notify us within three business days after you learn about another’s use of language, a visual image or a recording of any kind that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever



action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us, our counsel or our designees regarding any infringement, challenge or claim. We will take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets. No patents or patents pending are material to us at this time.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We require that you either directly operate your Hudson Valley Swim Business or designate a manager (“Franchise Manager”) who has been approved by us. The “Responsible Owner” is an individual who will be principally responsible for communicating with us about the Hudson Valley Swim Business. The Responsible Owner must have the authority and responsibility for the day-to-day operations of your Hudson Valley Swim Business. If you are an individual, you are the Responsible Owner. If you are a legal entity, you must appoint an individual that has at least a 25% equity interest in the legal entity to be the Responsible Owner. Your Responsible Owner and your Franchise Manager, if any, must successfully complete our training program (See Item 11). We do not require that the Franchise Manager have an ownership interest in the legal entity of the Franchise owner. If you replace your Responsible Owner or Franchise Manager, the new Responsible Owner or Franchise Manager must satisfactorily complete our training program at your own expense. If you will not be the Lead Instructor, you must hire a Lead Instructor approved by us. The Lead Instructor must satisfactorily complete our training program. If you replace your Lead Instructor, they will need to satisfactorily complete our training program at your cost.

If you are a legal entity, each direct and indirect owner (i.e., each person holding a direct or indirect ownership interest in you) must sign a Franchise Owner Agreement, which is attached to the Franchise Agreement as Attachment C. We also require that the spouses of the Franchise owners sign the Franchise Owner Agreement. Any Franchise Manager and officer of your legal entity must sign the “System Protection Agreement,” the form of which is attached to this Franchise Disclosure Document in Exhibit H-2 (unless they already signed a Franchise Owner Agreement). Your Lead Instructor (if not you), all of your employees, independent contractors, agents or representatives that may have access to our confidential information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit H-2.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those products and services authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees, and may vary depending on the operating season and geographic location of your Hudson Valley Swim Business or other factors. You must follow our policies, procedures, methods and techniques. You must sell or offer for sale



all types of products and services specified by us. We may change or add to our required products and services, at our discretion, with prior notice to you. If we change or add to our required products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. There are no limitations on our rights to make changes to the required products and services offered by you. You must discontinue selling and offering for sale any products and services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns, or blogs or mention or discuss the Hudson Valley Swim Business, us or any of our affiliates without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. Otherwise, we place no restrictions upon your ability to serve customers, provided you do so from the location of your Hudson Valley Swim Business in accordance with our policies.

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 5.1	10 years.
b. Renewal or extension of the term	Section 5.1	If you are in good standing and you meet other requirements, you may add one successor term of 10 years.
c. Requirements for franchisee to renew or extend	Section 5.2	The term “renewal” refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. Your successor franchise rights permit you to remain as a Franchise after the initial term of your Franchise Agreement expires if you are in good standing and you meet other requirements. You must sign our then-current Franchise Agreement and ancillary documents for the successor term, and this new franchise agreement may have materially different terms and conditions (including, e.g., higher royalty and advertising contributions) from the Franchise Agreement that covered your original term.
d. Termination by franchisee	Section 23	You may terminate the Franchise Agreement if you are in compliance with it, and we are in material breach, and we fail to cure that breach within 30 days of receiving written notice.

Provision	Section in Franchise Agreement	Summary
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	Sections 24.1 and 24.2	We can terminate upon certain violations of the Franchise Agreement by you.
g. “Cause” defined - curable defaults	Section 24.3	You have 30 days to cure defaults listed in Section 24.3.
h. “Cause” defined - non-curable defaults	Sections 24.1 and 24.2	Non-curable defaults: the defaults listed in Sections 24.1 and 24.2 of the Franchise Agreement.
i. Franchisee’s obligations on termination/non-renewal	Sections 5.3, 18.3, 25 and 26	Obligations include complete de-identification, payment of amounts due and return of Franchise Operations Manual, all Confidential Information, Trade Secrets and records.
j. Assignment of contract by franchisor	Section 15	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Section 16.1	Includes any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest or change of ownership in the Franchise Agreement, the franchisee or interest in the Hudson Valley Swim Business.
l. Franchisor approval of transfer by franchisee	Section 16.1	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Section 16.3	If you are in good standing and meet other requirements listed in Section 16.3, we may approve your transfer to a new owner.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 16.2	We have 30 days to match any offer for your business.
o. Franchisor’s option to purchase franchisee’s business	Section 27	We may, but are not required to, purchase your Hudson Valley Swim Business, inventory or equipment at fair market value if your Franchise Agreement is terminated for any reason.
p. Death or disability of franchisee	Section 16.5	The Franchise Agreement must be transferred or assigned to a qualified party within 180 days of death or disability or the Franchise Agreement may be terminated. Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 calendar days of your death or disability.
q. Non-competition covenants during the term of the franchise	Section 18.2	You may not participate in a diverting business, have owning interest of more than 5%, inducing any customer to transfer their business to you or perform services for a competitive business anywhere. You may not interfere with our or our other franchisees’ Hudson Valley Swim Businesses.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 18.3	Owners may not have an interest in, own, manage, operate, finance, control or participate in any competitive business within (i) 25 miles of the Pools utilized by your Hudson Valley Swim Business or (ii) a 25-mile radius from any other Pool utilized by other Hudson Valley Swim Business that are operating for 2 years. If you or your Responsible Owner engages in any activities prohibited by the Franchise Agreement during the restricted period, then the restricted period applicable to you or the non-compliant Responsible Owner shall be extended by the period of time during which you or the non-compliant Responsible Owner, as applicable, engaged in the prohibited activities.
s. Modification of agreement	Sections 9.1 and 30.9	No modifications of the Franchise Agreement during the term unless agreed to in writing, but the Franchise Operations Manual is subject to change at any time in our discretion. Modifications are permitted on renewal.
t. Integration/merger clause	Section 30.9	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 28	Except for certain claims, all disputes must be mediated and arbitrated in the principal city closest to our principal place of business (currently Hopewell Junction, New York).
v. Choice of forum	Section 28.4	All disputes must be mediated, arbitrated, and if applicable, litigated in the principal city closest to our principal place of business (currently Hopewell Junction, New York), subject to applicable state law.
w. Choice of law	Section 30.1	The laws of the state where the franchisee's Hudson Valley Swim Business is located apply, subject to applicable state law.

THE AREA DEVELOPER RELATIONSHIP

This table lists certain important provisions of the development agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Area Development Agreement	Summary
a. Length of the franchise term	Section 2	Until completion of the Development Schedule, or the expiration or termination of the Area Development Agreement.
b. Renewal or extension of the term	Not applicable	Not applicable.
c. Requirements for area developer to renew or extend	Not applicable	Not applicable.
d. Termination by area developer	Not applicable	You may terminate under any grounds permitted by law.
e. Termination by franchisor without cause	Not applicable	Not applicable.
f. Termination by franchisor with cause	Section 8	We can terminate if you or any of your affiliates materially default under the Area Development Agreement, any individual Franchise Agreement or any other agreement with us, or if you fail to comply with the Development Schedule on two or more occasions.
g. “Cause” defined – curable defaults	Not applicable	Not applicable.
h. “Cause” defined – non-curable defaults	Section 8	If you default on the Area Development Agreement or any individual Franchise Agreement, or any other agreement with us, or if you fail to comply with the Development Schedule on two or more occasions.
i. Area Developer’s obligations on termination/non-renewal	Section 8	Obligations include the payment of all amounts due. You remain bound by all Franchise Agreements.
j. Assignment of contract by franchisor	Section 9.1	No restrictions on our right to assign the Area Development Agreement.
k. “Transfer” by area developer – definition	Not applicable	Not applicable.
l. Franchisor approval of transfer by area developer	Section 9.2	You may not assign the Area Development Agreement or any rights to the Development Territory.
m. Conditions for franchisor approval of transfer	Not applicable	Not applicable.
n. Franchisor’s right of first refusal to acquire area developer’s business	Not applicable	Not applicable
o. Franchisor’s option to purchase area developer’s business	Not applicable	Not applicable
p. Death or disability of area developer	Section 8.2	Upon death or disability, the Area Development Agreement automatically terminates.

Provision	Section in Area Development Agreement	Summary
q. Non-competition covenants during the term of the franchise	Not applicable	Not applicable.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	Not applicable.
s. Modification of agreement	Section 11	No modifications of the Area Development Agreement unless agreed to in writing.
t. Integration/merger clause	Section 11	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and the Area Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 17	Except for certain claims, all disputes must be mediated and arbitrated in the principal city closest to our principal place of business (currently Hopewell Junction, New York).
v. Choice of forum	Section 17	All disputes must be mediated, arbitrated, and if applicable, litigated in the principal city closest to our principal place of business (currently Hopewell Junction, New York), subject to applicable state law.
w. Choice of law	Section 15	The laws of the state where the franchisee's initial Hudson Valley Swim Business is located apply, subject to applicable state law.

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 franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and 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 performance at a particular location or under particular circumstances.

As of December 31, 2023, we had four franchised Hudson Valley Swim Businesses operating ("Franchised Businesses") and six owned by our affiliate that were in operation ("Affiliate-Owned Businesses").



The table below provides information on the six affiliate-owned Hudson Valley Swim Businesses (“Affiliate Reporting Group”) and the one Franchised Business that operated for all of the 2023 calendar year (“Reporting Franchised Business.”) We exclude the three Franchised Businesses that did not operate for all twelve months of 2023. For the 2022 Reporting Period, we have included presale revenue and expenses incurred in 2022 for an affiliate-owned Hudson Valley Swim Business that opened in January 2023 because our affiliate was unable to deduct expenses specific to this business from the expenses incurred by the other affiliate-owned Hudson Valley Swim Businesses. This is the Port Chester location and its presale revenue is noted in the table below with an asterisk.

The information in Table 1 below is a historical financial performance representation for the Affiliate Reporting Group for each of the 2021 through 2023 calendar years (“Reporting Periods”). The financial information was prepared from internal accounting records and reports. The numbers have not been audited, but we have no reason to doubt their accuracy. The information in Table 2 is a historical financial representation for the Reporting Franchised Business, which was prepared from financial information provided by the operator of the Reporting Franchised Business.

All the Hudson Valley Swim Businesses in the Affiliate Reporting Group offer similar services and face a similar degree of competition anticipated for the Hudson Valley Swim Businesses offered under this Franchise Disclosure Document. Beginning in 2023, the Affiliate-Owned Businesses began paying Royalties. The Affiliate-Owned Businesses did not pay Royalties in Reporting Periods 2021 and 2022 and are not subject to the local advertising requirement that franchised Hudson Valley Swim Businesses will have. The Affiliate-Owned Businesses pay certain fees for services currently covered by the Technology Fee. In 2021, the Affiliate-Owned Businesses began using the current provider of technology services, and we have imputed the difference between the amount paid by the Affiliate-Owned Businesses in the Reporting Group. The Affiliate-Owned Businesses pay the Customer Registration System Fee.

The Affiliate-Owned Businesses are owned by a single affiliated entity. Each Affiliate-Owned Business operates within a territory that is equivalent to a franchised territory. A Hudson Valley Swim franchisee may operate in multiple territories so long as they enter into a Franchise Agreement for each Territory and report Gross Sales and expenses of each location separately. Franchised Hudson Valley Swim Businesses will typically operate between one to two Pools within a single Territory although there is no restriction on the number of pools they may operate in. Franchised Hudson Valley Swim Business will have the option to operate from seasonal pools; however, we recommend that each Franchised Hudson Valley Swim Business operates from at least one large, indoor pool.

Table 1

The information provided in Table 1 below consists of the actual performance of the Affiliate-Owned Businesses in the Affiliate Reporting Group during each Reporting Periods.

Table 1
Profit and Loss Reports for the Affiliate Reporting Group
During the 2021 – 2023 Reporting Periods

Business	Pool Facility	Type	Description	2021	2022	2023
Newburgh, NY	Gold’s Gym	Gym	Year-Round	\$634,589	\$728,373	\$815,500
Middletown, NY	Sleep Inn & Suites	Hotel	Year- Round	\$61,080	\$138,515	\$174,915
Hopewell Jct, NY	Taconic Tennis	Outdoor	Summer- Only	\$104,370	\$132,086	\$134,280
Port Chester, NY	LA Fitness	Gym	Year-Round	n/a	\$3,590	\$182,817



Business	Pool Facility	Type	Description	2021	2022	2023
Seminole, FL	Esporta Fitness	Gym	Year-Round	n/a	n/a	\$60,814
Monticello, NY	Hampton Inn	Hotel	Year-Round	n/a	n/a	\$51,130
Combined Annual Gross Sales				\$800,039	\$1,002,564	\$1,419,457
Combined Operating Expenses				\$263,929	\$339,392	\$678,050
Royalty (Actual)				n/a	n/a	\$100,826
Combined Annual Net Profit (without Royalty payment)				\$536,110	\$663,172	\$741,407
Combined Annual Net Profit (including Royalty payment)				\$536,110	\$663,172	\$640,581
Imputed Expenses (Franchise-Related Adjustments)						
Royalty (Imputed/Difference)				\$64,003	\$72,921	\$485
Imputed Local Advertising (Difference)				\$38,145	\$31,042	\$79,829
Imputed Technology Fee				\$2,400	\$4,800	\$9,100
Total Imputed Expenses				\$104,458	\$108,763	\$80,314
Combined Adjusted Net Profit				\$431,652	\$554,409	\$560,267

Notes:

1. Operating History.

- a. The Newburgh Affiliate-Owned Business is located in Newburgh, New York and has been operating since June 2011.
- b. The Middletown Affiliate-Owned Business is located in Middletown, New York and began providing lessons in March of 2021. It is a small hotel pool and does not allow the lesson program to run Friday, Saturday during the year or on Sunday during the summer.
- c. The Hopewell Junction Affiliate-Owned Business is located in Hopewell Junction, New York and is a seasonal Affiliate-Owned Business that runs June on weekends and July to August every day during the season each year.
- d. The Port Chester Affiliate-Owned Business is located in Port Chester, New York and is a new territory that began offering instruction in January 2023. Annual Gross Sales reported in 2022 represents pre-sales of enrollment fees for the 2023 start. Expenses incurred to start this location and administer pre-sales (such as registration fees) are included in Operating Expenses for 2022.
- e. The Seminole Affiliate-Owned Business is located in Seminole, Florida and is a new territory that began operations in May 2023. Pre-opening expenses incurred to start this location and post-opening expenses are included in Operating Expenses for 2023.
- f. The Monticello Affiliate-Owned Business is located in Monticello, New York and is a new territory that began operations in May 2023. Expenses incurred to start this location are included in Operating Expenses for 2023. It is a small hotel pool and does not allow the lesson program to run Friday, Saturday and Sunday. Pre-opening expenses incurred to start this location and post-opening expenses are included in Operating Expenses for 2023.

2. Pool Facility. Each “Pool Facility” listed above refers to the location of each Pool where the Affiliate-Owned Business provided services.



3. Type. Each “Type” listed above refers to the type of facility where the Affiliate-Owned Business provided services.
4. “Combined Annual Gross Sales” means the total of all revenues, income, and consideration from the sale of all Hudson Valley Swim services to customers of Affiliate-Owned Businesses in each Reporting Period less taxes, returns, discounts and allowance. The Combined Annual Gross Sales is for multiple franchised territories. Franchisees that operate in one territory should not expect to achieve a similar level of Gross Sales.
5. “Combined Operating Expenses” includes employee wages and 401k expenses, payroll taxes, payroll processing expenses, phone/fax expenses, internet expenses, office supplies, recruiting expenses, registration fees, credit card fees, rent expenses, web hosting fees, advertising expenses, sponsorship expenses, charity expenses, accounting expenses, legal expenses, human resource expenses, and bank fees. Expenses for all Affiliate-Owned Businesses are kept in a single accounting profile. The Affiliate-Owned Businesses benefit from reduced insurance costs because of their operation of multiple Pools in adjacent territories through a single affiliate.
6. “Combined Net Profit” is equal to Annual Gross Sales less the Combined Operating Expenses. We do not include taxes, depreciation, interest and amortization in Net Income. The Combined Net Profit is for multiple franchised territories. Franchisees that operate in one territory should not expect to achieve a similar level of Net Profit.
7. “Combined Adjusted Net Profit” is equal to Combined Net Profit less Franchise Related Adjustments. The Combined Adjusted Net Profit is for multiple franchised territories. Franchisees that operate in one territory should not expect to achieve a similar level of Net Profit.
8. “Franchise Related Adjustments” refers to the imputed fees and required expenditures that a franchised Hudson Valley Swim Business would pay, which are deducted from Net Profit. We have added a Royalty of 7% to 8% of Annual Gross Sales in years 2021 and 2022 since no Royalty was collected in those years, and the difference between the actual advertising expenditures of the Affiliate-Owned Businesses and the local advertising requirement of \$36,000 per year for year-round Pools and \$9,000 per season for seasonal Pools. We have imputed a 7% Royalty for the Newburgh Affiliate-Owned Business in 2022 and 2023 because it exceeded \$500,000 in Gross Sales in the preceding year. The other Affiliate-Owned Businesses’ Gross Sales would have been subject to a Royalty equal to 8% of Gross Sales, which we have imputed or adjusted. Each seasonal Pool was open for one season (i.e., one period of approximately 3 months). We also included a monthly technology fee of \$200 per month per Pool. The imputed technology fee was calculated based on one seasonal pool and two year-round pools in calendar years 2021 and 2022. In 2021, the Affiliate-Owned Business paid a fee to the current provider of the technology solutions and the difference has been imputed. In 2021, the Affiliate-Owned Businesses paid \$1,570 for the technology solutions included with the Technology Fee. The Technology Fee and local advertising requirement for Port Chester Affiliate-Owned Business were not included in calendar year 2022 as lessons did not begin until January 2023; the sales shown for this Affiliate-Owned Businesses were from pre-sales, and the Technology Fee and Local Advertising requirement are not due or assessed until the first month that swimming lessons are scheduled to be provided at a Pool; the difference of the amount paid for the services provided by the Technology Fee and the Technology Fee was imputed for all of 2023 for the Port Chester Affiliate-Owned Business and for the Seminole Affiliate-Owned Business and Monticello Affiliate-Owned Business we imputed the difference beginning in the month these Affiliate-Owned Businesses began hosting classes (May 2023.) The Local Advertising Requirement for the Seminole Affiliate-Owned Business and Monticello



Affiliate-Owned Business was imputed starting in April 2023. The Affiliate-Owned Businesses' imputed Royalty exceeded the Minimum Royalty for five Hudson Valley Swim Businesses.

In making the Franchise-Related Adjustments, we assumed that any additional expenses would not have a direct or indirect material effect on revenue or other expenses.

Table 2

In Table 2, we provide an overview of the Gross Sales, Operating Expenses, Net Operating Income, Franchise-Related Expenses and Net Income of the Reporting Franchised Business.

Table 2
Profit and Loss Reports for the Reporting Franchised Business
During the 2023 Reporting Periods

Category	Amount	Percentage of Gross Sales
Gross Sales	\$263,631	100.00%
Operating Expenses		
Office	\$8,463	3.21%
Registration Fees	\$11,048	4.19%
Payroll	\$62,680	23.78%
Rent	\$70,318	26.67%
Insurance	\$10,018	3.80%
Marketing & Advertising	\$20,493	7.77%
Professional Fees	\$1,960	0.74%
Total Operating Expenses	\$184,979	70.17%
Net Operating Income	\$78,652	29.83%
Franchise-Related Adjustments		
Royalty	\$21,090	8.00%
Local Marketing & Advertising (Difference)	\$15,507	5.88%
Technology Fee (Difference)	\$2,100	0.80%
Total Franchise-Related Adjustments	\$38,697	8.80%
Adjusted Net Income	\$39,955	

Notes to Table 2

1. "Gross Sales" means the total of all revenues, income and consideration from the sale of all Hudson Valley Swim services to customers of Reporting Franchised Businesses in each Reporting Period less taxes, returns, discounts and allowance.

2. "Operating Expenses" includes the categories of operating expenses listed in the table above.

3. “**Franchise Related Adjustments**” refers to the imputed fees and required expenditures that a franchised Hudson Valley Swim Business would pay, which are deducted from Net Profit. The Reporting Franchised Business pays a different Royalty and Technology Fee and is not subject to the same Local Advertising Requirement that Franchised Businesses will pay under our current Franchise Agreement. We have imputed the difference between the amount actually expended on the expenses covered by the Technology Fee and Local Advertising Requirement and the amount required for current Franchised Businesses. The Reporting Franchised Business’s imputed percentage-based Royalty exceeded the Minimum Royalty.

4. In making the Franchise-Related Adjustments, we assumed that any additional expenses would not have a direct or indirect material effect on revenue or other expenses.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.

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

Other than the financial performance representation contained 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 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 Jeffrey G. Gartner 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

All year-end numbers appearing in the tables below are as of December 31 in each year.

Table No. 1

Systemwide Outlet Summary For Years 2021 - 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	0	0	0
	2022	0	1	+1
	2023	1	4	+3
Company-Owned	2021	3	3	0
	2022	3	3	0
	2023	3	6	+3



Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Total Outlets	2021	3	3	0
	2022	3	4	+1
	2023	4	10	+6

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2021 - 2023

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Totals	2021	0
	2022	0
	2023	0

Table No. 3

Status of Franchise Outlets
For Years 2021- 2023

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
Connecticut	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Florida	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	2	0	0	0	0	3
Total	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	3	0	0	0	0	4

Table No. 4

Status of Company-Owned Outlets
For Years 2021 - 2023

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	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
New York	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	2	0	0	0	5
Total Outlets	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	3	0	0	0	6

Table No. 5

Projected Openings as of
December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Connecticut	0	0	1
Florida	1	0	0
Maryland	1	0	0
New York	0	0	1
Texas	0	3	0
Total	2	3	2

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit E. The name and last known address and telephone number of every current franchisee and every franchisee who has had a Hudson Valley Swim Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during the one-year period December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit E. During the last three years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Hudson Valley Swim Franchise System. If you buy a Hudson Valley Swim Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchisee organizations.

ITEM 21 FINANCIAL STATEMENTS

Exhibit B contains the financial statements required to be included with this Franchise Disclosure Document: unaudited financial statements as of April 30, 2024, and our audited financial statements as of December 31, 2023, December 31, 2022, and December 31, 2021. Our fiscal year end is December 31.

ITEM 22 CONTRACTS

Exhibit C	Franchise Agreement
Exhibit D	Area Development Agreement
Exhibit G	State Addenda and Agreement Riders
Exhibit H	Contracts for use with the Hudson Valley Swim Franchise
Exhibit I	Franchise Disclosure Questionnaire

ITEM 23 RECEIPTS

The last pages of this Franchise Disclosure Document, Exhibit K are a detachable document, in duplicate. Please detach, sign, date and return one copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

EXHIBIT A

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

<p><u>CALIFORNIA</u></p> <p><u>State Administrator and Agent for Service of Process:</u> Commissioner Department of Financial Protection and Innovation 320 W. 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 (866) 275-2677</p> <p><u>HAWAII</u></p> <p>Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p><u>Agent for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p><u>ILLINOIS</u></p> <p>Illinois Attorney General Chief, Franchise Division 500 S. Second Street Springfield, IL 62706 (217) 782-4465</p> <p><u>INDIANA</u></p> <p>Secretary of State Securities Division Room E-018 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681</p> <p><u>MARYLAND</u></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360</p>	<p><u>MARYLAND CONTINUED</u></p> <p><u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020</p> <p><u>MICHIGAN</u></p> <p>Michigan Department of Attorney General Consumer Protection Division 525 W. Ottawa Street Lansing, MI 48913 (517) 373-7117</p> <p><u>MINNESOTA</u></p> <p>Department of Commerce Commissioner of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-3165 (651) 539-1600</p> <p><u>NEW YORK</u></p> <p><u>Administrator:</u> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222</p> <p><u>Agent for Service of Process:</u> Secretary of State 99 Washington Avenue Albany, NY 12231</p> <p><u>NORTH DAKOTA</u></p> <p><u>Administrator:</u> North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712</p> <p><u>Agent for Service of Process:</u> Securities Commissioner 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510</p>	<p><u>RHODE ISLAND</u></p> <p>Department of Business Regulation 1511 Pontiac Avenue, Bldg. 68-2 Cranston, RI 02920 (401) 462-9527</p> <p><u>SOUTH DAKOTA</u></p> <p>Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563</p> <p><u>VIRGINIA</u></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219</p> <p><u>Agent for Service of Process:</u> Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219</p> <p><u>WASHINGTON</u></p> <p><u>State Administrator:</u> Washington Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760</p> <p><u>Agent for Service for Process:</u> Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501</p> <p><u>WISCONSIN</u></p> <p>Department of Financial Institutions Division of Securities 201 W. Washington Avenue Madison, WI 53703 (608) 266-3364</p>
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EXHIBIT B
FINANCIAL STATEMENTS



THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.



HV SWIM FRANCHISE, LLC
Balance Sheet
As of April 30, 2024

	Apr 30, 24
ASSETS	
Current Assets	
Checking/Savings	
M&T Franchise	16,003.73
Total Checking/Savings	16,003.73
Accounts Receivable	
Accounts Receivable	1,021.30
Total Accounts Receivable	1,021.30
Other Current Assets	
Undeposited Funds	4,027.68
Total Other Current Assets	4,027.68
Total Current Assets	21,052.71
TOTAL ASSETS	21,052.71
LIABILITIES & EQUITY	
Equity	
Member Contributions	54,702.00
Retained Earnings	-9,144.33
Net Income	-24,504.96
Total Equity	21,052.71
TOTAL LIABILITIES & EQUITY	21,052.71

HV SWIM FRANCHISE, LLC
Profit & Loss
January through April 2024

	Jan - Apr 24
Income	
Franchisee Supplies	
Facility Startup Package	687.42
Marketing Startup Package	2,498.40
Total Franchisee Supplies	3,185.82
Sales	
Brand Fund	0.00
Franchise Royalties	53,501.22
Initial Franchise Fee	27,600.00
Technology Fees	227.88
Total Sales	81,329.10
Total Income	84,514.92
Cost of Goods Sold	
Franchisee Supply Purchases	
Facility Supplies	718.10
Total Franchisee Supply Purchases	718.10
Total COGS	718.10
Gross Profit	83,796.82
Expense	
Bank Service Charges	492.77
Franchise Software	
Website/SSL	479.98
Total Franchise Software	479.98
Franchise Training	
Aquatics Training Commission	500.00
Total Franchise Training	500.00
Insurance Expenses	
Professional Liability	1,867.04
Total Insurance Expenses	1,867.04
Marketing Expenses	
Advertising and Promotion	617.29
Total Marketing Expenses	617.29

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Accrual Basis

HV SWIM FRANCHISE, LLC**Profit & Loss**

January through April 2024

	Jan - Apr 24
Office Expenses	
401K Plan Management	64.92
Payroll Processing	602.94
Postage & Mailbox	39.08
Software	414.94
Supplies	98.46
Total Office Expenses	1,220.34
Payroll Expenses	
401K Plan	1,888.28
Disability	-36.00
Payroll Taxes	12,694.32
Salaries	31,082.85
Total Payroll Expenses	45,629.45
Professional Fees	
Accountant	4,175.00
Attorney	11,798.50
Broker Assoc. Memberships	2,624.00
Broker Commissions	20,700.00
Sales Commissions	3,000.00
Total Professional Fees	42,297.50
State Registration Fees	1,250.00
State Taxes	
NY State Tax	50.00
Total State Taxes	50.00
Trade Shows & Events	
Airline	388.20
Equipment Rental	518.81
Lodging	1,791.71
Marketing Supplies	413.29
Meals	187.74
Printing	303.83
Registration Fees	9,370.00
Shipping	487.72
Transportation & Parking	436.11
Total Trade Shows & Events	13,897.41
Total Expense	108,301.78
Net Income	-24,504.96

Page 2



HV SWIM FRANCHISE LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022



HV SWIM FRANCHISE LLC

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Independent Auditor's Report

To the Member
HV Swim Franchise, LLC
Hopewell Junction, NY

Opinion

We have audited the accompanying financial statements of HV Swim Franchise, LLC, comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of operations, member's interests, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HV Swim Franchise, LLC as of December 31, 2023 and 2022 and the related statements of operations, member's interests and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezar & Dunlap

St. George, Utah
April 1, 2024

HV SWIM FRANCHISE, LLC

BALANCE SHEETS

As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash	\$ 42,741	\$ 2,423
Accounts receivable	15,895	-
Total current assets	<u>58,636</u>	<u>2,423</u>
Total assets	<u>\$ 58,636</u>	<u>\$ 2,423</u>
Liabilities and Member's Interests		
Total current liabilities	-	-
Members' interests	<u>58,636</u>	<u>2,423</u>
Total liabilities and member's interests	<u>\$ 58,636</u>	<u>\$ 2,423</u>

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

HV SWIM FRANCHISE, LLC
STATEMENTS OF OPERATIONS AND MEMBER'S INTERESTS
For the Periods Ending December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Franchise fees	\$ 42,515	\$ -
Royalty revenue	143,420	804
Retail sales	854	-
Total operating revenue	<u>186,789</u>	<u>804</u>
Operating expenses		
Broker fees	\$ 28,700	\$ -
Selling, general and administrative	66,131	2,944
Advertising and marketing	15,933	3,477
Salary and wages	40,689	-
Professional fees	18,825	6,954
Total operating expense	<u>170,278</u>	<u>13,375</u>
Net income (loss)	<u>\$ 16,511</u>	<u>\$ (12,571)</u>
Beginning member's interests	\$ 2,423	\$ 4,994
Member's contributions	39,702	10,000
Net income (loss)	16,511	(12,571)
Ending member's interests	<u>\$ 58,636</u>	<u>\$ 2,423</u>

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

HV SWIM FRANCHISE, LLC
STATEMENT OF CASH FLOWS
For the Periods Ending December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net Income (loss)	\$ 16,511	\$ (12,571)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(15,895)	-
Net cash provided by (used by) operating activities	<u>616</u>	<u>(12,571)</u>
Cash flows from financing activities:		
Member's contributions	39,702	10,000
Cash flows provided by financing activities	<u>39,702</u>	<u>10,000</u>
Net change in cash and cash equivalents	40,318	(2,571)
Cash and cash equivalents at beginning of period	2,423	4,994
Cash and cash equivalents at end of period	<u>\$ 42,741</u>	<u>\$ 2,423</u>
Supplemental disclosures of cash flow:		
Cash paid for interest and taxes	\$ -	\$ -

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

HV SWIM FRANCHISE, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

HV Swim Franchise, LLC (the “Company”) was organized in the State of New York on May 17, 2021 as a limited liability company. The Company markets an instructional swimming lessons franchise concept. The Company commenced franchise operations in 2021.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 30 of each year. The members’ liability is limited to their equity.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2023 and 2022, the Company had cash and cash equivalents of \$42,741 and \$2,423 respectively.

(e) Revenue Recognition

The Company’s primary revenues consist of initial franchise fees and royalty fees (which are based on a percentage of franchisee gross revenues) from franchisees.

Upon commencement of operations, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial franchise fee, ongoing royalties, and the Company’s performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise.

HV SWIM FRANCHISE, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. ASC 952-606 identifies the following general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services.
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

(f) *Income Taxes*

The Company is structured as a limited liability company under the laws of the state of New York. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2023, the 2022 tax year was subject to examination.

(g) *Advertising Cost*

The Company expenses advertising costs as incurred. Advertising expenses for the year ended December 31, 2023 and 2022, were \$7,113 and \$6,954 respectively.

(h) *Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities.

(i) *Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) *Commitments and Contingencies*

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic

HV SWIM FRANCHISE, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(3) Related Party Transactions

During the year 2023, the Company recognized royalty revenue from six corporate locations for a total of \$113,904. This amount is included in Royalty revenue and represents 79% of the \$143,420 total revenue.

(4) Subsequent Events

Management has reviewed and evaluated subsequent events through April 1, 2024, the date on which the financial statements were issued.

HV SWIM FRANCHISE LLC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021



HV SWIM FRANCHISE LLC

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Independent Auditor's Report

To the Member
HV Swim Franchise, LLC
Hopewell Junction, NY

Opinion

We have audited the accompanying financial statements of HV Swim Franchise, LLC, comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of operations, member's interests, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HV Swim Franchise, LLC as of December 31, 2022 and 2021 and the related statements of operations, member's interests and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezas J Dunlavy

St. George, Utah
March 10, 2023

HV SWIM FRANCHISE, LLC
BALANCE SHEETS
As of December 31, 2022 and 2021

Assets	2022	2021
Current assets		
Cash	\$ 2,423	\$ 4,994
Total current assets	<u>2,423</u>	<u>4,994</u>
Total assets	<u><u>\$ 2,423</u></u>	<u><u>\$ 4,994</u></u>
 Liabilities and Member's Interests		
Current liabilities		
Accounts payable	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>
Members' interests	2,423	4,994
Total liabilities and member's interests	<u><u>\$ 2,423</u></u>	<u><u>\$ 4,994</u></u>

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

HV SWIM FRANCHISE, LLC
STATEMENTS OF OPERATIONS AND MEMBER'S INTERESTS
For the Periods Ending December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Royalty revenue	\$ 804	\$ -
Total revenue	<u>804</u>	<u>-</u>
Franchise development costs	\$ 2,944	\$ -
General and administrative expense	3,477	6
Advertising costs	<u>6,954</u>	<u>-</u>
Total operating expense	13,375	6
Net loss	<u>\$ (12,571)</u>	<u>\$ (6)</u>
Beginning member's interests	\$ 4,994	\$ -
Member's contributions	10,000	5,000
Net loss	<u>(12,571)</u>	<u>(6)</u>
Ending member's interests	<u>\$ 2,423</u>	<u>\$ 4,994</u>

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

HV SWIM FRANCHISE, LLC
STATEMENT OF CASH FLOWS
For the Periods Ending December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net loss	\$ (12,571)	\$ (6)
Net cash used by operating activities	<u>(12,571)</u>	<u>(6)</u>
Cash flows from financing activities:		
Member's contributions	10,000	5,000
Member's distributions	<u>-</u>	<u>-</u>
Cash flows provided by financing activities	<u>10,000</u>	<u>5,000</u>
Net change in cash and cash equivalents	(2,571)	4,994
Cash and cash equivalents at beginning of period	<u>4,994</u>	<u>-</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,423</u></u>	<u><u>\$ 4,994</u></u>
Supplemental disclosures of cash flow:		
Cash paid for interest and taxes	\$ -	\$ -

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

HV SWIM FRANCHISE, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

HV Swim Franchise, LLC (the “Company”) was organized in the State of New York on May 17, 2021 as a limited liability company. The Company markets an instructional swimming lessons franchise concept. The Company commenced franchise operations in 2021.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 30 of each year. The members’ liability is limited to their equity.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2022 and 2021, the Company had cash and cash equivalents of \$2,423 and \$4,994 respectively.

(e) Revenue Recognition

The Company’s primary revenues consist of initial franchise fees and royalty fees (which are based on a percentage of franchisee gross revenues) from franchisees.

Upon commencement of operations, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial franchise fee, ongoing royalties, and the Company’s performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise.

HV SWIM FRANCHISE, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. ASC 952-606 identifies the following general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services.
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

(f) Income Taxes

The Company is structured as a limited liability company under the laws of the state of New York. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, the 2021 tax year was subject to examination.

(g) Advertising Cost

The Company expenses advertising costs as incurred. Advertising expenses for the year ended December 31, 2022 and 2021, were \$6,954 and \$0 respectively.

(h) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities.

(i) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic

HV SWIM FRANCHISE, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(3) Subsequent Events

Management has reviewed and evaluated subsequent events through March 10, 2023, the date on which the financial statements were issued.

EXHIBIT C
FRANCHISE AGREEMENT





HUDSON VALLEY SWIM

FRANCHISE AGREEMENT



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ATTACHMENT A – FRANCHISE DATA SHEET

ATTACHMENT B – STATEMENT OF OWNERSHIP

ATTACHMENT C – FRANCHISE OWNER AGREEMENT



HV SWIM FRANCHISE, LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Franchise Agreement”) is made, entered into and effective as of the “Effective Date” set forth in Attachment A to this Franchise Agreement, by and between HV Swim Franchise LLC, a New York limited liability company (“we,” “us,” or “our”), and the franchisee set forth in Attachment A to this Franchise Agreement (“you” or “your”). If more than one person or entity is listed as the franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Franchise Agreement.

1. INTRODUCTION

This Franchise Agreement includes several attachments, each of which are legally binding and are a part of the complete Franchise Agreement. It is your responsibility to read through the entire Franchise Agreement. This Franchise Agreement creates legal obligations you must follow. We recommend that you consult with a legal professional to ensure that you understand these obligations. If you have questions, or if you do not understand a certain provision or section, please review it with your legal and financial advisors before you sign this Franchise Agreement.

This Franchise Agreement has defined terms. A defined term is a shorthand reference within a document that refers to another name or idea in the document. Defined terms are underlined and surrounded by double quotes, typically with capitalized first letters, and may be contained in parentheses throughout the Franchise Agreement.

2. GRANT OF FRANCHISE

As a Hudson Valley Swim franchisee, you will operate a business providing classes that teach proper swim techniques and water safety for all age groups and abilities (“HV Swim Business”). The HV Swim Business will operate under our service marks, trademarks, trade names, trade dress, logos, slogans and commercial symbols as we may from time to time authorize or direct you to use with the operation of the HV Swim Business (the “Marks”).

We grant you a non-exclusive license to own and operate an HV Swim Business using the business formats, methods, procedures, signs, designs, standards, specifications, distinguishing elements, and intellectual property (the “System”) that we authorize from leased or rented pool facilities we approve, strictly in compliance with the terms and conditions set forth in this Franchise Agreement, within the Territory or other areas we may specify in Attachment A to this Franchise Agreement. You recognize and acknowledge the distinctive significance to the public of the System and Marks and acknowledge and understand our high and uniform standards of quality, appearance and service to the value of the System. You acknowledge that we may change, improve or otherwise modify the System as we deem appropriate in our discretion and you agree to promptly accept and comply with any such changes, improvements or modifications. You further acknowledge that our grant to operate a HV Swim Business is based on the representations made in your application. You acknowledge and agree this Franchise Agreement does not grant you the right or option to open any additional HV Swim Businesses or any right to sublicense or subfranchise any of the rights we grant you in this Franchise Agreement. You may only open an additional HV Swim Business under a separate franchise agreement with us, which we may grant in our sole discretion.



As part of accepting our grant for you to own and operate an HV Swim Business, you hereby represent that: (i) you have received a copy of our current franchise disclosure document; (ii) you are aware of the fact that other present or future franchisees of ours may operate under different forms of agreement and consequently that our obligations and rights with respect to our various franchisees may differ materially in certain circumstances; and (iii) you are aware of the fact that we may have negotiated terms or offered concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions.

3. FRANCHISEE AS ENTITY

3.1 Entity Representations

For purpose of this Franchise Agreement, “Owner(s)” means any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you, this Franchise Agreement, or the HV Swim Business. If you are a corporation, partnership, limited liability company or other form of business entity (“Entity”), you agree and represent that:

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

3.1.2 Company Documents. At our request, you will furnish copies of all documents and contracts governing the rights and obligations of your Owners (such as, Articles of Incorporation or Organization and partnership, operating or shareholder agreements or similar documents, the “Company Documents”). You will not alter, change, or amend your Company Documents, without obtaining our prior written approval, which approval we will not unreasonably deny or withhold, and will grant if such changes will not prevent you from performing your obligations under this Franchise Agreement.

3.1.3 Transfer Restrictions. Your Company Documents will recite that this Franchise 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 Franchise Agreement’s restrictions.

3.1.4 Naming. You agree not to use the name “Hudson Valley Swim” or any similar wording in the name of your Entity.

3.1.5 Owner Identification. You certify that Attachment B to this Franchise Agreement completely and accurately describes all of your Owners and their interests in you as of the Effective Date. You agree to sign and deliver to us a revised Attachment B to reflect any permitted changes in the information that Attachment B now contains.

3.1.6 Single Purpose Entity. The HV Swim Business will be the only business that the Entity may operate, and your organizational documents must reflect this (although the Owners in the Entity may have other business interests subject to any restrictions on competitive businesses contained in this Franchise Agreement).

3.1.7 Franchise Owner Agreement. All Owners and their spouses must sign the Franchise Owner Agreement, attached as Attachment C to this Franchise Agreement. You agree that, if any person or Entity ceases to be one of your Owners, or if any individual or Entity becomes an Owner of you (such ownership change must comply with the “Transfer Conditions” discussed later in this Franchise Agreement), you will require the new Owner (and the new Owner’s spouse) to execute all documents

required by us, including the Franchise Owner Agreement.

3.1.8 No Offerings. You agree that you will not offer any securities (in a public or private offering or otherwise) or engage in any type of fundraising (like crowdfunding) without our prior written consent, which may be withheld in our sole discretion.

4. TERRITORIAL RIGHTS AND LIMITATIONS

We may grant you a designated territory consisting of the geographic area identified in Attachment A (“Territory”). If you receive a Territory for the HV Swim Business, we will not operate, or grant a franchise or license to a third party to operate, an HV Swim Business that operates from Pools (as defined below) in your Territory, except as otherwise provided in this Section. Your HV Swim Business will provide private and group swim lessons from swimming pools in the Territory that have been approved by us (each, a “Pool”). Each Hudson Valley Swim Business will operate from at least one Pool approved by us, unless we approve the use of additional Pools in the Territory. We, and our affiliates, have the right to operate, and to license others to operate, HV Swim Businesses at any location outside the Territory, even if doing so will or might affect your operation of your HV Swim Business.

We retain all territorial rights not expressly granted to you. This includes, but is not limited to, the right to (i) to own, franchise, or operate HV Swim Businesses at any location outside of the Territory, regardless of the proximity to your HV Swim Business; (ii) to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory, including, but not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet; (iii) to use and license the use of other proprietary and non-Marks or methods which are not the same as or confusingly similar to the Marks, at any location, including within the Territory, which may be similar to or different from your HV Swim Business; (iv) to engage in any transaction (including purchases, mergers or conversions), involving the System or a new system, with any business, including businesses that directly or indirectly compete with your HV Swim Business, regardless of their location, provided that any competing businesses located inside your Territory will not operate under the Marks; (v) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere; and (vi) to engage in any other business activities not expressly prohibited by this Franchise Agreement. We are not required to pay you if we exercise any of our rights, including within your Territory. We are not required to pay you compensation for soliciting or accepting orders inside your Territory, or for exercising any of our rights within or outside of your Territory.

5. TERM AND RENEWAL

5.1 Generally

The term of this Franchise Agreement will begin on the Effective Date and continue for 10 years (“Term”). If this Franchise Agreement is the initial franchise agreement for your HV Swim Business, you may enter into a maximum of one successor franchise agreements (a “Successor Franchise Agreement”), as long as you meet the conditions for renewal specified below. The Successor Franchise Agreement shall be the current form of franchise agreement we use in granting Hudson Valley Swim franchises as of the expiration of the Term. The terms and conditions of the Successor Franchise Agreement may vary materially and substantially from the terms and conditions of this Franchise Agreement. Each successor term will be ten years. If you are signing this Franchise Agreement as a Successor Franchise Agreement, the references to “Term” shall mean the applicable renewal term of the Successor Franchise Agreement. Except as otherwise provided in this Section, you will have no further right to operate your HV Swim



Business following the expiration of the successor term unless we grant you the rights to enter into another franchise agreement, in our sole discretion. If you are renewing a prior franchise agreement with us under this Franchise Agreement, the renewal provisions in your initial franchise agreement will dictate the length of the Term of this Franchise Agreement, and your remaining renewal rights, if any.

5.2 Renewal Requirements

To enter into a Successor Franchise Agreement, you must:

5.2.1 Notice. Notify us in writing of your desire to enter into a Successor Franchise Agreement not less than 60 days nor more than 180 days before the expiration of the Term;

5.2.2 No Defaults. Not be in default under this Franchise Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Franchise Agreement and you must not have received more than three separate written notices of default from us in the 12 months before your renewal notice or at the time you sign the Successor Franchise Agreement;

5.2.3 Successor Franchise Agreement. Sign the Successor Franchise Agreement and all ancillary documents we require franchisees to sign;

5.2.4 General Release. Sign and have each of your Owners sign our current form of general release which contains a release of all known and unknown claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities;

5.2.5 Renewal Fee. Pay us a non-refundable renewal fee of 20% of the then-current Initial Franchise Fee (“Renewal Fee”). If we are not offering Hudson Valley Swim franchises at the time of your renewal, the Renewal Fee will be 20% of the initial franchise fee listed in the most recent franchise disclosure document;

5.2.6 Modifications. At least 60 days but not more than 180 days before the expiration of the Term, you must renovate, upgrade any equipment, tools, technology and other operations to comply with our then-current standards and specifications;

5.2.7 Pool. Have the right under your lease to operate from the Pool(s) where you provide and offer instruction for the duration of the successor term; and

5.2.8 Additional Actions. Take any additional actions we reasonably require.

5.3 Interim Term

If you do not sign a Successor Franchise Agreement after the expiration of the Term and you continue to accept the benefits of this Franchise Agreement, then, at our option, this Franchise Agreement may be treated either as: (i) expired as of the date of the expiration meaning you are operating the HV Swim Business without a valid franchise agreement in violation of our rights; or (ii) continued on a month-to-month basis (“Interim Term”) until either party provides the other party with 30 days’ prior written notice of their intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Franchise Agreement had not expired, and all obligations, restrictions and covenants imposed on you upon the expiration or termination of this Franchise Agreement

will be deemed to take effect upon the termination of the Interim Term. Except as permitted by this Section, you have no right to continue to operate your HV Swim Business following the expiration of the Term.

6. FEES

6.1 Late Fee

If any sums due under this Franchise Agreement have not been received by us when due then, in addition to those sums, you must pay us \$100 per occurrence, plus the daily equivalent of eighteen percent (18%) per year simple interest or the highest rate allowed by law, whichever is less (“Late Fees”). If no due date has been specified by us, then interest accrues from the original due date until payment is received in full.

6.2 Payment Methods

You must complete our automated clearing house (ACH) authorization form allowing us to electronically debit a bank account you designate (“Franchise Account”) for: (i) all fees payable to us under this Franchise Agreement (other than the Initial Franchise Fee); and (ii) any other amounts you owe to us or any of our affiliates including, but not limited to, those owed for the purchase of products or services. We will debit your Franchise Account for these payments on or after the due date. You must sign and deliver to us any other documents we or your bank may require authorizing us to debit your Franchise Account for these amounts.

You must deposit all revenue you generate from operating your HV Swim Business into the Franchise Account. You must make sufficient funds available for withdrawal from the Franchise Account by electronic transfer before each due date. If any check or electronic payment is unsuccessful due to insufficient funds, stop payment or any similar event, any excess amounts you owe will be payable upon demand, together with a non-sufficient funds fee of \$100 per occurrence plus Late Fees. If we allow you make any payment to us or our affiliate(s) by credit card for any fee required, we may charge a payment service fee of up to 4% of the total charge. We reserve the right to periodically specify (in the Franchise Operations Manual or otherwise in writing) different required payment methods for any payment due to us or our affiliates.

6.3 Payment Frequency

We reserve the right to periodically specify (in the Franchise Operations Manual or otherwise in writing) different payment frequencies (for example, weekly/biweekly/monthly payments) for any payment due to us or our affiliates.

6.4 Application of Payments

We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate. We are not obligated to follow any instructions you provide for allocation of the payments.

6.5 Payment Obligations

Your obligations to pay us the fees under this Franchise Agreement are absolute and unconditional, and will remain in full force and effect throughout the entire duration of this Franchise Agreement, and shall continue for such period of time thereafter as you owe us fees under this Franchise Agreement. You will



have no right to offset any fees paid to us and must pay us all fees regardless of any claims you may have against us. We will have the right, at any time before or after termination of this Franchise Agreement, without notice to you, to offset any amounts or liabilities you may owe to us against any amounts or liabilities we may owe you under this Franchise Agreement or any other agreement, loan, transaction or relationship between the parties. Without limiting the generality of the foregoing, you agree that you will not, on grounds of the alleged nonperformance by us of any of our obligations, withhold any fees due to us or our affiliates or amounts due to us for purchases by you or any other amounts due to us.

6.6 Gross Sales

For purposes of this Franchise Agreement, “Gross Sales” means the total of all revenue, income and consideration from the sale of all HV Swim Business merchandise, products and services to your customers, whether received in cash, coupon, in services in kind, from barter or exchange, on credit (whether or not payment is received) or otherwise. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits, charged tips and allowances you give in good faith to your customers. All barter or exchange transactions in which you furnish products or services in exchange for goods or services provided to you by a vendor, supplier or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the goods or services so provided to you. Gross Sales will also include any insurance proceeds due to business interruption as a result of the Pool where you operate being closed as a result of a casualty event or any other reason.

6.7 Initial Franchise Fee

You agree to pay us the “Initial Franchise Fee” listed in Attachment A in one lump sum when you sign this Franchise Agreement. The Initial Franchise Fee is fully earned by us and is non-refundable once this Franchise Agreement has been signed. If this Franchise Agreement is the renewal of a prior franchise agreement with us for an existing HV Swim Business or the transfer of the HV Swim Business from another franchisee, then no Initial Franchise Fee is due.

6.8 Royalty

You agree to pay us a royalty fee (“Royalty”) on the 5th day of each month (or such other date as we designate) based on the Gross Sales of your HV Swim Business for the prior month equal. Your Royalty fee will be equal to the greater of the “Percentage Royalty” or the “Minimum Royalty”.

The (“Percentage Royalty”) that your HV Swim Business must pay is calculated based on the total Gross Sales that your HV Swim Business generated in the prior calendar year. Your Percentage Royalty is based solely on the Gross Sales you generate within the Territory granted to you under this Franchise Agreement. Your Percentage Royalty will equal the Gross Sales in any calendar month multiplied by the Percentage Royalty according to the following table:

Total Gross Sales of HV Swim Business in Previous Calendar Year	Royalty Percentage Paid on Gross Sales in the Current Calendar Year
\$0 to \$500,000	8%
\$500,001 to \$1,000,000	7%
Greater than \$1,000,000	6%

For purposes of clarification, if your total Gross Sales from your HV Swim Business in the previous calendar year was \$600,000, then that HV Swim Business' Percentage Royalty for the following year would be 7% of Gross Sales. The Percentage Royalty will be recalculated each calendar year based on the Gross Sales made in the preceding calendar year. If you operate multiple HV Swim Businesses then the Percentage Royalty is calculated separately for each HV Swim Business that you operate.

The minimum Royalty that you will pay each month ("Minimum Royalty"), is calculated based on the total number of Franchise Agreements you or your affiliates own which have active HV Swim Businesses operating and how long each individual HV Swim Business you own has been in active operation. The calculation will include all HV Swim Businesses operated by you or your affiliate(s) if you operate multiple HV Swim Businesses under different legal entities, but the months in operation are specific to the individual HV Swim Business that you operate under this Franchise Agreement. The Minimum Royalty is calculated according to the chart below:

Monthly Minimum Royalty Chart

Month of Operation	Number of Active HV Swim Businesses You and/or Your Affiliates Actively Operates			
	2 or less	3	4	5 or more
1 - 6	\$0	\$0	\$0	\$0
7 - 12	\$500	\$750	\$1,000	\$1,250
13 - 24	\$1,000	\$1,250	\$1,500	\$1,750
25 - 36	\$1,100	\$1,350	\$1,600	\$1,850
37 - 48	\$1,200	\$1,450	\$1,700	\$1,950
49 - 60	\$1,300	\$1,550	\$1,800	\$2,050
61 - 72	\$1,400	\$1,650	\$1,900	\$2,000
73+	\$1,500	\$1,750	\$2,000	\$2,250

The Royalty payment is not refundable under any circumstances.

6.9 Brand Fund Contribution

We have not yet established a Hudson Valley Swim brand fund ("Brand Fund") to promote awareness of our brand and to improve our System. If we establish the Brand Fund, we reserve the right to require you to pay a "Brand Fund Contribution" of to up to 2% of monthly Gross Sales upon written notice to you, but we intend that amount will be reduced to 1% of Gross Sales if you exceed the then-current Gross Sales threshold. The initial Gross Sales threshold for this rate reduction will be \$1,000,000 per HV Swim Business.

6.10 Technology Fee

You must pay us our then-current technology ("Technology Fee") throughout the Term of this Franchise Agreement beginning approximately two months before you open your HV Swim Business. You will pay the then-current Technology Fee for each Pool where you operate (currently, \$200 per month per Pool). You will receive a single email address for the Technology Fee and have the option to purchase additional email accounts for our then-current fee.

The Technology Fee is an ongoing fee for the use of certain technologies used in the HV Swim Business. We can change the software and technology that must be used by HV Swim Business at any time we deem



appropriate in our sole discretion, which may result in changes to the Technology Fee. An increase in third-party fees may also cause the Technology Fee to increase. You will be responsible for any increase in fees that result from any upgrades, modification, or additional software by us or by third-party vendors. We may modify the Technology Fee upon written notice to you.

You must also pay our then-current technology business solutions fees to approved suppliers for certain business solutions that will support your business efficiencies. These may include phone systems, security systems, scheduling software, employee shift/task management software, inventory solution and any other solutions we may require in the Franchise Operations Manual for your HV Swim Business. We reserve the right to upgrade, modify and add new systems, which may result in additional initial and ongoing expenses that you will be responsible for. You will be responsible for any increase in fees that result from any upgrades, modifications or additional systems and for any increase in fees from third-party providers. We may include these third-party fees in the Technology Fee and pay suppliers directly on our behalf.

6.11 Facility Fees

We anticipate that your HV Swim 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. If we have a master facility license agreement the governs Pool in your Territory ("Master Facility License Agreement") you elect to offer services from any of these Pools, you agree to pay us the then-current fees for your use of the Pool or enter into a sub-license for use of the Pool if such sublicense is required under the terms and conditions of the Master Facility License Agreement.

6.12 Marketing Startup Package

You agree to purchase a marketing startup package from us with the items that we designate "Marketing Startup Package". The fee for your Marketing Startup Package is due 30 days after you sign the Franchise Agreement and is not refundable under any circumstances even if you fail to open your Hudson Valley Swim Business.

6.13 Facility Equipment Startup Package

You agree to purchase an equipment startup package from us with the items that we designate "Facility Equipment Startup Package". The fee for your Facility Equipment Startup Package payment is due 60 days before you open your Hudson Valley Swim Business and is not refundable under any circumstances even if you fail to open your Hudson Valley Swim Business.

6.14 Facility Rental Fees

We may maintain Master Facility License Agreements with the owner and/or operators of multiple Pools. If you request to provide services at Pool pursuant to an existing master agreement that applies to the Pool, we may sublicense our rights to you and require you to pay rental fees to us; provided, that we shall pay these fees to Pool owners or operator on your behalf.

6.15 CPI Adjustments to Fixed Fees

All fees expressed as a fixed dollar amount in this Franchise Agreement are subject to adjustment based on changes to the Consumer Price Index in the United States. We may periodically review and increase these fees based on changes to the Consumer Price Index, but only if the increase to the Consumer Price



Index is more than 5% higher than the corresponding Consumer Price Index in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one fee adjustment during any calendar year. Notwithstanding the foregoing, the fee adjustments in this Section shall not impact fees which we reserve the right to increase in higher amounts or to adjust more frequently, including but not limited to the Technology Fee.

6.16 Other Fees and Payments

You agree to pay all other fees, expense reimbursements, and all other amounts specified in this Franchise Agreement in a timely manner. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon products or services you sell or based upon products or services we furnish to you (other than income taxes we pay based on amounts).

7. ESTABLISHING YOUR HV SWIM BUSINESS

7.1 Opening

You must open your HV Swim Business to the public within 90 days after the Effective Date. You may not open your HV Swim Business before: (i) all required attendees have successfully completed the initial training program; (ii) you purchase all required insurance; (iii) you obtain all required licenses, permits and other governmental approvals required to establish, open and operate the HV Swim Business; (iv) we provide our written approval of your Pool Agreement; (v) and you receive our written approval. Notwithstanding the foregoing, we will grant one extension for an additional 30 days to open the HV Swim Business, if you request the extension in writing prior to the date your HV Swim Business is scheduled to open.

If you believe we have failed to adequately provide pre-opening services or training to you as provided in this Franchise Agreement, you shall notify us in writing within 30 days following the opening of the HV Swim Business. If you do not provide such notice in a timely manner, it will be viewed as you conclusively acknowledging that all pre-opening and opening services and training required to be provided by us were sufficient and satisfactory in your judgment.

7.2 Site Selection

We will provide you with advice and general specifications for identifying a suitable location for Pool(s).

The Pool must conform to our minimum Pool selection criteria. You must send us a complete site report (containing the demographic, commercial and other information, photographs and videos we may reasonably require) for your proposed Pool. We may require that you obtain a feasibility study for the proposed site at your sole cost. We may accept or reject all proposed sites in our commercially reasonable judgment. We will use our best efforts to accept or reject a proposed site within 30 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 30-day period. If we disapprove of the proposed site, you must select another site, subject to our consent. Our approval shall be evidenced by the execution of Attachment A-1 by you and us. You must only operate the HV Swim Business at the location specified in Attachment A-1 and your HV Swim Business may not offer products or services from any other location. You acknowledge that our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability

of the Pool. Our approval of the site indicates only that the site meets our minimum criteria. You agree to locate and obtain our approval of the Pool Agreement within 60 days after the Effective Date.

7.3 Pool Agreement

You are required to enter into agreements such as leases, subleases, license agreements, rental agreements, or similar agreements with the owners of the Pool(s) where you will operate or with us (“Pool Agreements”). We will view each proposed Pool Agreement for your HV Swim Business to ensure its terms meet our minimum standards and specifications. You may not enter into a Pool Agreement without our approval. Our acceptance of a Pool Agreement shall not be construed to insure or guarantee the profitable or successful operation of the Hudson Valley Swim Business by you and we expressly disclaims any responsibility therefore. Our acceptance of a Pool Agreement is solely an indication that the Pool meets our minimum standards and specifications at the time of acceptance.

7.4 Catastrophe

If any Pool where you operate is destroyed or damaged by fire or other casualty and you do not operate any additional Pool or sufficient Pools to continue providing instruction your students, you must relocate to a different Pool under the relocation provisions in this Section.

7.5 Use of Pools

You may not use any Pool or permit the Pool where you operate to be used for any purpose during the time you have leased or otherwise rented under your Pool Agreement other than offering the products and services we authorize and you may only offer the products and services we authorize from the Pool(s).

7.6 Relocation

You may relocate to a new or additional Pool within your Territory with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate within your Territory, you must: (i) comply with all requirements of the Franchise Agreement regarding the selection, construction and decoration your new Hudson Valley Swim Premise; (ii) begin operations from your new Pools and resume operations within 30 days after closing your prior Pool; and (iii) reimburse us for our reasonable expenses (including attorney fees and costs) in reviewing the proposed Pool and Pool Agreement. You may not relocate to a Pool outside of your Territory. You agree to fully de-identify any Pool you relocate from and no longer utilize.

8. TRAINING AND CONFERENCES

8.1 Initial Training Program

We will provide our initial training program at no charge for up to three people so long as all persons attend the initial training program simultaneously. The initial training program must be completed within 90 days prior to the date that your HV Swim Business is schedule to open. You must pay us our then-current training fee (currently \$500 per additional person for initial training) as specified in our Franchise Operations Manual for: (i) each additional person that attends our initial training program before you open; (ii) each additional person that attends after you open your HV Swim Business (such as a replacement Responsible Owner, Lead Instructor or Franchise Manager); and (iii) any person who must retake training after failing to successfully complete training on a prior attempt. We reserve the right to vary the length



and content of the initial training program as we deem appropriate in our sole discretion based on the experience of the attendee. We shall determine the scheduling, exact duration, contents and manner of the initial training program in our discretion and may delay your attendance until a suitable time near the grand opening date for your HV Swim Business in our discretion.

8.2 Additional Training

We may offer periodic refresher training courses or develop additional training courses. Attendance at these training programs may be optional or mandatory. You may be required to pay the then-current fee (currently, \$300 per attendee per day) for this training as specified in our Franchise Operations Manual.

8.3 Requested Training

Upon your written request, we may provide additional assistance or training to you at a mutually convenient time. You may be required to pay the then-current fee for this training as specified in our Franchise Operations Manual.

8.4 Remedial Training

If we determine, in our sole discretion, that you are not operating your HV Swim Business in compliance with this Franchise Agreement and/or the Franchise Operations Manual, we may require that you, your employees and other designees attend remedial training relevant to your operational deficiencies. You must pay us the then-current training fee as specified in our Franchise Operations Manual.

8.5 Conferences

We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting Hudson Valley Swim franchisees. Attendance at these conferences may be mandatory or optional. You are responsible for paying our then-current conference fee (currently, \$500), whether or not you attend the conference in any given year.

8.6 Training Expenses

You are solely responsible for all expenses and costs that your trainees incur for all trainings and conferences under this Section, including wages, travel, lodging, food and living expenses. You also agree to reimburse us for all expenses and costs we incur to travel to your HV Swim Business under this Section, including travel, food, lodging and living expenses. All training fees and expense reimbursements must be paid to us within ten days after invoicing.

9. OTHER FRANCHISOR ASSISTANCE

9.1 Franchise Operations Manual

We will lend you our confidential franchise operations manual (the “Franchise Operations Manual”) in text or electronic form for the Term of this Franchise Agreement. The Franchise Operations Manual will help you establish and operate your HV Swim Business in accordance with the System. The information in the Franchise Operations Manual is confidential and proprietary and may not be disclosed to third parties without our prior written approval. The Franchise Operations Manual may be updated and modified throughout the Term, both formally through amendments to the Franchise Operations Manual and



informally through email or other written materials we provide to you. You acknowledge that your compliance with the Franchise Operations Manual is vitally important to us and other System franchisees, because it is necessary to protect our reputation, the goodwill of the Marks, and maintain the uniform quality of the System.

You agree to establish and operate your HV Swim Business strictly in accordance with the Franchise Operations Manual. The Franchise Operations Manual may contain, among other things: (i) a description of the authorized products and services you may offer at your HV Swim Business; (ii) mandatory and suggested specifications, operating procedures, and quality standards for goods, products, services, that you use or offer at your HV Swim Business; (iii) policies and procedures we prescribe from time to time for our franchisees; (iv) mandatory reporting and insurance requirements; (v) policies and procedures pertaining to any gift card program we establish; and (vi) a written list of furniture, fixtures, equipment, products and services (or specifications for such items) you must purchase for the development and operation of your HV Swim Business and a list of any designated or approved suppliers for such items. The Franchise Operations Manual establishes and protects our brand standards and the uniformity and quality of the products and services offered by our franchisees. We can modify the Franchise Operations Manual at any time. The modifications will become binding as soon as we send you notice of the modification. All mandatory provisions in the Franchise Operations Manual (whether they are included now or in the future) are binding on you.

While the Franchise Operations Manual is intended to protect our reputation and goodwill of the Marks, you will be responsible for the day-to-day operation of your HV Swim Business and the Franchise Operations Manual is not designed to control the day-to-day operation of the HV Swim Business.

9.2 General Guidance

We will, upon reasonable request, provide advice or guidance regarding your HV Swim Business's operation based on reports or inspections or discussions with you. We will provide reasonable marketing consulting, guidance and support throughout the Term we deem appropriate. Any advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods, in our discretion.

We maintain a staff to manage and operate the Hudson Valley Swim System and our staff members can change as employees come and go. We cannot guarantee the continued participation by or employment of any of our shareholders, directors, officers, employees or staff.

9.3 Website

We will maintain a website for HV Swim Businesses ("System Website") that will include the information about your HV Swim Business we deem appropriate. We may modify the content of and/or discontinue the System Website at any time in our sole discretion. We are only required to reference your HV Swim Business on our System Website while you are in full compliance with this Franchise Agreement and all System standards. We must approve all content about your HV Swim Business. We will own the System Website (including any webpages for your HV Swim Business) and domain names. We intend that any franchisee website will be accessed only through this System Website.

9.4 Supplier Agreements



We may, but are not required to, negotiate agreements with suppliers to obtain products or services for our franchisees. If we negotiate an agreement, we may arrange for you to purchase the products directly from the supplier. We may receive rebates from these suppliers based on your purchases. We may also purchase certain items from suppliers in bulk and resell them to you at our cost (including overhead and salaries), plus shipping fees and a reasonable markup, in our sole discretion.

10. MANAGEMENT AND STAFFING

10.1 Owner Participation

If you are an Entity, you must designate an Owner who will be principally responsible for communicating with us about the HV Swim Business (“Responsible Owner”). If you are an individual, you are the Responsible Owner. The Responsible Owner must have the authority and responsibility for the day-to-day operations of your HV Swim Business and must have at least 25% equity. You acknowledge that a major requirement for the success of your HV Swim Business is the active, continuing and substantial personal involvement and supervision by your Responsible Owner, who must at all times be actively involved in operating the HV Swim Business on a full-time basis, unless we permit you to delegate management functions to a Franchise Manager, see below. If you appoint a new Responsible Owner, the new Responsible Owner, must attend and successfully complete our then-current initial training program.

10.2 Franchise Manager

You may hire a manager to assume responsibility for the daily management and supervision of your HV Swim Business (“Franchise Manager”), but only if: (i) we approve the Franchise Manager in our commercially reasonable discretion; (ii) the Franchise Manager successfully completes the initial training program; and (iii) your Responsible Owner agrees to assume responsibility for the management and supervision of your HV Swim Business if the Franchise Manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement Franchise Manager. We do not require that the Franchise Manager have an ownership interest in the legal entity of the Franchise owner. If you hire a new Franchise Manager, the new Franchise Manager must attend and successfully complete our then-current initial training program.

10.3 Staff

You must determine appropriate staffing levels for your HV Swim Business to ensure full compliance with this Franchise Agreement and our System standards. You must designate an experienced lead swim instructor (“Lead Instructor”) approved by us, to oversee the programs and other swim instructors at the Hudson Valley Swim Business. If you will not be the Lead Instructor, you must hire a Lead Instructor approved by us. The Lead Instructor must satisfactorily complete our training program. If you replace your Lead Instructor, they will need to satisfactorily complete our training program at your cost. You are solely responsible to hire, train and supervise employees or independent contractors to assist you with the proper operation of the HV Swim Business. You must pay all wages, commissions, fringe benefits, worker’s compensation premiums and payroll taxes (and other withholdings levied or fixed by any city, state or federal governmental agency, or otherwise required by law) due for your employees or as applicable, for your independent contractors. These employees and independent contractors will be your employees or contractors, not ours. We do not control the day-to-day activities of your employees or independent contractors or the manner in which they perform their assigned tasks. You must inform your employees and independent contractors you are exclusively responsible for supervising their activities and dictating the manner in which they perform their assigned tasks. In this regard, you must use your legal business

entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, consulting agreements, time cards and similar items.

You must comply with applicable law when hiring your staff; all your employees, including swim instructors, are subject to criminal background checks. You have sole responsibility and authority for all employment-related decisions, including employee selection and promotion, firing, hours worked, rates of pay and other benefits, work assignments, training and working conditions, compliance with wage and hour requirements, personnel policies, recordkeeping, supervision and discipline. We will not provide you with any advice or guidance on these matters. You must require your employees and independent contractors to review and sign any acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee or independent contractor that you are his or her sole employer. You must also post a conspicuous notice for employees and independent contractors in the back-of-the-house area explaining your franchise relationship with us and that you (and not we) are the sole employer. We may prescribe the form and content of this notice. You agree that any direction you receive from us regarding employment/engagement policies should be considered as examples, that you alone are responsible for establishing and implementing your own policies, and that you understand that you should do so in consultation with local legal counsel competent in employment law.

10.4 Assumption of Management

10.4.1 Interim Manager. In order to prevent any interruption of operations which would cause harm to or depreciate the value of the HV Swim Business, we have the right, but not the obligation, to step-in and designate an individual or individuals of our choosing (“Interim Manager”) for so long as we deem necessary and practical to temporarily manage your HV Swim Business (“Step-In Rights”): (i) if you violate any System standard or provision of this Franchise Agreement and do not cure the failure within the time period specified by the Franchise Agreement or us; (ii) if we determine in our sole judgment that the operation of your HV Swim Business is in jeopardy; (iii) if we determine in our sole discretion that operational problems require that we operate your HV Swim Business; (iv) if you abandon or fail to actively operate your HV Swim Business; (v) upon your Responsible Owner or your Franchise Manager’s absence, termination, illness, death, incapacity or disability; (vi) if we deem your Responsible Owner or your Franchise Manager incapable of operating your HV Swim Business; or (vii) upon a “Crisis Management Event.”

A “Crisis Management Event” means any event or series of events that occurs at the HV Swim Business that has or may cause harm or injury to customers or employees, or any other circumstance which may damage the System, Marks or image or reputation of the HV Swim Business or us or our affiliates. We may establish emergency procedures which may require you to temporarily close the HV Swim Business to the public, in which case you agree that we will not be held liable to you for any losses or costs. You agree to notify us immediately by telephone and email upon the occurrence of a Crisis Management Event.

10.4.2 Step-In Rights. If we exercise the Step-In Rights: (i) you agree to pay us, in addition to all other amounts due under this Franchise Agreement, our then-current “Management Fee” (currently equal to \$500 per day per Interim Manager that manages your HV Swim Business), plus the Interim Manager’s direct out-of-pocket costs and expenses; (ii) all monies from the operation of your HV Swim Business during such period of operation by us shall be kept in a separate account, and the expenses of the HV Swim Business, including compensation and direct out-of-pocket costs and expenses for the Interim Manager, shall be charged to said account; (iii) you acknowledge that the Interim Manager will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your HV Swim Business incurs, or to any of your creditors for any supplies, products, or other assets or services your HV Swim Business purchases, while Interim Manager manages it; (iv) the



Interim Manager will have no liability to you except to the extent directly caused by its gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager, and you will indemnify and hold us harmless for and against any of the Interim Manager's acts or omissions, as regards to the interests of you or third parties; and (v) you agree to pay all of our reasonable attorney fees, accountant's fees, and other professional fees and costs incurred as a consequence of our exercise of the Step-In Rights.

Nothing contained herein shall prevent us from exercising any other right which we may have under this Franchise Agreement, including, without limitation, termination.

11. BRAND FUND

We have not yet, but may establish, a Brand Fund that will be used to promote public awareness of our brand and to improve our System. If we establish a Brand Fund, you will be required to pay the Brand Fund Contribution. The Brand Fund could be administered by us or our affiliate or designees, at our discretion. We could use the Brand Fund for any expenditure that we, in our sole discretion, deem necessary or appropriate to promote or improve the System or the Hudson Valley Swim brand.

To illustrate, these may include, but are not limited to, the following: (i) developing, maintaining, administering, directing, preparing or reviewing advertising and marketing materials, promotions and programs, including social media management; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development (including social media) and search engine optimization; (vii) development and implementation of quality control programs and other reputation management functions; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) the proportionate salary share of our employees that devote time and provide services for advertising, promotion, collection, accounting or administration of the Brand Fund; (xii) preparing and distributing financial accountings of the Brand Fund; (xiii) training tools; and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities.

We would have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location, and all other matters pertaining to any of the foregoing activities. Any surplus of monies in the Brand Fund could be invested. Any unused funds collected in any calendar year would be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable. The Brand Fund would not be a trust, and we would have no fiduciary obligations to you regarding our administration of the Brand Fund. An unaudited financial accounting of the operations of the Brand Fund, including deposits into and disbursements from the Brand Fund, would be prepared annually and provided to you upon written request.

We would not ensure that our expenditures from the Brand Fund in or affecting any geographic area are proportionate or equivalent to the Brand Fund Contribution by our franchisees operating in that geographic area or that any of our franchisees benefit directly or in proportion to their Brand Fund Contribution. We reserve the right to change, merge, re-form or dissolve the Brand Fund in our discretion. We would not use the Brand Fund for advertising principally for the solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating "franchises available" or similar phrasing. We may, upon 30 days' prior written notice to you, reduce or suspend Brand Fund Contribution and operations for one or more periods of any length and terminate and/or reinstate the Brand Fund. We would spend all amounts before any termination of the Brand Fund.



12. FRANCHISEE MARKETING AND ADVERTISING

12.1 Standards

All advertisements and promotions you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws, rules and regulations and our standards and requirements in the Franchise Operations Manual. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property or legal rights of others.

12.2 Promotional Programs

We may periodically create advertising and sales promotion programs and materials to enhance the collective success of all Hudson Valley Swim franchisees operating under the System. You must participate in all such rebates, giveaway, advertising and sales promotion programs in accordance with the terms and conditions that we specify. These promotional programs may require that you offer products or services at no charge or discounted rates. We may also request you purchase and use advertisements and promotional materials we designate for your HV Swim Business.

12.3 Marketing Materials

You must order any sales and marketing material from us, or our designated suppliers (which may be an affiliate), that we require. We may create and make available to you, advertising and other marketing materials. We may charge you for these materials. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). We may also enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase.

12.4 Approval

We must approve all advertising and promotional materials we did not prepare or previously approve (including materials we prepared or approved and you modify) before you use them. We will be deemed to have disapproved the materials if we fail to issue our approval within 30 days after receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove). If conduct or use any unauthorized advertising, you will pay a fee of \$500 for each use of such advertising to us or, if established, to the Brand Fund. Grand Opening Digital Advertising

12.5 Local Advertising Requirement

In addition to your Brand Fund Contribution, beginning one month before you open your HV Swim Business, you must spend at least \$3,000 per Pool per month on local advertising for your HV Swim Business ("Local Advertising Requirement").

If you fail to spend the Local Advertising Requirement, you will be required to pay the difference between the amount you spent and your Local Advertising Requirement for the applicable period to the Brand Fund. You agree to participate at your own expense in all advertising, promotional and marketing programs we require, which may require that you offer products or services for sale at discounted prices or at no charge.



12.6 Online Advertising

You may not maintain a separate website, conduct e-commerce, or otherwise maintain a presence on the Internet in connection with your HV Swim Business without our express written permission, which we may revoke at any time, in our sole discretion. Any website we permit you to establish will be subject to all of your marketing and advertising requirements under this Franchise Agreement and the Franchise Operations Manual. If you wish to utilize social media or advertise online, you must follow our online policy contained in our Franchise Operations Manual. Our online policy may change as technology and the Internet changes. We may require that you utilize our designated supplier for social media marketing services, at your expense. You may not use the Marks in any fundraising campaign, including crowdfunding. We may restrict your use of social media. We restrict your ability to independently market on the Internet, and we may not allow you to use any domain name, address, locator, link, metatag or search technique with words or symbols similar to the Marks.

12.7 Advertising Cooperative

You must participate in any advertising cooperative that we require for the purpose of creating and/or purchasing advertising programs for the benefit of all franchisees operating within a particular region. Any advertising cooperative contributions will count toward your Local Advertising Requirement. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. We may require that each cooperative operate with governing documents and prepare annual unaudited financial statements. We may form, change, dissolve or merge any advertising cooperative. Your participation in any cooperative must be in compliance with the provisions of the Franchise Operations Manual, which we may periodically modify at our discretion. We have the right to determine the composition of all geographic territories and market areas for each advertising cooperative. Franchisees in each cooperative will contribute an amount to the cooperative for each HV Swim Business that the franchisee owns that exists within any cooperative's geographic area. Each Hudson Valley Swim business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. You may be required to contribute up to 2% of the Gross Sales to the advertising cooperative.

12.8 Advisory Council

We may form, change, merge or dissolve an advisory council ("Council") at any time, in our sole discretion, to advise us on advertising policies and to promote communications between us and all franchisees. Any such Council will be governed by bylaws that will specify that members of the Council would consist of both franchisees and franchisor representatives and will specify how members are selected, subject to any changes to such bylaws or structure we deem necessary in our sole discretion. Any Council would serve in an advisory capacity only. We may grant the Council any operation or decision-making powers we deem appropriate.

13. BRAND STANDARDS

13.1 Generally

You agree to operate your HV Swim Business: (i) in a manner that will promote the goodwill of the Marks; and (ii) in full compliance with our standards and all other terms of this Franchise Agreement and the Franchise Operations Manual. Any required standards exist to protect our interests in the System and the Marks, and not for the purpose of establishing any control or duty to take control over those matters



that are reserved to you. The required standards generally will be in the Franchise Operations Manual or other written materials and may be periodically modified over the Term. To protect our interests in the System and Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

13.2 Authorized Products and Services

The products or services offered by the HV Swim Business are subject to change and we do not represent that your HV Swim Business will always be permitted or required to offer all of the products or services currently offered. You agree to offer all products and services we require from time to time. You may not offer any other products or services at your HV Swim Business without our prior written permission. We may, without obligation to do so, add, modify or delete authorized products and services, and you must do the same upon notice from us. You may incur additional expenses to offer new products or services. Our addition, modification or deletion of one or more products or services shall not constitute a termination of this Franchise Agreement. You will not enter into any agreements with any third parties that can process orders for you on your behalf without our express written permission, which we may revoke at any time, in our sole discretion. We may, but are not required to, create Hudson Valley Swim proprietary products for sale at your HV Swim Business. If we develop any of these products, you agree to maintain a reasonable inventory of these items at all times.

13.3 Suppliers and Purchasing

You agree to purchase or lease all products, supplies, equipment, services, and other items specified in the Franchise Operations Manual. If required by the Franchise Operations Manual, you agree to purchase or lease certain products and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliates). You acknowledge that our right to specify the suppliers you may use and add or remove suppliers is necessary and desirable so we can control the uniformity and quality of products and services used, sold or distributed in connection with the development and ongoing operation of your HV Swim Business, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based upon your purchases or any other of our franchisee's purchases, we have no obligation to pass these amounts on to you or to use them for your benefit. If we do not require you to use a designated source or approved supplier for a particular item, you may purchase the item from any vendor you choose so long as your purchases conform to our System and specifications. We may restrict the sourcing of current and future items. You agree to maintain an adequate inventory of all items in accordance with the Franchise Operations Manual.

If you wish to purchase any items or supplies from a supplier we have not approved or wish to offer any new product or service we have not authorized in writing, you must send us a written notice specifying the supplier's name and qualifications or product or service information and provide any additional information we request. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. If we fail to issue our approval within the 30-day period, it will have the same effect as a rejection to the request. You must reimburse us for all costs and expenses we incur in reviewing a proposed supplier within ten days after invoicing. We may revoke approval of any supplier, product or service in our sole discretion in which case you must stop purchasing from such supplier.

13.4 Equipment Maintenance and Changes



You agree to keep any equipment used in the operation of your HV Swim Business in good condition and promptly replace or repair any equipment that is damaged, worn out or obsolete. We may require that you add new equipment or change, upgrade or replace your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System, and you agree to comply with any such required change within a reasonable time period designated by us.

13.5 Hours of Operation

You must keep your HV Swim Business open for the minimum hours and minimum days of operation as specified in the Franchise Operations Manual, which may change over the Term. Your HV Swim Business must be open every day of the year, other than those approved national holidays listed in the Franchise Operations Manual, unless otherwise agreed to by us. We may require you to establish specific hours of operation and submit those hours to us for approval.

13.6 Customer Issues

You acknowledge the importance to the System and uniform standards of quality, service and customer satisfaction, and recognize the necessity of opening and operating a HV Swim Business in conformity with the System. You agree to manage the HV Swim Business in an ethical and honorable manner and ensure that all those working at the HV Swim Business provide courteous and professional service to customers. If you receive a customer complaint, you must promptly follow the complaint resolution process we specify to protect the goodwill associated with the Marks. Also, if we are contacted by a customer of your HV Swim Business who wishes to lodge a complaint, we reserve the right to address the customer's complaint to preserve goodwill and prevent damage to the Marks. Our right to address complaints may include refunding money to a dissatisfied customer, in which case you must reimburse us for these amounts including the value of any gift card, refund or other value we provide to the customer as part of addressing the issue within five days of our invoice for these expenses.

We may contact any customer of your HV Swim Business at any time for any purpose. We, or our authorized representative, shall have the right, during regular business hours, or at such other times as may be mutually agreed upon by you and us, to inspect all client lists and documents and records related to the HV Swim Business. Upon reasonable request, you must furnish to us in whatever format we require, all client information and records for the HV Swim Business, both active and inactive, which shall include, but not be limited to, names, addresses, and telephone numbers of such clients ("Customer List"). You acknowledge and agree that we are the sole owner of the Customer List and that you shall not use the Customer List for any purpose other than for the operation of the HV Swim Business or distribute, in any form or manner, the Customer List to any third party without our prior written consent.

13.7 Standards Compliance

You acknowledge the importance of every standard and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks.

13.8 Payment Vendors and Data Security

You agree to maintain, at all times, credit card relationships with the credit and debit card issuers or sponsors, check or credit verification services, financial center services, payment providers, merchant service providers, loyalty and gift cards, and electronic fund transfer systems (together, "Payment Vendors") that we may periodically designate as mandatory. The term "Payment Vendors" includes,



among other things, companies that provide services for electronic payment. You agree not to use any Payment Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval. We may modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider. You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC, or any successor organization or standards we may reasonably specify. You agree to implement the enhancements, security requirements and other standards that PCI Security Standards Council, LLC (or its successor) requires of a merchant that accepts payment by credit and/or debit cards or electronic payments.

13.9 Gift Cards and Loyalty Programs

You agree to participate in our gift card and loyalty programs, if any, and agree to make gift cards and loyalty programs available for purchase and redemption at your HV Swim Business subject to the policies and procedures in the Franchise Operations Manual.

13.10 Privacy

You agree to comply with all applicable international, federal, state and local laws pertaining to the privacy of customer, employee and transactional information (“Privacy Laws”). You agree to research and proactively ensure that your HV Swim Business is in compliance with Privacy Laws, which may vary depending on the location of your HV Swim Business. You also agree to comply with our standards and policies pertaining to Privacy Laws. You agree to inform us of any conflict between our standards and policies and any local or state Privacy Laws that govern your HV Swim Business ensure that your conduct complies with all those local or state Privacy Laws.

13.11 Mystery Shopper

At any time, we reserve the right to engage the services of one or more mystery shoppers or quality assurance inspection firms who will inspect your HV Swim Business for quality control purposes. These inspections may address a variety of issues, including, but not limited to, customer service, food safety, sanitation, and inventory rotation. You agree to fully cooperate with any such inspection. If we implement such a program, you may be invoiced directly by the mystery shopper or quality assurance firm for the services rendered. Alternatively, we may be invoiced by the mystery shopper or quality assurance firm, in which case you must pay your proportional share of the total fee based on number of inspections performed. You agree to pay us this fee within ten days after invoicing.

13.12 Customer Registration System

You agree that you shall be required to utilize our designated third-party supplier of the customer registration system for enrollments, management, email marketing and reporting for your Hudson Valley Swim Business. You will pay us the “Customer Registration System Fee” that we will use to pay the third-party supplier for you access to the customer registration system. You will begin paying the Customer Registration System Fee two months before opening your HV Swim Business.

14. TECHNOLOGY

14.1 Technology



You must utilize the technology, including software, computer hardware and components, point of sale system, cash register(s), communication equipment, and other related accessories or peripheral equipment (collectively, “Technology”) that we require. We may change the Technology you must use for your HV Swim Business at any time. You will utilize the Technology with the HV Swim Business under our policies and procedures in the Franchise Operations Manual. You must pay the Technology Fee for the use of certain technologies used in the operation of your HV Swim Business. For other required Technology, you agree at your expense to use any approved supplier we require. We may change or add approved suppliers of this Technology at any time, in our sole discretion. You will, at your expense, purchase and maintain any required communication services, Internet services (including the requirement to maintain a high-speed Internet connection), dedicated telephone and power lines. You acknowledge and agree that changes to Technology are dynamic and not predictable within the Term of this Franchise Agreement. To provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we may establish, in writing, reasonable new standards for implementing Technology in the System and you agree to comply with those reasonable new standards we establish as if we periodically revised this Section for that purpose. You will keep the Technology in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications or substitutions to Technology, as we may specify periodically. There is no limitation on the frequency and cost of your obligation to maintain, update or upgrade your Technology or its components. You acknowledge that you are solely responsible for protecting your HV Swim Business from computer viruses, bugs, failures, data breaches and attacks by hackers and other unauthorized intruders in the Technology.

14.2 Proprietary Software

We may also develop proprietary software or technology that must be used by “Hudson Valley Swim” franchisees. If this occurs, you agree to enter into a license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. The license agreement will govern the terms under which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts we must pay to the licensor based on your use of the software or technology.

14.3 Our Access

You will provide any assistance we require to connect to the Technology. We will have the right at any time to retrieve data and other information from your Technology as we, in our sole discretion, deem necessary or desirable. You shall ensure that we have access at all times to any Technology we request, at your cost. You must provide us with any and all requested codes, passwords and information necessary to access your Technology. You must receive our prior approval before changing such codes, passwords and other necessary information.

15. TRANSFER BY US

This Franchise Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Franchise Agreement; provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Franchise Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Franchise Agreement to one or more designees without assigning this Franchise Agreement.



We may change our ownership or form and/or assign this Franchise Agreement and any other agreement to a third party without restriction. After our assignment of this Franchise Agreement to a third party who expressly assumes the obligations under this Franchise Agreement, we no longer will have any performance or other obligations under this Franchise Agreement.

16. TRANSFER BY YOU

16.1 Approval

For purposes of this Franchise Agreement, “Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree) assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the Franchise Agreement, the HV Swim Business (or any portion thereof), or a direct or indirect ownership interest in an Entity that is the franchisee (or any interest therein), including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

Neither you nor any Owner may engage in any Transfer without our prior written approval. Any Transfer without our approval shall be void and constitute a breach of this Franchise Agreement. Our consent to a Transfer shall not constitute a waiver of any claims we may have against you or the Owners, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the Franchise Agreement by the transferee.

16.2 Our Right of First Refusal

If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the HV Swim Business (our “Right of First Refusal”). If we notify you that we intend to purchase the HV Swim Business within such 30-day period, you or the Owner, as applicable, must sell the HV Swim Business to us on the same terms as contained in the offer you received; provided that we may substitute cash for any non-cash form of payment proposed in the offer.

We will have at least an additional 30 days to conduct a due diligence review and to prepare for closing. You agree to provide us with all information and records we request about the HV Swim Business, and we will have the absolute right to terminate the obligation to purchase the HV Swim Business for any reason during the due diligence period. You and we will act in good faith to agree on the terms and conditions of the written offer, and closing will take place on the 61st day following receipt of your offer. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of this Section (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the Right of First Refusal specified in this Section.

Our Right of First Refusal is fully transferable by us to any affiliate or third party.

16.3 Transfer Conditions



We will not unreasonably withhold our approval of any proposed Transfer; provided that the following conditions are all satisfied (“Transfer Conditions”):

16.3.1 Written Notice. You have provided us with written notice of the proposed Transfer at least 45 days before the transaction. You must also submit a copy of the proposed purchase agreement together with all supporting documents and schedules between you and the proposed transferee to us for our review to ensure that the Transfer does not violate any term of this Franchise Agreement.

16.3.2 Qualified Transferee. The proposed transferee is, in our opinion, an individual of good moral character with sufficient business experience, aptitude and financial resources to own and operate a HV Swim Business and otherwise meets all of our then-applicable standards for franchisees and the purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or threaten the future operation of the HV Swim Business.

16.3.3 Monetary Obligations. All of your monetary obligations to us and our affiliates have been paid in full and you and the Owners are in full compliance with the terms of this Franchise Agreement and all other agreements with us or our affiliate(s) and have cured all existing defaults of this Franchise Agreement.

16.3.4 Training. The transferee has (or if the transferee is an Entity, its approved Responsible Owner and any Franchise Manager have) successfully completed, or made arrangements to attend, the initial training program (and the transferee has paid us the training fee for each new person who must attend training).

16.3.5 Licenses and Permits. The transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law to own and operate the HV Swim Business.

16.3.6 New Franchise Agreement. You must request that the transferee be provided with our then-current form of franchise disclosure document. You agree that we will not be liable for any representations that you or your Owners make that are inconsistent with such franchise disclosure document. The transferee and its owners sign our then-current form of franchise agreement and related documents, including, but limited to, our then-current form of Franchise Owner Agreement or other guaranty (unless we, in our sole discretion, instruct you to assign this Franchise Agreement to the transferee), except that: (i) the Term and successor term(s) shall be the Term and successor term(s) remaining under this Franchise Agreement; and (ii) the transferee does not need to pay a separate initial franchise fee.

16.3.7 Transfer Fee. You pay us a transfer fee (“Transfer Fee”) equal to the greater of: (i) 25% of the then-current Initial Franchise Fee (or in our most recent franchise disclosure document if we are not offering Hudson Valley Swim franchises at the time of your Transfer); or (ii) 5% of the sales price of the HV Swim Business. The sales price shall be determined by the total consideration paid by the transferee for the HV Swim Business, including any and all payments for assets, inventory, equipment, goodwill, and all other items of value included in the transfer. You acknowledge and agree that the Transfer Fee is reasonable in light of the costs and expenses that we will incur in connection with the transfer, including the cost of training and supporting the new franchisee, and the cost of reviewing and approving the proposed transfer. You will pay the Transfer Fee to us as follows: (i) \$1,000 non-refundable deposit at the time of your transfer application request; and (ii) the remaining balance shall be due at or before the time you consummate the approved Transfer.

16.3.8 General Release. You and each of your Owners sign a general release in the form we prescribe for all known and unknown claims against us, our affiliates and subsidiaries, and our and their



respective members, officers, directors, agents and employees, arising before or contemporaneously with the Transfer. If the proposed transferee has any previous relationship with us or our affiliates, then the proposed transferee must also execute a general release.

16.3.9 Right of First Refusal. We do not elect to exercise our Right of First Refusal.

16.3.10 Subordination. We may, in our sole discretion, require you to enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us under the Franchise Agreement.

16.3.11 Broker Costs. You must pay any broker costs, commissions or other placement fees we incur as a result of the Transfer.

16.3.12 Pool Agreements. The parties to your Pool Agreements consent to your assignment of the Pool Agreement to the transferee, or the transferee is diligently pursuing an approved substitute location within the Territory.

16.3.13 Other Conditions. You and each of your Owners agree to comply with all obligations that survive the termination, expiration or Transfer of this Franchise Agreement. The transfer must be made in compliance with any laws that apply to the transfer including all laws governing the offer and sale of franchises. You or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

16.4 Transfer to an Entity

If you are an individual, you may transfer your ownership interests to an Entity provided that: (i) the Owner or Owners of the Entity are the same persons who signed this Franchise Agreement and (ii) you comply with the Transfer Conditions. Our Right of First Refusal will not apply for a Transfer conducted under this Section and you must reimburse us for all of our fees and costs, including attorney fees (in lieu of the Transfer Fee), associated with your Transfer to the Entity. In lieu of entering into a new Franchise Agreement, you will be required to enter into any required documentation, which may include an approval of transfer agreement, a general release of claims and a Franchise Owner Agreement in the forms we prescribe.

16.5 Death or Disability

Upon the death or disability of you (if you are an individual) or of an Owner (if you are an Entity), your interest in the HV Swim Business or the Owner's ownership interest in you, as applicable, must be assigned to a third party or another Owner approved by us within 180 days of such person's death or disability, as the case may be. For purposes of this Section, a person is deemed to have a disability only if the person has a medical or mental illness, problem or incapacity that would prevent the person from substantially complying with his or her obligations under this Franchise Agreement or otherwise operating the HV Swim Business in the manner required by this Franchise Agreement and the Franchise Operations Manual for a continuous period of at least 90 consecutive calendar days, and from which condition recovery within 90 days from the date of determination of disability is unlikely. If the parties disagree as to whether a person is disabled, the existence of disability will be determined by a licensed practicing physician selected by us, upon examination of the person; or if the person refuses to submit to an examination, then (for the purpose of this Section) the person automatically will be considered disabled as of the date of refusal. Your (or the deceased Owner's) estate or legal representative must apply to us for the right to Transfer to the next of kin within 120 calendar days after your or your Owner's death or disability. We may appoint an Interim

Manager and charge you the Management Fee if the death or disability of you or any Owner has any impact on the HV Swim Business.

17. INTELLECTUAL PROPERTY

17.1 Ownership and Use of Intellectual Property

For purposes of this Franchise Agreement, “Intellectual Property” means the Marks, our copyrighted materials, “Confidential Information” (defined below), the System and “Improvements” (defined below). You acknowledge that: (i) we, or our affiliates, if applicable, are the sole and exclusive owner of the Hudson Valley Swim Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Franchise Agreement; and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your HV Swim Business during the Term pursuant to, and only in compliance with, this Franchise Agreement, the Franchise Operations Manual, and all applicable standards, specifications and operating procedures we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service, or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Franchise Operations Manual governing your use of the Intellectual Property. This Franchise Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property. You agree that during the Term of this Franchise Agreement and after its termination, expiration or Transfer you will not, directly or indirectly, contest our interest in the Intellectual Property.

For purposes of this Franchise Agreement, “Confidential Information” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a HV Swim Business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System, the Franchise Operations Manual, written directives and all drawings, equipment, computer and point of sale programs (and output from such programs), and any other information, know-how, techniques, material and data imparted or made available by us to you.

For purposes of this Franchise Agreement, “Improvements” means any improvements or additions to the System, marketing, method of operation, or the products or services offered by a HV Swim Business.

17.2 Changes to Intellectual Property

We may modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, our copyrights or the Confidential Information. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days, at your expense. We will not be liable to you for any expenses, losses or damages you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

17.3 Use of Marks

You agree to use the Marks as the sole identification of your HV Swim Business; provided, however, you must identify yourself as the independent owner of your HV Swim Business in the manner we prescribe. You may not use any Marks in any modified form or as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you by this Franchise Agreement). You agree to: (i) prominently display the Marks on or in connection with any media



advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate, and in the manner we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours. You agree that any use of the Marks by you and your HV Swim Business shall contribute and inure to our benefit.

Upon our request, you agree to display in a conspicuous location at any Pools used by you, a sign containing a notice stating that your HV Swim Business is owned and operated independently by you.

17.4 Use of Confidential Information

You acknowledge that you will use the Confidential Information only in operating the HV Swim Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Franchise Agreement. You will take all actions to preserve the confidentiality of all Confidential Information, including safeguarding access to the Franchise Operations Manual. You will not copy or permit copying of Confidential Information. Your obligations under this Section begin when you sign this Franchise Agreement and continue for trade secrets as long as they remain secret, and, for other Confidential Information, for as long as we continue to use the information in confidence (even if edited or revised) plus an additional three years afterwards. We will respond promptly and in good faith to any inquiry by you about continued protection of any Confidential Information.

All data you collect, create, provide or otherwise develop (including, but not limited to, customer information and customer lists) is (and will be) owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We license use of such data back to you, at no additional cost, solely for the Term of this Franchise Agreement and solely for your use in connection with the HV Swim Business. You agree to provide us with the information we reasonably require regarding data and cybersecurity requirements. You agree to indemnify us for any loss of data, including, but not limited to, customer information resulting from a breach of such data caused, in whole or in part, by you.

The restrictions on the disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (iii) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney, and for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and Confidential Information is not otherwise disclosed pursuant to a court order.

We do not make any representation or warranty that your use of the System and Confidential Information will not infringe on the patent, copyright or other proprietary rights of third parties. You agree that we will have no liability to you if the System and/or any Confidential Information is held not to be secret or confidential or in the event that any infringement of others' proprietary rights occurs because of your use of the System and Confidential Information.

17.5 Improvements



If you conceive of or develop any Improvements, you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval before using any such Improvements. Any Improvement we approve may be used by us and any third parties we authorize to operate a HV Swim Business, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements we or other franchisees develop that we authorize for general use with the operation of a HV Swim Business. These obligations shall survive the termination, expiration or Transfer of this Franchise Agreement.

17.6 Notification of Intellectual Property Issues

You must notify us as soon as possible, but no later than three business days of any: (i) apparent infringement of any of the Intellectual Property; (ii) challenge to your use of any of the Intellectual Property; or (iii) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding, or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

18. BRAND COVENANTS

18.1 Reason for Covenants

The covenants in this Section 18 shall be referred to as the “Brand Covenants.”

You acknowledge that the System is distinctive and has been developed by us and/or our affiliates at great effort, time and expense, and that the Intellectual Property and the training and assistance we provide would not be acquired except through implementation of this Franchise Agreement. You also acknowledge that competition by you, the Owners, or persons associated with you or the Owners (including family members) could jeopardize the entire System because you and the Owners have received an advantage through knowledge of our day-to-day operations and Confidential Information related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our System.

18.2 Unfair Competition During the Term

For purposes of this Franchise Agreement, “Competitive Business” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by the HV Swim Business; or (ii) provides or offers to provide services the same as or similar to the type of services sold by you, but excludes a HV Swim Business operating under a franchise agreement with us. A Competitive Business shall not include ownership of up to five percent (5%) of any publicly-held company or mutual fund that owns, operates, has an interest in, or controls any business that otherwise would meet the definition of a Competitive Business.

You agree not to compete with us during the Term by engaging in any of the following activities (“Prohibited Activities”): (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar



capacity) in any Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (iii) inducing any customer of ours (or of one of our affiliates' or franchisees') to transfer their business to you or to any other person that is not then a franchisee of ours.

18.3 Unfair Competition After the Term

For purposes of this Section, the “Restricted Period” means a period of 2 years after the termination, expiration or Transfer of this Franchise Agreement. For purposes of this Section, the “Restricted Territory” means the geographic area within: (i) a 25-mile radius of each Pool utilized during the Term; and (ii) a 25-mile radius from all Pools utilized by other HV Swim Businesses that are operating as of the date of the termination, expiration or Transfer of this Franchise Agreement.

During the Restricted Period, you agree that you will not engage in any Prohibited Activities within the Restricted Territory and that you will cause each of your Owners to not engage in any Prohibited Activities within the Restricted Territory. If you or any Owner engages in a Prohibited Activity within the Restricted Territory during the Restricted Period, then the Restricted Period applicable to you (and applicable to each non-compliant Owner under the Franchise Owner Agreement) will be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

18.4 Employees and Others

Any Franchise Manager and, if you are an Entity, any officer that does not own equity in you must sign our current System Protection Agreement. You must ensure that all of your employees, officers, directors, partners, members, independent contractors, and other persons associated with you or your HV Swim Business who may have access to our Confidential Information, and who are not required to sign a System Protection Agreement, sign the Confidentiality Agreement before having access to our Confidential Information. You must use your best efforts to ensure these individuals comply with the terms of the Confidentiality Agreements and System Protection Agreements, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all expenses we incur in enforcing a Confidentiality Agreement or System Protection Agreement, including reasonable attorney fees and court costs.

18.5 Covenants Reasonable

The parties agree that of the Brand Covenants will be construed as independent of any other covenant or provision of this Franchise Agreement. It is the parties' intent that the provisions of this Section be judicially enforced to the fullest extent permissible under applicable law. If all or any portion of any Brand Covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, you agree to be bound by any lesser covenant subsumed within the terms of such Brand Covenant that imposes the maximum duty permitted by law, as if the resulting Brand Covenant were separately stated in and made a part of this Section. Accordingly, the parties agree that any reduction in scope or modification of any part of the non-competition provisions contained herein shall not render any other part unenforceable. You acknowledge and agree that: (i) the terms of this Franchise Agreement are reasonable both in time and in scope of geographic area; (ii) our use and enforcement of covenants similar to those described above with respect to other “Hudson Valley Swim” franchisees benefits you and the Owners because it prevents others from unfairly competing with your HV Swim Business; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Franchise Agreement. You hereby waive any right to challenge the terms of the Brand Covenants as being overly broad, unreasonable or otherwise unenforceable.



We have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any Brand Covenant without your consent (before or after any dispute arises), effective when we give you written notice of this reduction and you agree to comply with any covenant as so modified.

18.6 Breach of Covenants

You agree that failure to comply with the terms of Brand Covenants will cause substantial and irreparable damage to us and/or other “Hudson Valley Swim” franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Section 18 will entitle us to injunctive relief. We may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). Notwithstanding the foregoing, if a court requires the filing of a bond, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us, at law or in equity, under this Franchise Agreement are mutually exclusive, and may be combined with others, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense or cause of action you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of the Brand Covenants.

19. INSURANCE

Before your HV Swim Business first opens for business, you will obtain insurance in the types and amounts specified in this Section. You will maintain all required insurance in force during the Term of this Franchise Agreement, and you will obtain and maintain any additional or substituted insurance coverage, limits and amounts as we may periodically require. Your compliance with these insurance provisions does not relieve you of any liability under any indemnity provisions of this Franchise Agreement.

We currently require you to maintain the following insurance coverages: (i) comprehensive general liability insurance with a per location limit of \$1,000,000 for each occurrence, \$1,000,000 personal and advertising injury limit, products/completed operations aggregate limit of \$3,000,000 and a \$3,000,000 general aggregate limit and a minimum of \$50,000 for damage of property rented or licensed to you for each occurrence; (ii) Professional Liability must be purchased with limits of at least \$1,000,000 per occurrence, and a \$2,000,000 aggregate; (iii) Sexual Abuse / Molestation Liability insurance is required with limits of \$1,000,000 per occurrence and an annual aggregate limit of \$2,000,000; (iv) Employer Practices Liability insurance with limits of at least \$1,000,000 and 3rd party liability coverage endorsement must be included for the same \$1,000,000 limit, with deductible limits must exceeding \$10,000; (v) an Umbrella Liability or excess liability insurance policy with a limit of \$4,000,000 for each occurrence / aggregate is required if you rent or license certain facilities with which we maintain a Master Facility License Agreement, in any State, or if you are not renting or licensing any of facility subject to a Master Facility License Agreement, this policy is required to have a limit of \$2,000,000 for each occurrence and in aggregate; (vi) a business owner policy or commercial package policy which must include coverage for loss of business income and extra expense for no less than six months of current sales levels, provided that the deductible on this coverage must not exceed 48 hours; (vii) commercial automobile liability insurance with a combined single limit of \$1,000,000 per occurrence with symbol 1, “Any Auto” endorsement is required for all vehicles owned and used by your HV Swim Business, or if you don’t own or use a vehicle with your HV Swim Business, you must obtain Hired and Non-Owned commercial auto liability with a combined single limit of \$1,000,000 per occurrence; and (viii) worker’s compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business, which must be

maintained for trainees, as well as for those employed or engaged in the operation of your HV Swim Business, if required by your state or jurisdiction.

Your general liability policy must include blanket additional insured and blanket waiver of subrogation endorsements, and these endorsements forms must accompany all certificates of insurance. Your professional liability policy can be included in your general liability policy form by endorsement. If this endorsement is not available, a separate professional liability policy must be purchased with the same limits required for your general liability company. Your sexual abuse and molestation policy may be purchased as a stand-alone policy or included in commercial package liability limits. If the facility where your Pool is located imposes additional insurance requirements in their contracts, you must comply with these requirements. Your worker's compensation policy must include a Blanket Waiver of Subrogation endorsement, or if endorsement is not available, a Waiver of Subrogation endorsement in favor of us must be included in the policy.

Our insurance requirements are subject to change during the Term of this Franchise Agreement, and you agree to comply with each such change. You agree to provide us a copy of your Certificate of Insurance or other proof of coverage before opening, within ten days of any renewal of a policy, and at any other time on demand. You agree to obtain these insurance policies from insurance carriers rated "A" or better by A.M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your HV Swim Business. All insurance policies (except for employment liability insurance policies) must be endorsed to: (i) name us, any affiliate we require, and our members, officers, directors and employees as additional insureds ("Additional Insureds"); (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 30-days' prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon ten days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards, or other relevant changes in circumstances.

If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Franchise Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within ten days after invoicing, all costs and premiums we incur, plus a twenty percent (20%) administrative surcharge.

20. REPORTING REQUIREMENTS

20.1 Books and Records

You agree to record all transactions and Gross Sales of your HV Swim Business in the manner we specify. You agree to prepare and maintain for at least seven years after their preparation, complete and accurate books, records, accounts and tax returns pertaining to your HV Swim Business including a list of all customers that your HV Swim Business does business with and all contracts that your HV Swim Business enters into. You must send us copies of your books, records, customer data and contracts within five days of our request. This obligation survives the expiration, termination or Transfer of this Franchise Agreement.

20.2 Reports

You will prepare and submit other reports and information about your operations as we may request in writing or as required by the Franchise Operations Manual. You will submit all required reports in the formats and by the due dates specified in the Franchise Operations Manual. We may modify the deadline days and times for submission of all reports. If you do not submit any report by the due date, we will debit your Franchise Account a late fee of \$100 per occurrence and \$100 per week until you submit the required report. We may require, in our sole discretion, that certain reports be certified as accurate and complete by you, your owners or your chief financial officer, and that they be submitted in certain methods or formats. If requested by us, your profit and loss statements and balance sheets must be certified by a certified public accountant at your expense. You must also make your certified public accountant available and cover the cost for him or her to consult with us concerning these statements and balance sheets.

20.3 Financial and Tax Statements

You will deliver a balance sheet, profit and loss statement, statement of cash flows and explanatory footnotes prepared under generally accepted accounting principles applied on a consistent basis (“Financial Statements”) to us within the time period required by the Franchise Operations Manual. You must also prepare annual Financial Statements within 30 days of the end of your fiscal year. All Financial Statements must be in the form specified by us and must conform to our standard chart of accounts as prescribed by us. We have the right to use such Financial Statements in our franchise disclosure document to make financial performance representations and to share these reports on a system-wide intranet or other similar means.

You must also provide us with complete signed copies of all state sales tax returns and state and federal income tax returns covering the operation of the HV Swim Business within 30 days of filing. If you do not submit the Financial Statements or tax returns to us by the deadline, you will be required to pay a late fee of \$100 per occurrence and \$100 per week until you submit required Financial Statements or tax returns.

20.4 Legal Compliance

You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your HV Swim Business, and operate and manage your HV Swim Business in full compliance with all applicable laws, ordinances, rules and regulations. You are solely responsible for complying with all federal, state and local tax laws, agree to timely pay all applicable federal, state and local taxes, and timely file all returns, notices and other forms required to comply with all federal, state and local tax laws in connection with the operation of the HV Swim Business. It is your responsibility to make sure that you comply with all laws that are applicable to the Technology.

You must notify us in writing within three business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your HV Swim Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects a claim you have failed to fully comply with the law, rule or regulation.

You agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you certify, represent and warrant that none of your property or interests is subject to being blocked under, and that you and the owners



otherwise are not in violation of, any of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, rules, regulations, policies, lists and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or the Owners, or any blocking of your or the Owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Franchise Agreement.

21. INSPECTION AND AUDIT

21.1 Inspections

To ensure compliance with this Franchise Agreement, we or our representatives will have the right to enter your Pools, evaluate your HV Swim Business operations, and inspect or examine your books, records, accounts and tax returns. We may also interview personnel and customers of the HV Swim Business. Our evaluation may include observing or participating during business hours. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your HV Swim Business, and you, your employees and independent contractors will cooperate and not interfere with our inspection. You consent to us accessing your Technology and retrieving any information we deem appropriate in conducting the inspection.

If any such inspection indicates any deficiency or unsatisfactory condition, including quality, cleanliness, service, health and authorized product line, we will notify you in writing of your noncompliance with the System, Franchise Operations Manual, or this Franchise Agreement and you shall promptly correct or repair such deficiency or unsatisfactory condition. In addition, if you fail any food safety inspection, cleanliness inspection or other inspection or audit that we or our designee, any public health and safety agency conducts, you will be required to undergo an additional inspection or audit at your sole expense. You agree to reimburse us or the third-party auditor directly upon invoicing. We may require you to take, and you agree to take, immediate corrective action, which action may include temporarily closing the HV Swim Business.

21.2 Audit

We have the right, at any time, to have an independent audit made of the books and financial records of your HV Swim Business. You agree to fully cooperate with us and any third parties we hire to conduct the audit. Any audit will be performed at our cost and expense. However, you agree to reimburse us for the cost of the audit and inspection, including reasonable accounting, legal, travel and lodging expenses if the audit: (i) is necessitated by your failure to provide the information requested or to preserve records, or file reports as required by this Franchise Agreement; or (ii) reveals an understatement of any amount due to us by at least two percent (2%) in any week, in which case you must also pay any amount owed to us, including any related expenses and Late Fees. The audit cost reimbursements will be due ten days after invoicing. Accepting reimbursements for our audit costs does not waive our right to terminate this Franchise Agreement.

22. INDEMNITY

22.1 Your Indemnification of Us

Independent of your obligation to procure and maintain insurance, you and your Owners will indemnify, defend and hold us (HV Swim Franchise, LLC), and our affiliates (including without limitation, Hudson Valley Swim, Inc., the respective officers, directors, managers, partners, shareholders, members, employees, agents and contractors of these entities, and the successors, assigns, personal representatives, heirs and legatees of all of these persons or entities (collectively, the “Indemnified Parties”) harmless, to the fullest extent permitted by law, from and against all expenses, losses, payments or obligations to make payments either (i) to or for third party claimants by any and all Indemnified Parties, including refunds, or (ii) incurred by any and all Indemnified Parties to investigate, take action, respond to or defend a matter, including investigation and trial charges, costs and expenses, fees, fees paid to professionals, attorney fees, experts’ fees, court costs, settlement amounts, judgments and costs of collection (collectively, “Losses and Expenses”), incurred by any Indemnified Parties for any investigation, claim, action, suit, demand, administrative or alternative dispute resolution proceeding, actually or allegedly, directly or indirectly, relating to, arising out of, or resulting from or in connection with: any transaction, occurrence, product or service involving the HV Swim Business or this Franchise Agreement; your employment or other contractual relationship with your employees, workers, managers, or independent contractors, including but not limited to any allegation, claim, finding, or ruling that we are an employer or joint employer of your employees; your marketing, selling, or providing of items and services; and any breach of violation of any agreement (including this Franchise Agreement), or any law, regulation or ruling, by any act, error or omission (active or passive) of you, any party associated with you, or any of your or your affiliates’ owners, officers, directors, managers, employees, owners and agents, including when any of the Indemnified Parties is alleged or proven to be negligent.

You agree to give us notice of any action, suit, proceeding, claim, demand, inquiry or investigation described above. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and reasonable attorney fees, within ten days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorney fees.

22.2 Our Indemnification of You

Provided that you are not in default under this Franchise Agreement or any other agreement with us, we will indemnify you and hold you harmless for, from and against any and all costs and expenses incurred by you as a result of or in connection with any claim asserted against you based upon the violation of any third party’s intellectual property rights caused by your use of our Marks in strict compliance with the terms of this Franchise Agreement and Franchise Operations Manual. You must promptly notify us of any such claim and fully cooperate with us in the defense of such claim.

23. TERMINATION BY YOU

You may terminate this Franchise Agreement if you are in full compliance and we breach this Franchise Agreement and fail to cure the breach within 60 days after you send us a written notice specifying the nature of the breach. You may also terminate this Franchise Agreement if you and we mutually agree, in our sole



discretion, which may be withheld, in writing to terminate this Franchise Agreement. In such an event, you and we will be deemed to have waived any required notice period. If you terminate this Franchise Agreement, you must still comply with your post-termination obligations described below and all other obligations that survive the expiration or termination of this Franchise Agreement.

24. TERMINATION BY US

The rights to terminate the Franchise Agreement in the Section shall be referred to as our “Termination Rights.”

24.1 Automatic Termination Without Notice

You shall be in default under this Franchise Agreement, and we may automatically terminate all rights granted to you by this Franchise Agreement without notice if (i) you file or cause to be filed a petition in bankruptcy or you are adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws); or (ii) you admit to your inability to meet your financial obligations as they become due, or make a disposition for the benefit of its creditors (unless prohibited by law); or (iii) a receiver or custodian (permanent or temporary) is appointed for any of your assets or property; or (iv) a final judgment in excess of \$10,000 against you remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment), except that we may provide you with additional time to satisfy the judgment if you demonstrate that you are using commercially reasonable efforts to resolve the issues related to the judgment.

24.2 Option to Terminate Without Opportunity to Cure

We may, in our sole discretion, terminate this Franchise Agreement immediately upon written notice to you, without opportunity to cure, upon the occurrence of any of the following events, each of which constitute material events of default under this Franchise Agreement.

24.2.1 Failure to Open. If you fail to open your HV Swim Business within the time period required.

24.2.2 Material Misrepresentation. If you or any Owner commits any fraud or makes any material misrepresentation to us, whether occurring before or after the Effective Date.

24.2.3 Violation of Law. If you fail, for a period of 10 days after having received notification of noncompliance from us or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of the HV Swim Business.

24.2.4 Criminal Offense. If you or any of your Owners, officers, directors, or key employees is convicted of or pleads guilty or nolo contendere to a felony or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect our reputation, the System, or the Marks. If the crime or offense is committed by an Owner other than a Responsible Owner, then we may, in our sole discretion, terminate if such Owner fails to sell its ownership interest in the Entity to any of the other Owners within 30 days after the conviction or guilty plea, whichever first occurs.

24.2.5 Under-Reporting. If an audit or investigation discloses that you have knowingly maintained false books or records, or submitted false reports to us, or knowingly understated its Gross Sales or withheld the reporting of same, or, if, on two or more occasions in any single 24 month period, any audits

or other investigations reveals an under-reporting or under-recording error of two percent (2%) or more, or on any single occasion any audit or other investigation reveals an under-reporting or under-recording of five percent (5%) or more.

24.2.6 Intellectual Property Misuse. If you misuse or make any unauthorized use of the Marks or otherwise impair the goodwill of our rights, or you take any action which reflects and unfavorably upon the operation and reputation of the HV Swim Business, the System, or the Hudson Valley Swim brand generally. If your employees or independent contractors engage in any of the same actions described above, unless you shall have exercised your best efforts to prevent such disclosures or use.

24.2.7 Health or Safety Violations. If you manage or operate your HV Swim Business in a manner that presents a health or safety hazard to your customers, employees or the public.

24.2.8 Abandonment. If you abandon or fail to operate your HV Swim Business for three consecutive business days unless you had received our prior written authorization to do so.

24.2.9 Failure to Pay. If you fail to pay any amount owed to us or an affiliate of ours within ten days after receipt of a demand for payment.

24.2.10 Unauthorized Transfer. If you attempt to sell, Transfer, encumber or otherwise dispose of any interest in you, this Franchise Agreement or the HV Swim Business in violation of Section 16 of this Franchise Agreement.

24.2.11 Brand Covenants. If you or any of your Owners violates any of the Brand Covenants.

24.2.12 License/Permits. If a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the HV Swim Business, even if you or the Owner still maintain appeal rights.

24.2.13 Failure to Complete Initial Training. If you or any required attendee fails to attend and complete the initial training program within the time period prescribed in this Franchise Agreement.

24.2.14 Repeated Defaults. If you commit a default of any obligation under this Franchise Agreement and have previously received two or more written notices of default from us within the preceding 12 months, regardless of whether any default is cured.

24.2.15 Cross Default. If we terminate any other agreement between you and us, or if any affiliate of ours terminates any agreement between you and the affiliate because of your default, except that termination of any area development agreement for failure to meet the development schedule shall not be grounds for termination.

24.2.16 Franchise Owner Agreement Default. If any Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement.

24.2.17 Pool Agreement and Related Issues. If: (i) if you fail to secure a fully executed Pool Agreement within the time period required; (ii) if your assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or by a creditor or lienholder provided that a final judgment against you remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); (iii) a levy of execution of attachment has been made upon the license granted by this Franchise Agreement or upon any property used in the operation of your HV Swim Business, and it is not discharged

within five days of such levy or attachment; (iv) a condemnation or transfer in lieu of condemnation has occurred; (v) if you default under the Pool Agreement for your Pool and do not cure the default within the cure period set forth by the parties to the Pool Agreement and/or Master Facility License Agreement; or (vi) if your Pool Agreement and/or Master Facility License Agreement is otherwise terminated due to your default, provided that we will not terminate if you operate at any additional year-round Pool(s).

24.3 Termination with Notice and Opportunity to Cure

In addition to our Termination Rights, we may, in our sole discretion, terminate this Franchise Agreement upon 30 days' written notice if you or an Owner fails to comply with any other provision of this Franchise Agreement (including failure to comply with any provision in the Franchise Operations Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period, each of which shall constitute an event of default under this Franchise Agreement. If we deliver a notice of default to you pursuant to this Section, we may suspend performance of any of our obligations under this Franchise Agreement until you fully cure the breach.

25. LIQUIDATED DAMAGES

Upon termination of this Franchise Agreement: (i) by us due to your default of this Franchise Agreement; or (ii) following your purported termination without cause, you agree to pay to us, within 15 days after the effective date of this Franchise Agreement's termination, in addition to any other amounts owed under this Franchise Agreement, liquidated damages equal to the average monthly Royalties and Brand Fund Contributions you owed during the total months of operation preceding the effective date of termination multiplied by: (i) 36; or (ii) the number of months remaining in this Franchise Agreement had it not been terminated, whichever is less, but in no case will such damages be less than \$30,000.

You and we acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Franchise Agreement's termination and the loss of cash flow from Royalties and Brand Fund Contributions due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalties and Brand Fund Contributions would have grown over what would have been this Franchise Agreement's remaining Term. You and we consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalties and Brand Fund Contributions. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Franchise Agreement other than the Royalty payments and Brand Fund Contributions. You agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Franchise Agreement other than the payment of Royalties and Brand Fund Contributions.

26. POST TERM OBLIGATIONS

The obligations contained in this Section shall be referred to as your "Post Term Obligations." After the termination, expiration or Transfer of this Franchise Agreement, you agree to undertake each and every one of the obligations listed in this Section.

26.1 Cease Operations



Immediately cease to be a franchise owner of the HV Swim Business under this Franchise Agreement and cease to operate the HV Swim Business under the System. You agree to not hold yourself out to the public as a present or former franchise owner of the HV Swim Business.

26.2 Intellectual Property

Immediately cease to use the Intellectual Property in any manner whatsoever and not use any trademarks or trade names that may be confusingly similar to the Intellectual Property. You acknowledge and agree that any continued use of the Marks would constitute trademark infringement.

26.3 Monetary Obligations

Pay us all amounts you owe us and our affiliates.

26.4 Surviving Covenants

Comply with all covenants described in this Section and otherwise in this Franchise Agreement that apply after the expiration, termination or Transfer of this Franchise Agreement or of an ownership interest by an Owner.

26.5 Branded Items

Return all copies of the Franchise Operations Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms and any other materials bearing or containing any of the Marks, our copyrights or other identification relating to a HV Swim Business, unless we allow you to Transfer such items to an approved transferee.

26.6 Technology and Data

Return all copies of any software we license to you (and delete all such software from your computer memory and storage), provide us the then-current customer list and contracts that your HV Swim Business has entered into and transfer all login information and data from any Technology, social media accounts and email addresses from your HV Swim Business.

26.7 Entity Name

Ensure that any names or registrations related to your use of the Marks are canceled.

26.8 Identifiers and Advertisements

Immediately stop using all telephone numbers, advertisements, domain names and social media accounts associated with the HV Swim Business. Notify all telephone companies, listing agencies, social media companies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use the following, and immediately transfer to us: (A) the telephone numbers, accounts and/or domain names, if applicable, related to the operation of your HV Swim Business; and (B) any online listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so).

26.9 Modifications

Remove all trade dress, equipment, software and property owned by us and make such modifications and alterations to the social media page, online listings, and other online pages, that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party using any of the inventory, vehicles, or equipment used in the operation of the HV Swim Business; provided, however, that this subsection shall not apply if your HV Swim Business is transferred to an approved transferee or if we exercise our right to purchase your entire HV Swim Business. If you fail to do so, you must pay us any expenses we incur to de-identify your social media or other online listing, including an administrative fee of up to \$100 per hour.

26.10 Customers

We may contact customers of your HV Swim Business and offer such customers continued rights to use one or more Hudson Valley Swim franchises on such terms and conditions we deem appropriate, which in no event will include assumption of any then-existing liability arising or relating to those customers or act or failure to act by you or your HV Swim Business.

26.11 Compliance Evidence

Provide us with written satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Franchise Agreement.

27. RIGHT TO PURCHASE

27.1 Generally

Upon the expiration or termination of this Franchise Agreement for any reason, we will have the right but not the obligation to purchase from you some or all of the assets used in the HV Swim Business (“Acquired Assets”). We may exercise our option to begin this process by giving written notice to you at any time following expiration or termination up until 30 days after the later of: (a) the effective date of expiration or termination; or (b) the date you cease operating the HV Swim Business (the “Specified Date”). We have the right to inspect the assets used in the HV Swim Business in order to determine which we wish to acquire and any refusal by you to cooperate with our right to inspect will extend the Specified Date by an equal period. The term “Acquired Assets” means, without limitation, equipment, furnishings, fixtures, signs and inventory (non-perishable products, materials and supplies) used in the HV Swim Business, all licenses necessary to operate the Franchised Business (if transferable) and Pool Agreements (if transferable). Customer information and customer lists are owned by us and accordingly are not included within the definition of “Acquired Assets” and must be returned to us without charge upon expiration or termination. You may not sell the information or lists to a third party. We will be entitled to have the provisions in this Section enforced by a court of competent jurisdiction should you fail to meet your obligations. We will have the unrestricted right to assign this option to purchase the Acquired Assets. We or our assignee will be entitled to all customary representations and warranties, including that the Acquired Assets are free and clear (or, if not, accurate and complete disclosure) as to: (1) ownership, condition and title; (2) liens and encumbrances; (3) environmental and hazardous substances; and (4) validity of contracts and liabilities inuring to us or affecting the Acquired Assets, whether contingent or otherwise.

27.2 Purchase Price

The purchase price for the Acquired Assets (“Purchase Price”) will be their fair market value (or, for leased assets, the fair market value of the lease), determined as of the Specified Date in a manner that accounts for reasonable depreciation and condition of the Acquired Assets; provided, however, that the Purchase Price will take into account the termination of this Franchise Agreement. The Purchase Price for the Acquired Assets will not factor in the value of any trademark, service mark, or other commercial symbol used in connection with the operation of the HV Swim Business, nor any goodwill or “going concern” value for the HV Swim Business. We may exclude from the Acquired Assets purchased in accordance with this Section any equipment, furnishings, fixtures, signs, and inventory that are not accepted as meeting then-current standards for a HV Swim Business or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

If you and we cannot agree upon a fair market value, we shall appoint an independent, third-party appraiser with experience appraising businesses comparable to your HV Swim Business in the United States (“Qualified Appraiser”) within 30 days after the Specified Date. We shall pay for 50% of the cost of this Qualified Appraiser, and you shall pay the other 50% of the cost.

The Qualified Appraiser shall appraise the Acquired Assets as described above (“Appraised Value”). If you agree with the Appraised Value, the Appraised Value shall be the Purchase Price. If you disagree with the Appraised Value, upon written notice to us, you may hire an additional Qualified Appraiser at your expense. In such situation, the Qualified Appraiser chosen by you shall appraise the Acquired Assets at fair market value determined as described above. The average of the two values provided by the Qualified Appraisers shall be the Purchase Price.

27.3 Access to HV Swim Business

The Qualified Appraiser will be given full access to the HV Swim Business, your books and records during customary business hours to conduct the appraisal and will value the leasehold improvements, equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section.

27.4 Exercise of Option; Operation

Within 10 days after the Purchase Price has been determined, we may fully exercise our option to purchase the Acquired Assets by notifying you of our decision in writing (“Purchase Notice”). The Purchase Price will be paid in cash or cash equivalents at the closing of the purchase (“Closing”), which will take place no later than 60 days after the date of the Purchase Notice. From the date of the Purchase Notice until Closing, you will operate the HV Swim Business and maintain the Acquired Assets in the usual and ordinary course of business and maintain in full force all insurance policies required under this Franchise Agreement. During such time, we may exercise Step-in Rights, and be entitled to the Management Fee. Alternatively, we may require you to close the HV Swim Business during that time period without removing any Acquired Assets from the HV Swim Business.

27.5 Due Diligence

For a period of 30 days after the date of the Purchase Notice (“Due Diligence Period”), we will have the right to conduct such investigations as we deem necessary and appropriate. You will grant us and our representatives access to the HV Swim Business at all reasonable times for the purpose of conducting inspections of the Acquired Assets; provided that such access does not unreasonably interfere with your operations of the HV Swim Business.



Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title to lien search, survey, environmental assessment or inspection. If you cannot or elect not to correct any such title defect, environmental objection or defect in the working condition of the Acquired Assets, we will have the option to either accept the condition of the Acquired Assets as they exist or rescind our option to purchase on or before the Closing.

27.6 Closing

We will have the right to set off against and reduce the Purchase Price by any and all amounts owed by you to us or our affiliates, and the amount of any encumbrances or liens against the Acquired Assets or any obligations assumed by us. If you cannot deliver clear title to all of the purchased Acquired Assets as indicated in this Section, or if there are other unresolved issues, the Closing will be accomplished through an escrow.

28. DISPUTE RESOLUTION

28.1 Mediation Requirement

Except for any “Litigation Exceptions” as defined below, without limiting our Termination Rights, all claims or disputes between you and us or our affiliates arising out of, or in any way relating to, this Franchise Agreement, or any of the parties’ respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to non-binding mediation (“Required Mediation”) prior to a hearing in binding arbitration. Before commencing any mediation against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us, which specifies, in detail, the precise nature and grounds of such claim or dispute. Such mediation shall take place in the city closest to our principal place of business (currently Hopewell Junction, New York) under the auspices of the American Arbitration Association (“AAA”), or other mediation service acceptable to us in our sole discretion, in accordance with AAA’s Commercial Mediation Procedures then in effect. You may not commence any action against us or our affiliates with respect to any such claim unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator’s fees. We reserve the right to specifically enforce our right to mediation.

28.2 Arbitration

If the parties cannot fully resolve and settle a dispute through Required Mediation, all unresolved issues involved in the dispute shall be, at the request of either party, submitted to final and binding arbitration to be conducted in the city closest to our principal place of business (currently Hopewell Junction, New York) by AAA (if AAA or any successor thereto is no longer available for arbitration in such city, you and we will agree on another arbitration organization to conduct the arbitration proceeding), in accordance with AAA’s Commercial Arbitration Rules and otherwise as set forth below on an individual basis (not a class action) (“Required Arbitration”).

In any arbitration proceeding, each party will submit or file any claim that would constitute a compulsory counterclaim as defined by the Federal Rules of Civil Procedure within the same proceeding as the claim it relates to. Any claim that is not submitted or filed as required is forever barred. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability,

enforceability or formation of this Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable.

28.2.1 Notice of Arbitration. Either party may initiate an arbitration proceeding by making a written demand to the other party, and both parties will then be obligated to engage in arbitration. The demand for arbitration must be served on the other party within the period provided by the applicable statute of limitations, and must contain a statement setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. A demand for arbitration will not operate to stay, postpone or rescind the effectiveness of any termination of this Franchise Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by the arbitrator or by an appropriate court, if necessary.

28.2.2 Selection of Arbitrator. Arbitration will be conducted before a single, neutral arbitrator who is familiar with legal disputes of the type at issue and who has franchise business or contract experience. The parties will mutually agree on the selection of the arbitrator; however, if the parties have not agreed on the selection of an arbitrator within 30 days after the arbitration demand, either party may request AAA or successor organization, to appoint a qualified arbitrator.

28.2.3 Discovery. All discovery must be completed within 60 days following appointment of an arbitrator, unless otherwise agreed by the parties. Depositions will be limited to a maximum of five per party and will be held within 30 days after making a request. Additional depositions may be scheduled only with the permission of the arbitrator and for good cause shown. Each deposition will be limited to a maximum of six hours duration. Should a dispute arise over the extent of or propriety of any discovery request, the arbitrator will make a final determination after hearing each party's position.

28.2.4 Statement of Case. At least five days before the scheduled hearing, each party must deliver to the arbitrator and to the other party a written summary of its position on the issues in dispute.

28.2.5 Arbitrator's Decision. The arbitrator will issue a written decision within ten days after conclusion of the hearing, explaining the basis for the decision. Judgment upon the decision rendered by the arbitrator may be entered in any court having jurisdiction. This decision will be binding upon both parties. The arbitrator will have authority to assess actual damages sustained by reason of any breach or wrongful termination of this Franchise Agreement, including monetary damages and interest on unpaid amounts from date due, specific performance, injunctive and declaratory relief, and legal fees and costs, but will not have any authority to amend or modify the terms of this Franchise Agreement or to assess exemplary or punitive damages. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable.

28.2.6 Time Schedule. Any award will be made within nine months of the filing of the notice of intention to arbitrate and the arbitrator will agree to comply with this schedule before accepting appointment. The parties will use due diligence to meet the foregoing time schedule, and the arbitrator will have the right to impose appropriate sanctions against any party who fails to comply with the agreed-upon time schedule. The arbitrator will use his best efforts to comply with the foregoing time schedule, but may unilaterally modify it if, in his opinion, modification is necessary for a proper and just resolution of the dispute. The parties may jointly modify the agreed-upon time schedule, subject to the arbitrator's approval.

28.2.7 Arbitration Expenses. The fees of, and authorized costs incurred by, the arbitrator will be shared equally by the parties, and each party will bear all of its own costs of arbitration; provided, however, that the arbitration decision will provide that the substantially prevailing party will recover from the other party its actual costs and expenses (including arbitrator's fees and expenses, and attorney fees and

expenses) incurred in connection with the dispute.

28.3 Disputes Not Subject to Mediation or Arbitration

If any of the following exceptions occur, either party may immediately file a lawsuit in accordance with this Section without going through the Required Mediation or Required Arbitration (for purposes of this Franchise Agreement, the following shall be referred to as the “Litigation Exceptions”): (i) any action that involves an alleged breach of any Brand Covenant; (ii) any action petitioning specific performance to enforce your use of the Marks or the System or to prevent unauthorized duplication of the Marks or the System; (iii) any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, or other relief in the nature of equity, including an action to enjoin an alleged violation or harm (or imminent risk of violation or harm) to any of our rights in the Intellectual Property, our copyrighted works, Marks, the System, or in any of our specialized training, trade secrets, or other Confidential Information, brought at any time, including prior to or during any pending mediation or arbitration proceedings; (iv) any action seeking compliance with the Post Term Obligations; or (v) any action in ejectment or for possession of any interest in real or personal property.

28.4 Venue

All disputes and claims must be mediated, arbitrated and, if applicable, litigated in the principal city (and, if applicable, court) closest to our principal place of business (currently Hopewell Junction New York); provided that for claims brought under the Litigation Exceptions, we have the option to bring suit against you in any state or federal court within the jurisdiction where your HV Swim Business is or was located, or where any of your owners lives. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Franchise Agreement, and the parties waive any objections that they would otherwise have in this regard. Each of the parties specifically waives any defense of inconvenient forum, and waives any bond, surety, or other security that might be required of any other party with respect to venue.

28.5 Fees and Costs

If you breach any term of this Franchise Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable attorneys’ fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings.

If we or you must enforce this Franchise Agreement in an arbitration or judicial proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable fees for accountants, attorneys, and expert witnesses, costs of investigations and proof of facts, court costs, travel and living expenses, and other dispute-related expenses.

If there is a mixed decision involving an award of money or money equivalent and equitable relief, the arbitrator will award the above fees to the party that it deems has substantially prevailed over the other party using reasonable business and arbitrator’s judgment. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding for such arbitration proceeding to take place, and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with this Section. If either party commences any legal action or proceeding in any court in contravention of the terms of this Section, that party shall pay all costs and expenses that the other party incurs in the action or proceeding, including, without limitation, costs and attorneys’ fees as described in this Section.

28.6 Jury Trial and Class Action Waiver

WE AND YOU IRREVOCABLY WAIVE: (I) TRIAL BY JURY IN ANY PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRING SUIT; AND (II) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

28.7 Limitation of Actions and Waiver of Punitive Damages

We and you agree that any legal action of any kind by a party arising out of or relating to this Franchise Agreement or a default of this Franchise Agreement must be commenced within one (1) year from the occurrence of the facts giving rise to any such claim or action or such claim or action will be barred provided, however, that the forgoing limitation shall not apply where required by applicable law, to the parties indemnification obligations under this Franchise Agreement or to the Litigation Exceptions. You and we, for yourselves, ourselves and on behalf of the Owners respectively, hereby waive to the fullest extent permitted by applicable law, any right to, or claim for, punitive or exemplary damages against the other, and agree that except to the extent provided to the contrary in this Franchise Agreement, in the event of a dispute you and we shall each be limited to recovering only the actual damages proven to be sustained any legal action of any kind.

28.8 Confidentiality

Except as required by applicable law, including the required disclosure in our franchise disclosure document, the entire mediation, arbitration or litigation proceedings and related documents are confidential. Except as necessary to enforce the decision of the arbitrator hereunder, all conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the arbitration by any of the parties, their agents, employees or representatives and by the arbitrator, are confidential. These matters will not be discoverable or admissible for any purposes, including impeachment, in any litigation or other proceeding involving the parties, and will not be disclosed to anyone who is not an agent, employee, expert witness, or representative for any of the parties; however, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the arbitration.

28.9 Acknowledgment

The parties acknowledge that nothing herein shall delay or otherwise limit our Termination Rights. A notice or request for arbitration or mediation will have no effect on the status of any demand for performance or notice of termination under this Franchise Agreement.

28.10 Survival

We and you agree that the provisions of this Section shall apply during the Term of this Franchise Agreement and following the termination, expiration, Transfer or non-renewal of this Franchise Agreement. You agree to fully perform all obligations under this Franchise Agreement during the entire mediation, arbitration or litigation process.

29. SECURITY INTEREST

You grant to us a security interest (“Security Interest”) in all of the furniture, fixtures, equipment, signage and real estate (including your interests under all real property and personal property leases and all improvements to real estate) of the HV Swim Business, together with all similar property now owned or hereafter acquired, including additions, substitutions, replacements, proceeds and products thereof, wherever located, used in connection with the HV Swim Business.

You are prohibited from granting a security interest in the HV Swim Business or in any of your assets without our prior written consent, which shall not be unreasonably withheld. We may take a subordinate position in the security interest if a Small Business Administration-participating or third-party lender requires a first or senior lien, and the appropriate subordination documentation is executed by all parties. This security interest shall be security for any and all Royalties, damages, expenses or other sums owed to us hereunder and for any other amounts you owe to us. You agree to execute any documents, including but not limited to, a UCC-1 (or replacements or extensions for the UCC-1) that we reasonably believe to be necessary to perfect said security interest prior to the opening of the HV Swim Business, and hereby appoint us as its attorney-in-fact for the purpose of executing such documents should you fail to do so. Except with respect to your sales of inventory in the ordinary course of business, you shall not sell, transfer, lease, sublease, assign, remove, waste, destroy, encumber or relocate any of the property described herein as subject to our security interest. Further, you shall take no other action which interferes with our security interest in said property, unless and until we release our security interest in the same.

30. GENERAL PROVISIONS

30.1 Governing Law

Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Franchise Agreement and the franchise relationship shall be governed by the laws of the State New York (without reference to its principles of conflicts of law), but any law of that State that regulate the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

30.2 Relationship of the Parties

You understand that you are an independent contractor and are not authorized to make any contract, agreement, warranty or representation or create any obligation on our behalf under this Franchise Agreement. You understand and agree that nothing in this Franchise Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your HV Swim Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Franchise Agreement. You further agree that fulfillment of any and all of our obligations written in the Franchise Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers,



agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

30.3 Severability and Substitution

Each section, subsection, term and provision of this Franchise Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Franchise Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Franchise Agreement. If a court concludes that any promise or covenant in this Franchise Agreement is unreasonable and unenforceable, including without limitation, the Brand Covenants: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable and consistent with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate your obligations under the Franchise Agreement to the fullest extent permitted by law), and you agree to be bound by the modified provisions.

30.4 Waivers

We and you may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall apply only to the specifically waived provisions and shall not affect any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Franchise Agreement (including the right to demand exact compliance with every term, condition and covenant in this Franchise Agreement, or to declare any breach of this Franchise Agreement to be a default, and to terminate the Franchise Agreement before the expiration of its Term) by virtue of: (i) any custom or practice of the parties that varies with the terms of this Franchise Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Franchise Agreement or to insist upon exact compliance by the other with its obligations under this Franchise Agreement, including any mandatory specification, standard or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Hudson Valley Swim franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Franchise Agreement.

30.5 Approvals

Whenever this Franchise Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Franchise Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have denied your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. Except where this Franchise Agreement states that we may not unreasonably withhold our approval or consent, we may withhold such approval or consent, in our sole discretion. You are not entitled to any other relief or damages for our denial of approval.

30.6 Force Majeure

No party shall be liable for any loss or damage that arises directly or indirectly through or as a result of any failure or delay in the fulfillment its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Franchise Agreement where the delay or failure is due to “Force Majeure.” In the event of Force Majeure, the parties shall be relieved of their respective obligations only



to the extent each party, respectively, is prevented or delayed in performing its obligations during the period of Force Majeure. As used in this Franchise Agreement, the term “Force Majeure” shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government and any other similar cause which is beyond the party’s control and cannot be overcome by use of normal commercial measures. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such event to the other party, which in no case shall be more than 48 hours after the event, and provide them with the information regarding the nature of the event and its estimated duration. The affected party will provide the other party with periodic reports regarding the status and progress of the Force Majeure event. Each party must use its best efforts to mitigate the effect of the event of Force Majeure upon its performance of the Agreement and to fulfill its obligations under the Franchise Agreement.

Upon completion of a Force Majeure event, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Franchise Agreement. Any delay resulting from an event of Force Majeure will extend performance accordingly or excuse performance (other than payment of money), in whole or in part, only to the extent reasonable under the circumstances. However, in the event the Force Majeure continues for a period of six months or more, then the unaffected party may, at its option, terminate this Franchise Agreement by thirty (30) days prior written notice to the party asserting such Force Majeure. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the event, nor does that event affect any obligation to pay money owed under the Franchise Agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect your obligations to comply with any restrictive covenants in this Franchise Agreement during or after the Force Majeure event.

30.7 Delegation

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

30.8 Binding Effect

This Franchise Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Franchise Agreement is binding upon the parties to this Franchise Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Franchise Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Franchise Agreement; provided, however, that the Additional Insureds and the Indemnified Parties are intended third party beneficiaries under this Franchise Agreement with respect to indemnification obligations of the franchisee.

30.9 Integration

This Franchise Agreement constitutes the entire agreement between the parties and may not be changed except by a written document signed by both parties. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Franchise Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Franchise Agreement. The attachment(s) are part of this Franchise Agreement, which, together with any amendments or addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of

the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Franchise Agreement. No provision herein expressly identifying any term or breach of this Franchise Agreement as material shall be construed to imply that any other term or breach which is not so identified is not material. As referenced above, all mandatory provisions of the Franchise Operations Manual are part of this Franchise Agreement; however, notwithstanding the foregoing, we may modify the Franchise Operations Manual at any time.

Franchise Agreement are not enforceable, unless they are specifically contained in this Franchise Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, and serves to show that there is no intention to enter into contract relations other than the terms contained in this Franchise Agreement. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Franchise Agreement, would affect the economic terms of this bargain. Nothing in this Franchise Agreement is intended to disclaim any of the representations we made in the franchise disclosure document.

30.10 Covenant of Good Faith

If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Franchise Agreement (and the relationship of the parties that is inherent in this Franchise Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Franchise Agreement that may favorably or adversely affect your interests; (ii) we will use our judgment in exercising that discretion based on our general assessment of our own interests and balancing those interests against the general interests of our franchisees (including ourselves and our affiliates if applicable), and not based on your or any other franchisee's specific individual interests; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

30.11 Cumulative Rights

The rights of the parties under this Franchise Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Franchise Agreement will preclude any other right or remedy available under this Franchise Agreement or by law.

30.12 Survival

All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Franchise Agreement (or the Transfer of an ownership interest in the HV Swim Business) will continue in full force and effect, even after the termination, expiration or Transfer of the Franchise Agreement, until they are fully satisfied or expire by their own terms.

30.13 Construction

The headings in this Franchise Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Franchise Agreement unless otherwise specified. All references to days in this Franchise Agreement refer

to calendar days unless otherwise specified. The term “you” as used in this Franchise Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other, the feminine and the possessive.

30.14 Time is of the Essence

Time is of the essence in this Franchise Agreement and every term thereof.

30.15 Notice

All notices given under this Franchise Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient), or priority mail or delivered by a recognized courier service, receipt acknowledged to the following addresses (which may be changed upon ten business days’ prior written notice):

You: As set forth on Attachment A (“Franchisee Notice Address”)

Us: 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533

Notice shall be considered given at the time delivered by hand, or one business day after sending by email or comparable electronic system, or three business days after placed in the mail by priority mail.

(Signature Page Follows)

The parties to this Franchise Agreement have executed this Franchise Agreement effective as of the Effective Date set forth in Attachment A.

FRANCHISOR:

HV SWIM FRANCHISE LLC,
a New York limited liability company

Sign: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[INSERT NAME OF FRANCHISEE]
a(n) [state] [limited liability company /
partnership / corporation]

Sign: _____

Printed Name: _____

Title: _____

Or if Franchisee is an individual(s)

Sign: _____
individually

Printed Name: _____

Sign: _____
individually

Printed Name: _____



ATTACHMENT A
TO THE FRANCHISE AGREEMENT

FRANCHISE DATA SHEET

1. **Effective Date.** The Effective Date of the Franchise Agreement is: _____, 20__.

2. **Franchisee.** The franchisee identified in the introductory paragraph of the Franchise Agreement is: _____

3. **Notice Address.** Franchisee Notice Address is:

Attn: _____

4. **Initial Franchise Fee.** The “Initial Franchise Fee” is: (check one):

_____ \$59,500 for a single Franchise.

_____ \$47,600 for a single Franchise if you are a veteran of the U.S. Armed Forces that has been honorably discharged and this is your first Hudson Valley Swim Business.

_____ Not applicable; this Franchise Agreement is signed as a Successor Franchise Agreement or as a result of a Transfer.

_____ Not applicable; this Franchise Agreement is being signed under an area development agreement between Franchisee and Franchisor and no Initial Franchise Fee is due. This Franchise Agreement constitutes franchise number _____ out of a total of up to _____ franchises under the area development agreement between you and us dated _____, 20__.

5. **Territory:**

You and we have mutually agreed upon a Territory, which is indicated below:

--

(Signature Page Follows)



FRANCHISOR:

HV SWIM FRANCHISE LLC,
a New York limited liability company

Sign: _____

Printed Name: _____

Title: _____

FRANCHISEE:

[INSERT NAME OF FRANCHISEE]
a(n) [state] [limited liability company /
partnership / corporation]

Sign: _____

Printed Name: _____

Title: _____

Or if Franchisee is an individual(s)

Sign: _____
individually

Printed Name: _____

Sign: _____
individually

Printed Name: _____

FRANCHISOR:

HV SWIM FRANCHISE LLC,
a New York limited liability company

Sign: _____

Printed Name: _____

FRANCHISEE:

[INSERT NAME OF FRANCHISEE]
a(n) [state] [limited liability company /
partnership / corporation]

Sign: _____

Printed Name: _____



Title: _____

Title: _____

Or if Franchisee is an individual(s)

Sign: _____
individually

Printed Name: _____

Sign: _____
individually

Printed Name: _____



ATTACHMENT B
TO THE FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP

Franchisee: _____

**Form of Ownership
(Check One)**

____ Individual(s) ____ Partnership ____ Corporation ____ Limited Liability Company

INSTRUCTIONS: If the franchisee is an individual (or individuals), please complete section I below only. If the franchisee is a business entity, please complete sections II and III below.

SECTION I (For Individual(s)*):

Name	Address

*If you plan to operate your HV Swim Business through a business entity in the future, you will need to notify us, transfer this Franchise Agreement to the Entity, and sign all of our transfer documents.

SECTION II (For Entities):

A. State and date of Formation/Incorporation: _____

B. Management (managers, officers, board of directors, etc.):

Name	Title



C. Owners (Members, Stockholders, Partners):**

Please include each person who is a direct and indirect owner of franchisee (attach additional sheets if necessary). If any of the owners are also business entities, please list the owners of each of those business entities also.

Name	Address	Percentage Owned

**If any members, stockholders or partners are entities, please list the owners of such entities up through the individuals.

SECTION III (For Entities):

A. Identification of Responsible Owner. Your Responsible Owner is _____.
_____. You may not change the Responsible Owner without
prior written approval.

B. Identification of Franchise Manager. Your Franchise Manager, if applicable is _____.
_____. You may not change the Franchise
Manager without prior written approval.

This form is current and complete as of _____, 20____.

FRANCHISEE:

[INSERT NAME OF FRANCHISEE]
a(n) [state] [limited liability company /
partnership / corporation]

Sign:

Printed Name:

Title:



ATTACHMENT C
TO THE FRANCHISE AGREEMENT
FRANCHISE OWNER AGREEMENT

As a condition to the granting by HV Swim Franchise LLC (“we” or “us”) of a franchise agreement with _____ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Franchise Owner Agreement”).

1. Acknowledgments.

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of _____, 20____ (“Franchise Agreement”). Capitalized words not defined in this Franchise Owner Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Owners’ Role. Owners are the beneficial owners or spouses of the beneficial owners of all of the direct and indirect equity interest, membership interest, or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives, and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s direct and indirect owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Franchise Owner Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Franchise Owner Agreement.

2. Non-Disclosure and Protection of Confidential Information.

2.1 Confidentiality. Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a HV Swim Business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Franchise Owner Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Franchise Owner Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Franchise Owner Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data which we designate as confidential will also be deemed Confidential Information for purposes of this Franchise Owner Agreement.

2.2 Immediate Family Members. Owners acknowledge that they could circumvent the purpose of Section 2.1 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). Owners also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 2.1 if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section 3, below, if performed by Owners. However, Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.



3. Covenant Not to Compete.

3.1 Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures, and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition both during the term of the Franchise Agreement and following the expiration, termination or transfer of the Franchise Agreement are hereby incorporated into this Franchise Owner Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Franchise Owner Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Franchise Owner Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Franchise Owner Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to remain bound to the maximum extent permitted by law, as if that covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Franchise Owner Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

4. Continuing Guarantee.

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement whether now or in the future on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement whether now or in the future on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend, and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for, whether now or in the future, by reason of: (i) Franchisee's failure to pay the amounts owed (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (ii) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we are not obligated to exhaust all remedy (whether legal or equitable) against or pursue relief from the Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Franchise Owner Agreement. The enforcement of Owners' obligations can take place before, after, or simultaneously with the enforcement of any of the Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or

compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death, and the obligations of any other Owners will continue in full force and effect.

4.7 Waiver of Acceptance, Default and Defenses. Owners waive: (i) acceptance and notice of acceptance by us of the forgoing undertakings; (b) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; and (c) any and all other notices and legal or equitable defenses, right of setoff, claim or counterclaim whatsoever to which they may be entitled at any time hereunder.

4.8 Continuing Nature. Owners agree that each of the obligations in this Section 4 shall be continuing and shall not be discharged by: (i) the insolvency of Franchisee or the payment in full of all of the obligations at any time; (ii) the power or authority or lack thereof of Franchisee to incur the obligations; (iii) the validity or invalidity of any of the obligations; (iv) the existence or non-existence of Franchisee as a legal entity; (v) any statute of limitations affecting the liability of Owners or the ability of us to enforce this Franchise Owner Agreement or the obligations; or (vi) any right of offset, counterclaim or defense of any Owner, including, without limitation, those which have been waived by Owners pursuant to this Franchise Owners Agreement.

5. Transfers. Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources, and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that attempting to Transfer an interest in the Franchisee without our express written consent, except those situations provided in the Franchise Agreement where our consent is not required, will be a breach of this Franchise Owner Agreement and the Franchise Agreement. We may, from time to time, without notice to Owners, assign or transfer any or all of Owners' rights, duties and obligations or any interest therein in this Owners Agreement and, notwithstanding any assignment(s) or transfer(s), the rights, duties and obligations shall be and remain for the purpose of this Owners Agreement. Each and every immediate and successive assignee or transferee of any of the rights, duties or obligations of any interest therein shall, to the extent of such party's interest in the rights duties and/or obligations, be entitled to the benefits of this Owners Agreement to the same extent as if such assignee or transferee were us.

6. Notices.

6.1 Method of Notice. Any notices given under this Franchise Owner Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Franchise Owner Agreement is:

HV Swim Franchise LLC
827 State Route 82, Ste. 10-199
Hopewell Junction, New York 12533

The current address of each Owner for all communications under this Franchise Owner Agreement is designated on the signature page of this Franchise Owner Agreement. Any party may



designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

7. Enforcement of This Franchise Owner Agreement.

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Franchise Owner Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Franchise Owner Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Franchise Owner Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Franchise Owner Agreement, and any other claim or controversy between the parties, will be governed by the choice of law, jurisdiction, and venue provisions of the Franchise Agreement.

7.3 Equitable Remedies. Owners acknowledge and agree that the covenants and obligations of the Owners relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations will cause us irreparable injury for which adequate remedies are not available at law. Therefore, Owners agree that we shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) as a court of competent jurisdiction may deem necessary or appropriate to restrain Owners from committing any violation of the covenants and obligations contained in this Franchise Owner Agreement. If equitable relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If equitable relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

8. Miscellaneous.

8.1 No Other Agreements. This Franchise Owner Agreement constitutes the entire, full, and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings, or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Franchise Owner Agreement, other than those in this Franchise Owner Agreement. No other obligations, restrictions, or duties that contradict or are inconsistent with the express terms of this Franchise Owner Agreement may be implied into this Franchise Owner Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Franchise Owner Agreement), no amendment, change, or variance from this Franchise Owner Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Franchise Owner Agreement, and any portions thereof, will be considered severable. If any provision of this Franchise Owner Agreement or the application of any provision to any person, property, or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Franchise Owner Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement to the fullest extent permitted by law), and the parties agree to be bound by the modified provisions.

8.3 No Third Party Beneficiaries. Nothing in this Franchise Owner Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors, and assigns) any rights or remedies under or by reason of this Franchise Owner Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Franchise Owner Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Franchise Owner Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Franchise Owner Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

8.5 Binding Effect. This Franchise Owner Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Franchise Owner Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors, and (permitted) assigns.

8.6 Successors. References to “Franchisor,” “Owners,” “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns, or transferees.

8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Franchise Owner Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Franchise Owner Agreement shall be cumulative.

8.8 No Personal Liability. Owners agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Franchise Owner Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to Owners for any reason.

8.9 Franchise Owner Agreement Controls. In the event of any discrepancy between this Franchise Owner Agreement and the Franchise Agreement, this Franchise Owner Agreement shall control.

IN WITNESS WHEREOF, the parties have entered into this Franchise Owner Agreement as of the Effective Date of the Franchise Agreement.

OWNER(S):

Sign: _____
Printed Name: [Insert Name of Owner]
Address: [Insert Address of Owner]

Sign: _____
Printed Name: [Insert Name of Owner]
Address: [Insert Address of Owner]

Sign: _____
Printed Name: [Insert Name of Owner]
Address: [Insert Address of Owner]

SPOUSE(S):

Sign: _____
Printed Name: [Insert Name of Spouse]
Address: [Insert Address of Spouse]

Sign: _____
Printed Name: [Insert Name of Spouse]
Address: [Insert Address of Spouse]

Sign: _____
Printed Name: [Insert Name of Spouse]
Address: [Insert Address of Spouse]

Rev.030824



EXHIBIT D

AREA DEVELOPMENT AGREEMENT



EXHIBIT D



**HV SWIM FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT**

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ATTACHMENTS:

Attachment A	Data Sheet
Attachment B	Development Schedule
Attachment C	Statement of Ownership

HUDSON VALLEY SWIM
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT ("Area Development Agreement") is made and entered into by and between HV Swim Franchise LLC, a New York limited liability company ("we," "us," or "our"), and the area developer identified in Attachment A to this Area Development Agreement ("you" or "your") as of the date specified as the "Effective Date" in Attachment A to this Area Development Agreement. If more than one person or entity is listed as Area Developer, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Area Development Agreement.

WITNESSETH:

WHEREAS, we offer franchise rights relating to the establishment, development, and operation of businesses ("Hudson Valley Swim Franchise(s)") that operate a business providing classes at third party pools ("Pools") that teach proper swim techniques and water safety for all age groups and abilities ("Hudson Valley Swim Business(es)");

WHEREAS, in addition to this Area Development Agreement, you and we have entered into a franchise agreement (the "Initial Franchise Agreement") for the right to establish and operate a single Hudson Valley Swim Business (the "Initial Business"); and

WHEREAS, you desire to purchase an option to establish and operate multiple Hudson Valley Swim Franchises within the territory described in Attachment A ("Development Territory"), under the development schedule described in Attachment B ("Development Schedule") and pursuant to the terms and conditions of this Area Development Agreement.

NOW, THEREFORE, in consideration for the promises, rights and obligations set forth in this Area Development Agreement, the parties mutually agree as follows:

1. GRANT

1.1 We hereby grant to you the right to establish and operate the number of Hudson Valley Swim Franchises indicated in Section 1 of Attachment B within the Development Territory described in Attachment A. Each Hudson Valley Swim Franchise shall be operated according to the terms of our then-current form of individual franchise agreement which may contain materially different terms from the Initial Franchise Agreement. Notwithstanding the foregoing, each franchise agreement you enter into under this Area Development Agreement shall have the same royalty rate set forth in the Initial Franchise Agreement.

1.2 If you comply with the terms of this Area Development Agreement, including the Development Schedule, the individual franchise agreements entered into as a part of this Area Development Agreement, and any other agreements entered into with us or our affiliates, then we will not directly or indirectly cause or allow other Hudson Valley Swim Franchises to be franchised or licensed in the Development Territory during the Term of this Area Development Agreement, subject to limited exceptions. You acknowledge that the Development Territory may already include existing Hudson Valley Swim Franchises, and that you may not develop a Hudson Valley Swim Franchise that infringes on the territorial rights of existing Hudson Valley Swim Franchises. We and our affiliates have the right to operate, and to license others to operate, Hudson Valley Swim Businesses at any location outside the

Development Territory, even if doing so could affect your operation of any of your Hudson Valley Swim Businesses.

We and our affiliates, and any other authorized person or entity (including any other Hudson Valley Swim Franchise), reserve the right at any time, conduct any other type of activities within your Development Territory that we and our affiliates are permitted to conduct under the Initial Franchise Agreement and any subsequent franchise agreements. We also retain the right, for ourselves, our affiliates, and any other authorized person or entity (including any other Hudson Valley Swim Franchises), to act in the manner permitted in any franchise agreement.

We reserve all rights not expressly granted to you, including the right for ourselves and our affiliates to engage in any other business activities not expressly prohibited by this Area Development Agreement. This includes, but is not limited to, the right to:

(a) to own, franchise or operate Hudson Valley Swim Businesses at any location outside of the Development Territory, regardless of the proximity to your Hudson Valley Swim Businesses, even if doing so will or might affect your operation of Hudson Valley Swim Businesses;

(b) to use the Hudson Valley Swim trademarks (the “Marks”) and system (the “System”) to sell any products or services similar to those which you will sell through any alternate channels of distribution within or outside of the Development Territory (even if these businesses compete with you). This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;

(c) to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering products similar to those offered by Hudson Valley Swim Businesses, at any location, including within the Development Territory, which may be similar to or different from the Hudson Valley Swim Business(es) operated by you;

(d) to engage in any transaction, including to purchase or be purchased by, merge or combine with, to convert to the System or be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with your Hudson Valley Swim Business, whether located inside or outside the Development Territory, provided that any businesses located inside your Development Territory will not operate under the Marks; and

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

We are not required to pay you if we exercise any of the rights specified above within the Development Territory. We do not pay compensation for soliciting or accepting orders inside the Development Territory.

Upon the expiration or termination of this Area Development Agreement, you shall have no further right to construct, equip, own, open or operate additional Hudson Valley Swim Franchises which are not, at the time of such termination or expiration, the subject of a then-existing franchise agreement between you (or an affiliate of you) and us, which is then in full force and effect.



1.3 This Area Development Agreement is not a franchise agreement and does not grant you the right to use the Marks or System in any manner. Each Hudson Valley Swim Franchise will be governed by the individual franchise agreement signed by you or your affiliate and us for each Hudson Valley Swim Business.

1.4 You must own at least a 51% equity interest in any legal entity that develops or operates each Hudson Valley Swim Business developed under this Area Development Agreement. You shall identify all of your equity owners by completing the “Statement of Ownership” attached to this Area Development Agreement as Attachment C. You agree to execute an updated form of Attachment C within ten business days of any change in the equity ownership of you. The failure of you to provide us with an updated Attachment C within the time frame specified in this Section 1.4 shall constitute a default of this Area Development Agreement.

2. TERM

Unless it is terminated due to default as provided in Section 8, the term of this Area Development Agreement will expire on the earlier to the following: (a) the termination date listed on Section 2 of Attachment B; or (b) completion of the obligations of the Development Schedule. Upon expiration or termination of this Area Development Agreement, the only territorial protections that you will retain are those under each individual franchise agreement. During the term of this Area Development Agreement (and following termination of this Area Development Agreement), you shall be subject to all confidentiality and non-compete provisions contained in any franchise agreements, Franchise Owner Agreements and similar agreements you have signed with us or our affiliates.

3. DEVELOPMENT FEE

You must pay us the total “Development Fee” set forth in Attachment A upon execution of this Area Development Agreement. The Development Fee is uniformly calculated, payable when you sign this Area Development Agreement, and is non-refundable under any circumstances, even if you fail to open any Hudson Valley Swim Businesses.

4. MANNER FOR EXERCISING DEVELOPMENT RIGHTS

In order to exercise your development rights under this Area Development Agreement, you must enter into separate franchise agreements for each Hudson Valley Swim Franchise to be developed under this Area Development Agreement. The Initial Franchise Agreement shall be executed and delivered concurrently with the execution and delivery of this Area Development Agreement. All subsequent Hudson Valley Swim Franchises developed under this Area Development Agreement shall be established and operated pursuant to the form of franchise agreement and ancillary documents then being used by us for a Hudson Valley Swim Franchise. You acknowledge that the then-current form of franchise agreement may differ from the Initial Franchise Agreement. You may not exercise any development rights under this Area Development Agreement while you are in default of any other agreement with us, including any franchise agreement.

5. DEVELOPMENT SCHEDULE

5.1 Acknowledging that time is of the essence, you agree to exercise your development rights according to Section 4 and according to the Development Schedule set forth in Attachment B, which designates the schedule for which you must open your Hudson Valley Swim Businesses in the Development Territory.



5.2 You may, with our prior written consent, develop more than the number of Hudson Valley Swim Businesses than you are required to develop before an deadline by executing multiple franchise agreements and opening multiple Hudson Valley Swim Businesses before that deadline. Any additional Hudson Valley Swim Businesses opened before a deadline shall be applied to satisfy your development obligation for the next succeeding opening deadline. You are not permitted to develop more than the total number of Hudson Valley Swim Franchises permitted under the Development Schedule.

5.3 You shall open each Hudson Valley Swim Business in accordance with the terms of the franchise agreement and in accordance with the Development Schedule set forth in Attachment B.

5.4 Your failure to adhere to the Development Schedule shall constitute an event of default under this Area Development Agreement, for which we may exercise our rights under Section 8.1 of this Area Development Agreement.

5.5 If we are not legally able to deliver a Franchise Disclosure Document to you by reason of any lapse or expiration of our franchise registration, or because we are in the process of amending any such registration, or for any reason beyond our reasonable control, we may delay acceptance of the site for your proposed Hudson Valley Swim Franchise, or delivery of a franchise agreement, until such time as we are is legally able to deliver a Franchise Disclosure Document. Your Development Schedule would be equally extended by such delay.

6. LOCATION OF HUDSON VALLEY SWIM BUSINESSES

The location of the Pools utilized by each Hudson Valley Swim Business shall be selected by you and approved by us in accordance with the terms set forth in each franchise agreement signed by you, within the Development Territory.

7. FRANCHISE AGREEMENT

You shall not commence construction on or open any Hudson Valley Swim Business until, among other things, the individual franchise agreement for that Hudson Valley Swim Franchise has been signed by both you and us.

8. DEFAULT AND TERMINATION

8.1 You will be in default of this Area Development Agreement if you (or your affiliate(s)): (a) fail to comply with the Development Schedule; (b) fail to perform any of your obligations under this Area Development Agreement or any individual franchise agreement; or (c) fail to comply with the transfer provisions contained in this Area Development Agreement. Upon default, we shall have the right, at our option, and in our sole discretion, to do any or all of the following:

- (a) terminate this Area Development Agreement;
- (b) terminate the territorial exclusivity granted to you;
- (c) reduce the size of your Development Territory;
- (d) permit you to extend the Development Schedule; or
- (e) pursue any other remedy we may have at law or in equity, including, but not limited to, a suit for non-performance.

8.2 Upon the death or Permanent Disability (as defined below) of you or any equity owner of you (if you are an entity) or of your Responsible Owner (as defined below), we shall allow a period of up to

180 days after such death or Permanent Disability for his or her heirs, personal representatives or conservators (the “Heirs”) to seek and obtain our consent to the assignment of his or her rights and interests in this Area Development Agreement (or the assignment of his or her equity and voting power) to another equity owner or third-party approved by us. If, within said 180-day period, said Heir(s) fail to receive our consent or to effect such consent to assignment, then we shall have the right to immediately terminate this Area Development Agreement. We may withhold or grant such consent in our sole discretion. For purposes of this Section 8.2, a “Permanent Disability” shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Area Development Agreement or in the guaranty made part of this Area Development Agreement for at least 90 consecutive days, and from which condition recovery within 90 days from the date of determination of disability is unlikely. If the parties disagree as to whether a person is disabled, a licensed practicing physician selected by us will examine the person and determine if he or she has a Permanent Disability. If the person refuses to submit to an examination, such person shall automatically be deemed Permanently Disabled as of the date of such refusal for the purpose of this Section 8.2. The costs of any examination required by this Section 8.2 shall be paid by us. Upon the death or claim of Permanent Disability of you or any Responsible Owner, you or your representative must notify us of such death or claim of Permanent Disability within 15 days. The Heirs must request our approval for the right to transfer to the next of kin within 120 calendar days after the death or disability. The “Responsible Owner” means the individual that you designate, and we approve who is primarily responsible for communicating with us about any of your Hudson Valley Swim Business(es) and all matters related to this Area Development Agreement.

8.3 In addition, if any individual franchise agreement signed by you or your affiliate, whether or not signed under to this Area Development Agreement, is terminated for any reason, we shall have the right to terminate this Area Development Agreement on immediate written notice to you. Upon termination or expiration of the term of this Area Development Agreement, we shall have the right to open, or license others to open, Hudson Valley Swim Businesses within the Development Territory (subject to the territorial rights granted, if any, for any then-existing Hudson Valley Swim franchise agreements); and you shall be subject to all confidentiality and non-competition covenants contained in any franchise agreements, Franchise Owners Agreements and similar agreements you have signed with us or our affiliates. For purposes of this Section 8.3, any franchise agreement signed by us and you or your approved affiliates, or any corporation, partnership or joint venture, or their affiliates, in which you or any stockholder, partner or joint venturer of you has any direct or indirect ownership or participation interest shall be deemed a franchise agreement issued to you.

8.4 In the event of a default by you, all of our costs and expenses arising from such default, including reasonable accountant fees, attorney fees and administrative fees shall be paid to us by you within five days after cure or upon demand by us if such default is not cured. You will remain bound by all franchise agreements.

9. ASSIGNMENT

9.1 We shall have the absolute right to transfer or assign all or any part of our rights or obligations hereunder to any person or legal entity which assumes our obligation under this Area Development Agreement and we shall thereby be released from any and all further liability to you.

9.2 You may not assign this Area Development Agreement or any rights to the Development Territory except in compliance with Section 8.2. The provisions of this Section shall not restrict you from transferring an open and operating Hudson Valley Swim Franchise in compliance with the assignment provisions contained in such franchise agreement.



10. FORCE MAJEURE

In the event that you are unable to comply with the Development Schedule due to strike, riot, civil disorder, war, epidemic, fire, natural catastrophe or other similar events which are beyond your control and cannot be overcome by use of reasonable commercial measures (“Force Majeure”), and upon notice to us, the Development Schedule and this Area Development Agreement shall be extended for a corresponding period, not to exceed 90 days. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the event, nor does that event affect any obligation to pay money owed under this Area Development Agreement or any franchise agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect your obligations to comply with any restrictive covenants in this Area Development Agreement during or after the Force Majeure event.

11. ENTIRE AGREEMENT

This Area Development Agreement constitutes the entire understanding of the parties with respect to the development of the Development Territory, and shall not be modified except by a written agreement signed by the parties. However, nothing in this Area Development Agreement or any related agreement is intended to disclaim our representations made in the Franchise Disclosure Document. Where this Area Development Agreement and any franchise agreement between the parties conflicts with respect to the payment terms of Development Fees or equity interests held by you or your operating partners, the terms of this Area Development Agreement shall govern. Under no circumstances does this Area Development Agreement grant you any rights to grant sub-franchises in the Development Territory.

Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Area Development Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Area Development Agreement. The attachments are part of this Area Development Agreement, which, together with any amendments or addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Area Development Agreement.

This Section is intended to define the nature and extent of the parties’ mutual contractual intent, and serves to show that there is no intention to enter into contract relations other than the terms contained in this Area Development Agreement. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Area Development Agreement, would affect the economic terms of this bargain.

12. OUR RELATIONSHIP

You and we acknowledge and agree that you and we are independent contractors and nothing contained in this Area Development Agreement shall be construed as constituting you as the agent, partner or legal representative of us for any purpose whatsoever. You shall enter into contracts for the development of the Development Territory contemplated by this Area Development Agreement at your sole risk and expense, and shall be solely responsible for the direction, control, supervision and management of your agents and employees. You acknowledge that you do not have authority to incur any obligations, responsibilities or liabilities on behalf of us, or to bind us by any representations or warranties, and agree not to hold yourself out as having this authority.

You or your affiliate (if applicable) must determine appropriate staffing levels for each of your Hudson Valley Swim Businesses developed under this Area Development Agreement to ensure full compliance with each of the individual franchise agreements and our System standards. You or your affiliate are solely responsible to hire, train and supervise employees or independent contractors to assist with the proper operation of the Hudson Valley Swim Businesses. You or your affiliate must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings levied or fixed by any city, state or federal governmental agency, or otherwise required by law) due for your employees or as applicable, for your independent contractors. These employees and independent contractors will be your or your affiliate's employees or contractors, not ours. We do not control the day-to-day activities of your employees or independent contractors or the manner in which they perform their assigned tasks. You or your affiliate must inform your employees and independent contractors that you are exclusively responsible for supervising their activities and dictating the manner in which they perform their assigned tasks. In this regard, you or your affiliate must use your legal business entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, consulting agreements, time cards and similar items.

You have sole responsibility and authority for all employment-related decisions, including employee selection, promotion, firing, hours worked, rates of pay and other benefits, work assignments, training and working conditions, compliance with wage and hour requirements, personnel policies, recordkeeping, supervision and discipline. We will not provide you with any advice or guidance on these matters. You must require your employees and independent contractors to review and sign any acknowledgment form we prescribe that explains the nature of the area development and/or franchise relationship and notifies the employee or independent contractor that you are his or her sole employer. You must also post a conspicuous notice for employees and independent contractors in the back-of-the-house area explaining your area development and/or franchise relationship with us and that you (and not we) are the sole employer. We may prescribe the form and content of this notice. You agree that any direction you receive from us regarding employment/engagement policies should be considered as examples, that you alone are responsible for establishing and implementing your own policies, and that you understand that you should do so in consultation with local legal counsel competent in employment law.

13. INDEMNIFICATION

You agree to protect, defend, indemnify and hold us and our affiliates, the respective officers, directors, managers, partners, shareholders, members, employees, agents and contractors of these entities (collectively, the "Indemnified Parties") harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, directly or indirectly incurred as a result of, arising from, out of, or in connection with your carrying out your obligations hereunder; your employment or other contractual relationship with your employees, workers, managers, or independent contractors, including but not limited to any allegation, claim, finding, or ruling that we are an employer or joint employer of your employees; your marketing, selling, or providing of items and services; and any breach of violation of any agreement (including this Area Development Agreement or any franchise agreement between you and us); or any law, regulation or ruling, by any act, error or omission (active or passive) of you, any party associated with you or your affiliate, and your respective officers and employees.

You agree to reimburse us within 30 days of us submitting an invoice to you for all costs of defending the matter, including all attorney fees we incur, whether or not your insurer assumes defense of us promptly when requested. We have the right to approve any resolution or course of action, including, but not limited to, the selection of an attorney for the defense of a matter that could directly or indirectly have any adverse effect on us or our Marks or System, or could serve as a precedent for other matters.

14. GENERAL PROVISIONS

14.1 This Area Development Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their heirs, successors, permitted assigns and personal representatives. If more than one person or Entity is listed as the area developer, each such person or Entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Area Development Agreement.

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

14.3 The headings in this Area Development Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Area Development Agreement unless otherwise specified. All references to days in this Area Development Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Area Development Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other, the feminine and the possessive.

14.4 All provisions that expressly or by their nature survive the termination, expiration or transfer of this Area Development Agreement will continue in full force and effect, even after the termination, expiration or transfer of this Area Development Agreement, until they are fully satisfied or expire by their own terms.

14.5 This Area Development Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original.

14.6 Nothing in this Area Development Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Area Development Agreement; provided, however, that the Indemnified Parties are intended third party beneficiaries under this Area Development Agreement with respect to your indemnification obligations.

14.7 We and you may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall apply only to the specifically waived provisions and shall not affect any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Area Development Agreement (including the right to demand exact compliance with every term, condition and covenant in this Area Development Agreement, or to declare any breach of this Area Development Agreement to be a default, and to terminate the Area Development Agreement before the expiration of its Term) by virtue of: (i) any custom or practice of the parties that varies with the terms of this Area Development Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Area Development Agreement or to insist upon exact compliance by the other with its obligations under this Area Development Agreement, including any mandatory specification, standard or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other HV Swim area developers; or (iv) the acceptance by us of any payments due from you after breach of this Area Development Agreement.

14.8 Each section, subsection, term and provision of this Area Development Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Area Development Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Area Development Agreement. If a court concludes that any promise or covenant in this Area Development Agreement is unreasonable and unenforceable, including without limitation, the Brand Covenants: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable and consistent with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate your obligations under the Area Development Agreement to the fullest extent permitted by law), and you agree to be bound by the modified provisions. No provision herein expressly identifying any term or breach of this Area Development Agreement as material shall be construed to imply that any other term or breach which is not so identified is not material. Nothing in this Area Development Agreement is intended to disclaim any of the representations we made in the franchise disclosure document.

14.9 You understand and agree that nothing in this Area Development Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as an area developer of ours. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and area developer. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Area Development Agreement. You further agree that fulfillment of any and all of our obligations written in the Area Development Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

15. APPLICABLE LAW

Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Area Development Agreement and the area developer relationship shall be governed by the laws of the state where your Initial Business is located (without reference to its principles of conflicts of law), but any law of that State that regulate the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its area developer or franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

If applicable law implies a covenant of good faith and fair dealing in this Area Development Agreement, we and you agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Area Development Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Area Development Agreement (and the relationship of the parties that is inherent in this Area Development Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions consistent with our explicit rights and obligations under this Area Development Agreement that may affect your interests favorably or unfavorably; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees and area developers generally (including us and our affiliates, if applicable), and specifically without considering your individual interests or the individual interests of any other particular area developer or franchisee; (iii) we

will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our exercised judgment.

16. NOTICE

Whenever this Area Development Agreement requires notice, it shall be in writing and shall be deemed so delivered at the time delivered by hand; one business day after electronically confirmed transmission by email or other electronic system; one business day after delivery by a reputable overnight delivery service, or one business day after delivery confirmation by priority mail, and addressed : (a) to us at 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533, unless written notice is given of a change of address; and (b) to you at the address set forth in Attachment A of this Area Development Agreement, unless written notice is given of a change of address.

17. DISPUTE RESOLUTION

We and you agree that any dispute between the parties arising out of the terms of this Area Development Agreement shall be governed in accordance with the terms and conditions set forth in the Initial Franchise Agreement, including those provisions requiring mediation and/or arbitration (subject to limited exceptions for certain claims), and such terms and conditions are incorporated into this Area Development Agreement. We and you each agree that our and your respective obligations to comply with the dispute resolution terms set forth in the Initial Franchise Agreement shall survive any termination, expiration or renewal of the Initial Franchise Agreement and shall survive any termination or expiration of this Area Development Agreement.

18. ACKNOWLEDGEMENTS

18.1 You acknowledge and recognize that different area development agreements and franchise agreements may have different terms and conditions, including different fee structures, than this Area Development Agreement, regardless of when those other agreements were or will be executed. We do not represent that all area development agreements or franchise agreements are or will be identical.

18.2 You acknowledge that you are not, nor are you intended to be, a third-party beneficiary of this Area Development Agreement or any other agreement to which we are a party.

18.3 You represent to us that the execution of this Area Development Agreement is not in conflict with any other written or oral obligation you may have.

18.4 You acknowledge that this offering is not a security as that term is defined under applicable Federal and State securities laws.

18.5 You acknowledge and accept that it is your obligation to train, manage, pay, recruit and supervise employees of the Hudson Valley Swim Businesses.

18.6 You acknowledge that we cannot, except under the terms of this Area Development Agreement, exercise control over your Hudson Valley Swim Businesses.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Area Development Agreement on the day and year first written above.

FRANCHISOR:

HV SWIM FRANCHISE LLC,
a New York limited liability company

Sign: _____

Printed Name: _____

Title: _____

AREA DEVELOPER:

[INSERT NAME OF AREA DEVELOPER]
a(n) [state] [limited liability company /
partnership / corporation]

Sign: _____

Printed Name: _____

Title: _____

Or if Area Developer is an individual(s)

Sign: _____
individually

Printed Name: _____

Sign: _____
individually

Printed Name: _____



ATTACHMENT A

DATA SHEET

1. Effective Date. The Effective Date of this Area Development Agreement, set forth in the introductory paragraph of this Area Development Agreement is: _____, 20__.

2. Area Developer. The Area Developer set forth in the introductory paragraph of this Area Development Agreement is: _____

3. Description of the Development Territory:

4. Development Fee. Check one:

Check One	Hudson Valley Swim Businesses Being Developed	Development Fee
	Up to 2	\$99,500
	Up to 3	\$134,500
	Up to 4	\$164,500
	Up to 5	\$194,500

5. Notice Address. The notice address for the Area Developer, as set forth in Section 16 of this Area Development Agreement, is:

Attn: _____

(Signature Page Follows)

FRANCHISOR:

HV SWIM FRANCHISE LLC,
a New York limited liability company

Sign: _____

Printed Name: _____

Title: _____

AREA DEVELOPER:

[INSERT NAME OF AREA DEVELOPER]
a(n) [state] [limited liability company /
partnership / corporation]

Sign: _____

Printed Name: _____

Title: _____

Or if Area Developer is an individual(s)

Sign: _____
individually

Printed Name: _____

Sign: _____
individually

Printed Name: _____



ATTACHMENT B

DEVELOPMENT SCHEDULE

1. Number of Hudson Valley Swim Businesses to be developed under this Area Development Agreement (including the Initial Franchise Agreement): _____

2. The termination date of this Area Development Agreement shall be the earlier of the date the Development Schedule is complete or _____, 20____.

3. Development Schedule:

Hudson Valley Swim Franchise	Hudson Valley Swim Business Opening Deadline
1	Within 6 months of the Effective Date
2	Within 12 months of the Effective Date
3	Within 18 months of the Effective Date
4	Within 24 months of the Effective Date
5	Within 30 months of the Effective Date

(Signature Page Follows)

FRANCHISOR:

HV SWIM FRANCHISE LLC,
a New York limited liability company

Sign: _____

Printed Name: _____

Title: _____

AREA DEVELOPER:

[INSERT NAME OF AREA DEVELOPER]
a(n) [state] [limited liability company /
partnership / corporation]

Sign: _____

Printed Name: _____

Title: _____

Or if Area Developer is an individual(s)

Sign: _____
individually

Printed Name: _____

Sign: _____
individually

Printed Name: _____



ATTACHMENT C
STATEMENT OF OWNERSHIP

Area Developer: _____

Form of Ownership
(Check One)

____ **Individual** ____ **Partnership** ____ **Corporation** ____ **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation/Incorporation: _____

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners*:

Name	Address	Percentage Owned

***If any members, stockholders or partners are entities, please list the owners of such entities up through the individuals.**

Identification of Responsible Owner. Your Responsible Owner is _____.
_____. You may not change the Responsible Owner without prior written approval.

This form is current and complete as of _____, 20__.

AREA DEVELOPER:

[INSERT NAME OF AREA DEVELOPER]
a(n) [state] [limited liability company /
partnership / corporation]

Sign: _____

Printed Name: _____

Title: _____

Or if Area Developer is an individual(s)

Sign: _____
individually

Printed Name: _____

Sign: _____
individually

Printed Name: _____

EXHIBIT E

LIST OF CURRENT AND FORMER FRANCHISEES



Current Franchisees as of December 31, 2023

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email address
Gartner	Matt	MNG Brothers, LLC	112 Southfield Ave., Apt 308	Stamford	CT	06902	475-685-9758	stamford@hvswim.com
Fukusaka	Jason	FukuWhite LLC	20443 State Rd. 7	Boca Raton	FL	33498	5610567-9188	jason@hvswim.com
Wyckoff ⁽¹⁾	Mindi	Let's Hit It, LLC	10511 Weybridge Drive	Lutz	FL	33626	813-923-1717	nwtampa@hvswim.com

⁽¹⁾Franchisee operates two outlets in Florida

Franchisees with Unopened Outlets as of December 31, 2023:

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Phone	Email address
Wyckoff	Mindi	Let's Hit It, LLC	10511 Weybridge Drive	Tampa	FL	33626	813-923-1717	nwtampa@hvswim.com
Yahonnes	Laura	WAZO LLC	14667 Keeneland Cir.	North Potomac	MD	20878	301-901-0922	laura@hvswim.com

Former Franchisees:

The name and last known address of every franchisee who had a Hudson Valley Swim Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, 2023 to December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

None

EXHIBIT F

FRANCHISE OPERATIONS MANUAL **TABLE OF CONTENTS**

Section	Number of Pages
Chapter 1: Introduction	3
Chapter 2: Welcome to Hudson Valley Swim	5
Chapter 3: Support Resources	2
Chapter 4: Pre-Opening Timetable and Obligations	14
Chapter 5: Training Requirements	3
Chapter 6: Staffing Your Hudson Valley Swim Franchise	8
Chapter 7: Company Policies	6
Chapter 8: Operation and Maintenance	1
Chapter 9: Equipment, Computer System, Inventory, and Supplies	1
Chapter 10: Administration	6
Chapter 11: Reports, Audits, and Inspections	2
Chapter 12: Marketing	5
Chapter 13: Sales and Pricing	3
Chapter 14: Insurance Requirements and Risk Management	5
Chapter 15: Corporate Structure and Financing	8
Chapter 16: Trademarks and Trade Secrets – Protection Policies	3
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Chapter 18: Expansion and Relocation Requirements	1

Total Number of Pages: 80

EXHIBIT G
STATE ADDENDA
AND AGREEMENT RIDERS



STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR HV SWIM FRANCHISE LLC

The following modifications are made to the HV Swim Franchise LLC (“Franchisor,” “us,” “we,” or “our”) Franchise Disclosure Document (“FDD”) given to franchisee (“Franchisee,” “you,” or “your”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 20____ (“Franchise Agreement”). When the term “Franchisor’s Choice of Law State” is used, it means the state where the franchisee’s Hudson Valley Swim Business is located apply, subject to applicable state law. When the term “Supplemental Agreements” is used, it means Area Development Agreement.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State Specific Addendum (“State Addendum”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

CALIFORNIA

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

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD 14 days prior to execution of agreement.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Franchisor’s Choice of Law State. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Area Development Agreement restricting venue to a forum outside the State of California. The Franchise Agreement contains a mediation provision. The parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.

The Franchise Agreement and Area Development Agreement require the application of the law of Franchisor’s Choice of Law State. This provision may not be enforceable under California law.



Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement provides for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement and the Area Development Agreement may contain, a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Our website, www.hvswim.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

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

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

Any provisions of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable: (a) representations made by the franchisor or its personnel or agents to a prospective franchisee; (b) reliance by a franchisee on any representations made by the franchisor or its personnel or agents; (c) reliance by a franchisee on the franchise disclosure document, including any exhibit thereto; and (d) violations of any provisions of this division.

Fee Deferral:

The Department of Financial Protection and Innovation requires that the Franchisor defer the collection of all initial fees from California franchisees until the Franchisor has completed all its pre-opening obligations and franchisee is open for business.



HAWAII

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit J of the FDD on the page entitled, "State Effective Dates."

2. States which have refused, by order or otherwise, to register these Franchises are:

None

3. States which have revoked or suspended the right to offer the Franchises are:

None

4. States in which the proposed registration of these Franchises has been withdrawn are:

None

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

ILLINOIS

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to the franchisee, and the franchisee has commenced doing business. This financial assurance was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Illinois law governs the Franchise Agreement.

In conformance with section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

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

See the last page of this Exhibit G for your required signature.

INDIANA

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice of law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material

breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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

IOWA

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be cancelled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.



If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to HV Swim Franchise LLC, 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: _____

By: _____

Print Name: _____

Its: _____

Date: _____

MARYLAND

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENTS AND AREA DEVELOPMENT AGREEMENT

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

Representations in the Franchise Agreement and Area Development Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement and Area Development Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

Section 1 of the Franchise Agreement is revised to remove the following language: It is your responsibility to read through the entire Franchise Agreement. This Franchise Agreement creates legal obligations you must follow. We recommend that you consult with a legal professional to ensure that you understand these obligations. If you have questions, or if you do not understand a certain provision or section, please review it with your legal and financial advisors before you sign this Franchise Agreement.



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

Fee Deferral:

Item 5 of the Franchise Disclosure Document, the Franchise Agreement and Area Development Agreement are hereby amended to state: “Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

MICHIGAN

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 your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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 five years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six months’ advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us 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 our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

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

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you 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:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
525 W. Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

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



MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

9. Item 6 of the FDD and Section 6.2 of the Franchise Agreement are revised to state: Non-sufficient funds checks and related interest and attorneys' fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on initial service charges and requires notice and opportunity to cure prior to assessing interest and attorneys' fees.
10. The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, a court will determine if a bond is required.
11. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.
12. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
13. Items 5 and 7 of the FDD, the Franchise Agreement, and the Area Development Agreement are amended to state: Payment of the Initial Franchise Fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business. The Development Fee will be deferred until the first franchise is open and operational.

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 SERVICES OR 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 ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a 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 pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from 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 license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for a 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.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee.**”

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum,**” and Item 17(w), titled “**Choice of law:**”

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements -- No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor,

franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts -- Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any section of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 18 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

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

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials _____ Date _____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to HV Swim Franchise LLC, 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

Date: _____

By: _____

Print Name: _____

Its: _____

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including, but not limited to, all venue, choice of law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.



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

SOUTH DAKOTA

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

VIRGINIA

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for HV Swim Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

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.

The following is added to the Special Risks About This Franchise Page:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$88,845 and \$126,995. This amount exceeds the franchisor’s stockholders’ equity as of December 31, 2023, which is \$58,636.

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

WASHINGTON

ADDENDUM TO FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT, AND FRANCHISE DISCLOSURE DOCUMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the 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, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a non-competition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a non-competition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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



WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

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

(Signatures on following page)

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“Addenda”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

☐ California
☐ Hawaii
☐ Illinois
☐ Iowa
☐ Indiana
☐ Maryland

☐ Michigan
☐ Minnesota
☐ New York
☐ North Dakota
☐ Ohio

☐ Rhode Island
☐ South Dakota
☐ Virginia
☐ Washington
☐ Wisconsin

Dated: _____, 20____

FRANCHISOR:

HV SWIM FRANCHISE LLC

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

Rev. 071823



EXHIBIT H

CONTRACTS FOR USE WITH THE HUDSON VALLEY SWIM FRANCHISE

The following contracts contained in Exhibit H are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Hudson Valley Swim Business. The following are the forms of contracts that HV Swim Franchise LLC uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.



EXHIBIT H-1

HUDSON VALLEY SWIM FRANCHISE

SAMPLE GENERAL RELEASE AGREEMENT

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims ("Release") is made as of _____, 20__ by _____, a(n) _____ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of HV Swim Franchise LLC, a New York limited liability company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement ("Agreement") pursuant to which Franchisee was granted the right to own and operate a Hudson Valley Swim business;

WHEREAS, (Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release), and Franchisor has consented to such (transfer/successor franchise agreement/amendment/termination/other reason); and

WHEREAS, as a condition to Franchisor's consent to (transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor's consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties.** Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release.** Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third-party claim. Releasor represents and warrants to the Released Parties, and agrees,



that it may later learn of new or different facts, but that still, it is Releasor's intention to fully, finally, and forever release all of the claims that are released above. This includes the Releasor's waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor").

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of New York.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

i. This Release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, and the rules adopted thereunder in accordance with RCW 19.100.220.

IN WITNESS WHEREOF, Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

Sign: _____

Printed Name: _____

Title: _____

FRANCHISEE'S OWNERS:

Date _____

Signature

Typed or Printed Name

Signature

Typed or Printed Name

Rev. 092122



EXHIBIT H-2

HUDSON VALLEY SWIM FRANCHISE

SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“SP Agreement”) is entered into by the undersigned (“you” or “your”) in favor of HV Swim Franchise LLC, a New York limited liability company, and its successors and assigns (“us,” “we,” or “our”), upon the terms and conditions set forth in this SP Agreement.

1. **Definitions.** For purposes of this SP Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Hudson Valley Swim business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Hudson Valley Swim business or the solicitation or offer of a Hudson Valley Swim franchise, whether now in existence or created in the future.

“*Franchisee*” means the Hudson Valley Swim franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Hudson Valley Swim business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our Franchise Operations Manual for the operation of a Hudson Valley Swim business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Hudson Valley Swim business, including “Hudson Valley Swim,” and any other trademarks, service marks, or trade names that we designate for use by a Hudson Valley Swim business. The term “Marks” also includes any distinctive trade dress used to identify a Hudson Valley Swim business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing or attempting to induce any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.



“Restricted Period” means the two-year period after you cease to be a manager or officer of Franchisee’s Hudson Valley Swim business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the *“Restricted Period”* means the two-year period after you cease to be a manager or officer of Franchisee’s Hudson Valley Swim business.

“Restricted Territory” means the geographic area within: (i) a 25-mile radius from any Pool used in the Franchisee’s Hudson Valley Swim Business; and (ii) a 25-mile radius from all other Pools used by Hudson Valley Swim businesses that are operating as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the *“Restricted Territory”* means the geographic area within a 12.5-mile radius from each Pool used in the Franchisee’s Hudson Valley Swim Business.

“System” means our system for the establishment, development, operation, and management of a Hudson Valley Swim business, including Know-how, proprietary programs and products, Manual, and operating system.

2. Background. You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this SP Agreement.

3. Know-How and Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Hudson Valley Swim business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s Hudson Valley Swim business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this SP Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

4. Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Hudson Valley Swim business by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. Immediate Family Members. You acknowledge that you could circumvent the purpose of this SP Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have



violated the terms of this SP Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this SP Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this SP Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SP AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

8. Breach. You agree that failure to comply with the terms of this SP Agreement will cause substantial and irreparable damage to us and/or other Hudson Valley Swim franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this SP Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this SP Agreement are exclusive of any other, but may be combined with others under this SP Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this SP Agreement.

9. Miscellaneous.

a. If we pursue legal remedies against you because you have breached this SP Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This SP Agreement will be governed by, construed, and enforced under the laws of the state where the franchisee's Hudson Valley Swim Business is located apply, subject to applicable state law, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this SP Agreement.

c. Each section of this SP Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this SP Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this SP Agreement agrees that the court may impose such limitations on the terms of this SP Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this SP Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this SP Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this SP Agreement to ensure that the terms and covenants in this SP Agreement are enforceable under applicable law.

EXECUTED on the date stated below.



Date _____

Signature _____

Typed or Printed Name _____

Rev. 120619

EXHIBIT H-3

HUDSON VALLEY SWIM FRANCHISE

SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Confidentiality Agreement”) is entered into by the undersigned (“you”) in favor of HV Swim Franchise LLC, a New York limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Confidentiality Agreement.

1. Definitions. For purposes of this Confidentiality Agreement, the following terms have the meanings given to them below:

“*Hudson Valley Swim Business*” means a business that provides classes that teach proper swim techniques and water safety for all age groups and abilities. and other related products and services using our Intellectual Property.

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Hudson Valley Swim franchisees to use, sell, or display in connection with the marketing and/or operation of a Hudson Valley Swim Business, whether now in existence or created in the future.

“*Franchisee*” means the Hudson Valley Swim franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Hudson Valley Swim Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our Franchise Operations Manual for the operation of a Hudson Valley Swim Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Hudson Valley Swim Business, including “Hudson Valley Swim” and any other trademarks, service marks, or trade names that we designate for use by a Hudson Valley Swim Business. The term “Marks” also includes any distinctive trade dress used to identify a Hudson Valley Swim Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a Hudson Valley Swim Business, including Know-how, proprietary programs and products, Franchise Operations Manuals, and operating system.

2. Background. You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Confidentiality Agreement. In order to avoid such damage, you agree to comply with this Confidentiality Agreement.



3. Know-How and Intellectual Property: Nondisclosure and Ownership. You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the Hudson Valley Swim Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of HV Swim Franchise LLC. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

4. Immediate Family Members. You acknowledge you could circumvent the purpose of this Confidentiality Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Confidentiality Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

5. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Confidentiality Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Confidentiality Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS CONFIDENTIALITY AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

6. Breach. You agree that failure to comply with this Confidentiality Agreement will cause substantial and irreparable damage to us and/or other Hudson Valley Swim franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Confidentiality Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Confidentiality Agreement are exclusive of any other, but may be combined with others under this Confidentiality Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Confidentiality Agreement.



7. Miscellaneous.

a. Although this Confidentiality Agreement is entered into in favor of HV Swim Franchise LLC, you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Confidentiality Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Confidentiality Agreement will be governed by, construed, and enforced under the laws of the state where the franchisee's Hudson Valley Swim Business is located apply, subject to applicable state law., and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Confidentiality Agreement.

d. Each section of this Confidentiality Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Confidentiality Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Confidentiality Agreement agrees that the court may impose such limitations on the terms of this Confidentiality Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date _____

Signature

Typed or Printed Name

Rev. 032916



EXHIBIT H-4

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

Bank Account Information:

Bank Name	
Bank Mailing Address (street, city, state, zip)	
<input type="checkbox"/> Checking <input type="checkbox"/> Savings	
Bank Account No.	Bank Routing No. (9 digits)
(check one)	
Bank Mailing Address (city, state, zip)	Bank Phone No.

Authorization:

Franchisee hereby authorizes HV Swim Franchise LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____
Printed Name: _____
Its: _____

Federal Tax ID Number: _____

Rev. 032916

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.



EXHIBIT H-5

HUDSON VALLEY SWIM FRANCHISE

SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment ("Approval Agreement") is entered into on _____, 20____, between HV Swim Franchise LLC ("Franchisor"), a New York limited liability company, _____ ("Former Franchisee"), the undersigned owners of Former Franchisee ("**Owners**") and _____, ("New Franchisee").

RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated _____, 20____ ("Former Franchise Agreement"), in which Franchisor granted Former Franchisee the right to operate a Hudson Valley Swim franchise located at _____ ("Franchised Business"); and

WHEREAS, Former Franchisee desires to assign ("Requested Assignment") the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Approval Agreement, including that New Franchisee sign Franchisor's current form of franchise agreement together with all exhibits and attachments thereto ("New Franchise Agreement"), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement ("Franchisor's Assignment Fee").

2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Approval Agreement, and conditioned upon New Franchisee's signing the New Franchise Agreement pursuant to Section 5 of this Approval Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor's Assignment Fee from Former Franchisee and the mutual execution of this Approval Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Approval Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee's rights to operate the Franchised Business are terminated and that from the date of this Approval Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication



survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Hudson Valley Swim franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Approval Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("Transaction") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to approving the Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Approval Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Approval Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Approval Agreement, the term "Affiliates" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Approval Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Approval Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Approval Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Approval Agreement shall be governed by, and construed and enforced in accordance with, the laws of the state where the franchisee's Hudson Valley Swim Business is located apply, subject to applicable state law.

(Signatures on following page)



IN WITNESS WHEREOF, the parties have executed this Approval Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

FRANCHISOR:

HV SWIM FRANCHISE LLC

Sign: _____

Printed Name: _____

Title: _____

FORMER FRANCHISEE:

Sign: _____

Printed Name: _____

Title: _____

NEW FRANCHISEE:

Sign: _____

Printed Name: _____

Title: _____

Rev. 031821



EXHIBIT H-6

HUDSON VALLEY SWIM FRANCHISE

SAMPLE FACILITY SUB-LICENSE AGREEMENT

This Facility Sub-License Agreement (hereinafter referred to as (“FSLA”)) is entered into between HV Swim Franchise, LLC, a New York limited liability company (hereinafter referred to as “Franchisor”) and _____, _____ (hereinafter referred to as “Franchisee”).

Whereas, Franchisor and Franchisee have entered into a Franchise Agreement dated _____ whereby Franchisee shall operate a Hudson Valley Swim franchise.

Whereas, Franchisor has entered into a Master Facility License Agreement (hereinafter referred to as (“MFLA”)) with Fitness International, LLC and Fitness & Sports Clubs, LLC (individually and collectively referred to as “Licensor”) dated October 1, 2022 whereby Licensor will permit Franchisor and its Franchisees to provide swim instruction services at Licensor’s facilities pursuant to the terms and conditions of the MFLA.

Whereas, Franchisee wishes to operate at one or more of the facilities listed in the Exhibit A under License by Franchisor from Licensor and Franchisor is willing to allow such use of the facilities pursuant to the terms of the FSLA. The Parties shall enter into a Location Memorandum Sub-Agreement (hereinafter referred to as (“LMSA”)) in the form annexed hereto as **Exhibit 1** with respect to each facility at which Franchisee will operate.

The Parties therefore agree as follows:

1. **Recitals.** Each of the above introductory recitals are incorporated herein.
2. **Incorporation of MFLA.** The provisions of the MFLA are incorporated herein by reference. Except as otherwise expressly set forth herein, this FSLA shall be construed in accordance with the provisions of the MFLA. Franchisee acknowledges that it has received a copy of the MFLA and has had an opportunity to review the MFLA and agrees to be bound by all the terms and provisions of the MFLA as if it were a party thereto.
3. **Term.** Franchisee shall be permitted to operate at each facility for which it has entered into a LMSA for such term as agreed to between Franchisor and Licensor in the MFLA. The binding provisions of the MFLA include, but are not limited to, Section 3 specifying the term and Section 11 governing termination of the rights under the MFLA.
4. **Fees and Payments.** Upon entering into an LMSA, Franchisee shall pay to Franchisor a deposit as set forth therein. In addition, on a monthly basis and within five (5) days of issuance of an invoice to Franchisee, Franchisee shall pay to Licensor via Electronic Funds Transfer or such other automated electronic payment method as required by Licensor, the full invoice amount which shall total the amount invoiced by Licensor for use of the facility. Franchisee shall execute such further documentation as required to effectuate the electronic payments.
5. **Insurance.** Prior to Franchisee’s use of any facility governed by this FSLA or LMSA, it shall obtain and provide proof to Franchisor of insurance of the types and in the amounts required by the MFLA including Section 8 thereof. Each policy shall name Franchisee and each party set forth in Section 8 of the MFLA as additional insureds in accordance with the terms of the MFLA.



6. **Default.** Franchisee shall be deemed to be in default under this FSLA if (1) it fails to make all timely payments required hereunder or under the MFLA; (2) it fails to comply with any of the terms and conditions of the MFLA; (3) it fails to comply with any of the terms and conditions of this FSLA or (4) if Franchisee files for bankruptcy or becomes insolvent, that is, unable to pay its obligations when they become due. Upon a default by Franchisee, Franchisor may take such actions as are permitted in this FSLA or the MFLA including, but not limited to, the termination of the FSLA or, if warranted, as determined in Franchisor's sole discretion, the termination of the Franchise Agreement. Other than a default in payments due, Franchisor shall provide Franchisee a notice of default and notice to cure such default.
7. **Indemnification of Franchisor.** From and at all times after the date of this FSLA, Franchisee, shall, to the fullest extent permitted by law, defend, indemnify and hold harmless Franchisor and each director, officer, employee, attorneys, agent and affiliate of Franchisor (collectively, the "Indemnified Parties") from and against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs and expenses of any kind or nature whatsoever (including without limitation reasonable attorneys' fees, costs and expenses) incurred by or asserted against any of the Indemnified Parties from and after the date hereof, whether direct, indirect or consequential, as a result of or arising from or in any way relating to any claim, demand, suit, action or proceeding (including any inquiry or investigation) by any person, including without limitation Licensor or any customer of Franchisee whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this FSLA or any transactions contemplated herein, whether or not any such Indemnified Party is a party to any such action, proceeding, suit or the target of any such inquiry or investigation; *provided, however*, that no Indemnified Party shall have the right to be indemnified hereunder for any liability finally determined by a court of competent jurisdiction, subject to no further appeal, to have resulted solely from the gross negligence or willful misconduct of such Indemnified Party. Each Indemnified Party shall, in its sole discretion, have the right to select and employ separate counsel with respect to any action or claim brought or asserted against it, and the reasonable fees of such counsel shall be paid upon demand by Franchisee. The obligations of Franchisee shall survive any termination of this FSLA.
8. **Notices.** All communications, notices and instructions required herein shall be in writing and shall be deemed to have been duly given if delivered by (a) hand or first class, registered or certified mail, return receipt requested, postage prepaid, (b) facsimile or electronic transmission if followed by letter and affirmative confirmation of receipt is received (such facsimile or electronically transmitted notice to be effective on the date such affirmative confirmation of receipt is received), or (c) overnight courier (such notice to be effective the following business day if instructions to deliver such notice on the next business day are given) and addressed as follows:

If to Franchisor:

HV Swim Franchise, LLC
Attn: Jeffrey Gartner
827 State Route 82, Suite 10-199
Hopewell Junction, New York 12533



And

Handel & Carlini, LLP
1984 New Hackensack Road
Poughkeepsie, New York 12603
Attn: Anthony C. Carlini, Jr. Esq.
Fax: (845) 297-2250
Email: anthony@handelcarlini.com

If to Franchisee:

And

9. **Assignment.** This FSLA shall not be assignable absent written consent of the Parties. Any assignment absent written consent shall be deemed void *ab initio*, except that the merger or acquisition of all or substantially all the assets of any of the parties shall not require written consent, but shall require written notice to each of the Parties. Notwithstanding the foregoing, all covenants contained in this FSLA by or on behalf of the Parties shall bind and inure to the benefit of such parties and their respective heirs, administrators, legal representatives, successors and assigns.
10. **Prevailing Party.** If any action is brought to enforce this FSLA, or is brought in connection with any dispute arising out of this FSLA or the claims which are the subject of this FSLA, each prevailing Party shall be entitled to recover damages, fees, and other costs incurred in such action which they may prove are the direct and proximate result of any breach hereof in addition to any other relief which such Party may be entitled to by law, including but not limited to attorneys' fees.
11. **Choice of Law and Forum Selection.** This Agreement is entered into in the State of New York, and this Agreement and any rights, remedies, or obligations provided for in this Agreement, shall be construed and enforced in accordance with the laws of the State of New York, without regard to conflicts of law. Any dispute arising between the parties related to the interpretation or enforcement of this FSLA shall be resolved by litigation in the Supreme Court for the County of Dutchess, State of New York.
12. **Jury Trial Waiver.** Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect to any litigation, directly or indirectly, arising out of or relating to this FSLA or the transactions contemplated by this FSLA. Each party: (i) certifies that no representative or agent of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver; and (ii)

acknowledges that such party has been induced to enter into this agreement by, among other things, the provisions of this section.

13. **Construction.** The following terms of construction apply to this Agreement: (i) this Agreement shall be construed as if all Parties jointly prepared it, and any uncertainty or ambiguity in this FSLA shall not be interpreted against any one Party; (ii) headings are included for convenience of reference only; (iii) words importing the singular shall include the plural, and vice versa; (iv) words importing the masculine gender shall include the feminine and neutral genders; and (v) “including,” “includes,” and comparable terms mean “including without limitation.”
14. **Severability.** The provisions of this FSLA are severable. If any portion, provision, or part of this FSLA is held, determined, or adjudicated to be invalid, unenforceable, or void for any reason whatsoever, each such portion, provision or part shall be severed from the remaining portions, provisions, or parts of this Agreement and shall not affect the validity or enforceability of any remaining portions, provisions, or parts.
15. **Amendments.** All alterations, amendments, and modifications to this FSLA must be in writing and duly executed by all Parties.
16. **Voluntary Agreement; Representation by Counsel.** Each Party acknowledges that: (i) such Party is fully aware of the contents of this FSLA; (ii) this FSLA is executed voluntarily by such Party, without duress or undue influence on the part of, or on behalf of any of other Party; and (iii) (1) if such Party is represented by counsel, such Party has had this FSLA and its legal effect fully explained by counsel or (2) if such Party is not represented by counsel, such Party had the opportunity to consult legal counsel of such Party’s own selection and the decision not to be represented by counsel is a decision that such Party has freely made.
17. **Binding Effect.** This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective heirs, executors, administrators, agents, representatives, successors, and assignees.
18. **Entire Agreement.** This FSLA constitutes a single, integrated, written contract expressing the entire understanding and agreement between the Parties, and the terms of this Agreement are contractual and not merely recitals. There is no other agreement, written or oral, expressed or implied, between the Parties with respect to the subject matter of this FSLA and the Parties declare and represent that no promise, inducement or other agreement not expressly contained in this FSLA has been made conferring any benefit upon them.
19. **Further Assurances.** Each Party shall perform such further acts and things and execute and deliver to the other such additional agreements, powers and instruments, as may reasonably require or reasonably deem advisable to carry into effect the purposes of this FSLA or to better assure and confirm unto the other its rights, powers, and remedies hereunder.
20. **Survival.** All representations and warranties contained herein shall survive the execution and delivery of this FSLA, and the execution and delivery of any other document or instrument referred to herein.

21. **Counterparts; Electronically Transmitted Signatures.** This FSLA may be executed electronically and in multiple counterparts. All such counterparts, including those electronically executed, shall constitute a single form of this Agreement. This Agreement may be stored electronically so long as the Agreement is not altered except as permitted herein, is readily accessible, and accurately reflects the Agreement.
22. **Authority.** If Franchisee is a corporation, limited liability company, trust, or general or limited partnership, Franchisee, and each individual executing this FSLA on behalf of such entity, represent and warrant that such individual is duly authorized to execute and deliver this FSLA on behalf of said entity and that no additional signatures or consent are required for this FSLA to be the binding legal obligation of such entity.

Signature page follows

FRANCHISOR:

HV SWIM FRANCHISE LLC,
a New York limited liability company

FRANCHISEE:

[INSERT NAME OF FRANCHISEE]
a(n) [state] [limited liability company /
partnership / corporation]

Sign: _____

Sign: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Or if Franchisee is an individual(s)

Sign: _____
individually

Printed Name: _____

Sign: _____
individually

Printed Name: _____



EXHIBIT A
TO THE HUDSON VALLEY SWIM FACILITY
SUB-LICENSE AGREEMENT

Location(s) under sub-license to this agreement are as follows:

1) Facility Name:_____.

○ Located in: _____

○ Address: _____

EXHIBIT I

FRANCHISE DISCLOSURE QUESTIONNAIRE

(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)

As you know, HV Swim Franchise LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement and Area Development Agreement, if applicable, for the operation of a Hudson Valley Swim franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement and Area Development Agreement, if applicable.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

Do not sign this Questionnaire if you are a resident of Maryland or the franchise is to be operated in Maryland.

1. Yes___ No___ Have you received and personally reviewed the Franchise Agreement and Area Development Agreement, if applicable, and each attachment or exhibit attached to it that we provided?
2. Yes___ No___ Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?
3. Yes___ No___ Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
4. Yes___ No___ Do you understand all the information contained in the Franchise Disclosure Document and Area Development Agreement, if applicable?
5. Yes___ No___ Have you reviewed the Franchise Disclosure Document and the Franchise Agreement (and Area Development Agreement, if applicable) with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?
6. Yes___ No___ Do you understand the risks of developing and operating a Hudson Valley Swim Franchise?
7. Yes___ No___ Do you understand the success or failure of your Hudson Valley Swim Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?
8. Yes___ No___ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement and Area Development Agreement, if applicable, must be arbitrated in the state where the franchisee’s Hudson Valley Swim Business is located apply, subject to applicable state law., if not resolved informally or by mediation (subject to state law)?



9. Yes___ No___ Do you understand that you must satisfactorily complete the initial training program before we will allow your Hudson Valley Swim Franchise to open or consent to a transfer of the Hudson Valley Swim Franchise to you?
10. Yes___ No___ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Hudson Valley Swim Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
11. Yes___ No___ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise agreement and Area Development Agreement, if applicable, and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes___ No___ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Hudson Valley Swim Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes___ No___ Do you understand that the Franchise Agreement and Area Development Agreement, if applicable, including each attachment or exhibit to the Franchise Agreement and Area Development Agreement, if applicable, contains the entire agreement between us and you concerning the Hudson Valley Swim Franchise?
14. Yes___ No___ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)



Date _____

Date _____

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

Rev. 071823

EXHIBIT J

STATE EFFECTIVE DATES



State Effective Dates

The following states have franchise laws that require that the Franchise 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 document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	June 18, 2024
Illinois	August 1, 2024
Maryland	Pending
Michigan	June 12, 2024
Minnesota	July 26, 2024
New York	July 9, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT K

RECEIPTS



RECEIPT
(Retain This Copy)

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 HV Swim Franchise 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.

Under Iowa law, if applicable, HV Swim Franchise LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires HV Swim Franchise LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If HV Swim Franchise 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, DC 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Jeffrey G. Gartner, 827 State Route 82, Ste. 10-199, Hopewell Junction, New York 12533, 888-4HVSWIM

Issuance Date: April 26, 2024

I received a disclosure document issued April 26, 2024 which included the following exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Financial Statements
Exhibit C	Franchise Agreement
Exhibit D	Area Development Agreement
Exhibit E	List of Current and Former Franchisees/Area Developers
Exhibit G	State Addenda and Agreement Riders
Exhibit F	Franchise Operations Manual Table of Contents
Exhibit H	Contracts for use with the Hudson Valley Swim Franchise
Exhibit I	Franchise Disclosure Questionnaire
Exhibit J	State Effective Dates
Exhibit K	Receipt

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

PLEASE RETAIN THIS COPY FOR YOUR RECORDS.

Rev. 012417



**RECEIPT
(Our Copy)**

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 HV Swim Franchise 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.

Under Iowa law, if applicable, HV Swim Franchise LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires HV Swim Franchise LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If HV Swim Franchise 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.

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Exhibit I	Franchise Disclosure Questionnaire
Exhibit J	State Effective Dates
Exhibit K	Receipt

_____	_____	_____
Date	Signature	Printed Name

_____	_____	_____
Date	Signature	Printed Name

Rev. 012417

Please sign this copy of the receipt, date your signature, and return it to HV Swim Franchise LLC, 827 State Route 82, Ste. 10-199, Hopewell Junction, New York, 12533.

