FRANCHISE DISCLOSURE DOCUMENT

California Pools Franchise Inc., a Wyoming corporation
141 East Mercer Street, Suite A1, Dripping Springs, Texas 78620
Telephone: (800) 282-7665
www.californiapools.com
franchise@californiapools.com

As a franchisee, you will operate a swimming pool and spa construction and remodeling business under the name California Pools®.

The total investment necessary to begin operation of a California Pools franchise is $72,940 to $126,340. This includes $45,000 to $45,500 that must be paid to the franchisor or its affiliate(s). If you are converting from our affiliate's license or agency agreement, the total investment necessary to begin operation of a California Pools franchise is $9,440 to $25,840. This includes $0 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any 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 Steve Terry at 141 East Mercer Street, Suite A1, Dripping Springs, Texas 78620, franchise@californiapools.com and (800) 282-7665.

The terms of your contract will govern your franchise relationship. Don't 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, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: August 21, 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 G**.**
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 C 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 California Pools 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 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a California Pools franchisee?	Item 20 or Exhibit G 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 E.

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 Austin, Texas. 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 Texas than in your own state.

2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

3. **Mandatory Minimum Payments**. You must make minimum royalty payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

4. **Spousal Liability**. In a community property state, your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement 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.

5. **Turnover Rate**. In the last year, a high percentage of franchised outlets were terminated. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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.

ADDENDUM TO THE CALIFORNIA POOLS FRANCHISE INC.
FRANCHISE DISCLOSURE DOCUMENT
FOR THE 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 a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

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

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

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

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

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

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

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, P.O. Box 30213, Lansing, Michigan 48909 and (517) 335-7567.

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

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this disclosure document, "California Pools", “we” or "us" means the franchisor, California Pools Franchise Inc. “You” means the person who buys the franchise. If the franchisee is a corporation, partnership, limited liability company or other entity, “you” may also refer to its owners.

California Pools is a Wyoming corporation that was incorporated on March 12, 2018. Our principal business address is 141 East Mercer Street, Suite A1, Dripping Springs, Texas 78620.

We do not have any parent companies or predecessors. Other than our affiliates disclosed below, we do not have any affiliates that are required to be disclosed in this Item. If you are a corporation, limited liability company or other entity, we may require some or all of your owners to sign the Guaranty and Assumption of Franchisee’s Obligations attached to the Franchise Agreement (Exhibit D), which means that all provisions of the Franchise Agreement also will apply to those owners.

Our Affiliates

Our affiliate California Pools, Inc. (“CPI”) has its principal business address at 901 Caller Amanecer Suite #16, San Clemente California 92673, c/o Cover Law. CPI began operating the original California Pools business in Southern California in 1952. In the early 1980s, CPI began licensing and hiring agents to use the California Pools name and system in new locations. As of August 2024, CPI has licensees located in Arizona and it has agents located in California. CPI’s licensees and agents operate the same business that we are offering in this disclosure document. We are in the process of converting CPI’s licensees and agents to our franchise system. Other than as disclosed in this paragraph, CPI has not offered licenses, agency agreements or franchises in any line of business.

Our affiliate Wildcat Management South, Inc. (doing business in California as Wildcat Base) (“Wildcat”) is located at 141 E Mercer Street, Suite A-1, Dripping Springs, Texas 78620. It began operating in 2018. Wildcat provides us and franchisees with back-end office support. Wildcat has never offered franchises in any line of business.

Our affiliate Poologics, Incorporated (“Poologics”) is located at 3700 Bell Springs Road, Dripping Springs, Texas 78620. Poologics began operating in 2011. It provides franchisees with an Internet portal for accounting, business operations and customer relationship management functions. All franchisees are required to pay for and use Poologics in the operation of the franchised business. Poologics has never offered franchises in any line of business.

The System and Its Development

We began offering CP Business franchises in 2018. We franchise the right to operate a California Pools swimming pool and spa construction and remodeling business (a “CP Business”). Each Franchise Agreement gives you the right to operate a single CP Business at the location set forth in Exhibit A of the Franchise Agreement.

California Pools offers franchisees expert design solutions and innovative, proprietary construction techniques, access to the Poologics portal and use of our trademarks, service marks and brand image and goodwill (the "System").

Other than franchising California Pools, we do not currently engage in other business activities. Although we have never offered franchises in any other line of business and have never operated a business of the type franchisees will operate, we do have plans to offer a separate franchise to operate a California Pools swimming pool and spa servicing business. Franchisees of the construction and remodeling business and the servicing business will use the same name and may be located in the same area but the services they offer to customers will not overlap or compete.

Unless we require you to operate the CP business from a commercial location, you may operate the CP Business from any location in your territory, and it can be operated by as few as one person.

Competition

The general market for the services offered by the CP Business is well developed and competitive and it can be seasonal in places that experience more extreme weather patterns. Your competitors include other pool contractors, general contractors, design builders, architects and other contracting and design professionals, consultants and engineers.

Industry-Specific Regulations

In addition to federal and state laws and regulations that apply to businesses generally, you may be subject to federal and state laws and regulations relating to contracting and construction, real estate, land use and zoning and professional consulting services. Some states, like California, will require you to maintain an active contractor's license to operate the CP Business. You should consult with your own advisors and the government agencies in your state and location for information on how these laws apply to you. You will be responsible to comply with all applicable laws and regulations at your own expense. In addition, you must comply with the requirements of the trade association we designate at your own expense.

Our agents for service of process are disclosed on Exhibit E of this disclosure document.

ITEM 2

BUSINESS EXPERIENCE

Ryder Steimle, Chief Executive Officer. Ryder has served as our Chief Executive Officer since our inception in 2018. Since 2004, Ryder has been the Chief Executive Officer of California Pools, Inc. Ryder is located in San Clemente, California.

Steve Terry, President. Steve has served as our President since our inception in 2018. Since 2021, Steve has also served as President of Wildcat Management South, Inc. in Dripping Springs, Texas. From 2012 to 2021, Steve was President of California Pools, Inc. Steve is located in Dripping Springs, Texas.

Justin McGuire, New Franchise Development Specialist. Justin has served as our New Franchise Development Specialist since May 2024. He also has been President of TexMax Consulting since May 17, 2023. He previously was a franchisee of California Pools in Austin, Texas from December 2018 to July 2023. Justin is located in Austin, Texas.

ITEM 3

LITIGATION

Brian Kavanaugh and Jennifer Kavanaugh vs. Precision Watershapes, Inc. d/b/a California Pools of Texas ("**Precision**"), and Justin McGuire (American Arbitration Association Case No. 01-23-0005-8637). On July 2023, plaintiffs filed an action against defendants in the District Court in Travis County, Texas (Case No.D-1-GN-23-004067) against Precision Watershapes, Inc., Justic McGuire, Carols Rodriques, Simon Martinez, SM Pool Construction Specialist, Easy Mix Concrete Services LCC and Atlantis Pools Plastering Inc. Defendants include Justin McGuire, the owner of Precision and our current New Franchise Development Specialist. Plaintiffs contracted with Precision to construct a pool at Plaintiffs' residence. Plaintiffs claim that (1) Precision breached its contract by among other things, building a defective pool, (2) Precision breached its express warranty to construct and complete the improvements in a good and workmanlike manner, (3) Precision and McGuire violated the Texas Deceptive Trade Practices Act and engaged in a variety of false, misleading or deceptive practices, and (4) all defendants committed negligence for failure to construct the pool in a good and workmanlike manner. Plaintiffs seek attorneys' fees, court costs, and damages for, among other things, their actual damages, reasonable and necessary repair costs and future repair costs, and any reduction in market value of home. In September 2023, defendants submitted a Motion to Compel Arbitration, which was granted in December 2023 and scheduled for October 31, 2024. We are not a party to this dispute.

Except as described above, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Franchisees are required to pay us an initial franchise fee of $45,000 when the Franchise Agreement is signed; however, agents or licensees of CPI (as described in Item 1) who are converting their existing businesses to our System pay no initial franchise fee when the Franchise Agreement is signed. We may allow certain franchisees to pay the initial franchise fee in 6 to 12 equal monthly installments rather than in a lump sum. The first installment is due upon signing the Franchise Agreement. We do not charge interest on the unpaid balance. The initial franchise fee is not refundable under any circumstances.

We currently offer a discount program, which we may revise or discontinue at any time, for qualified veterans & first responders. For qualified individuals who were (i) honorably discharged from any branch of the United States Military, or (ii) are currently employed as a first responder

(firefighter, law enforcement officer, paramedic, emergency medical technician, or other individual who, in the course of their professional duties, responds to fire, medical, hazardous material, or other similar emergencies), the initial franchise fee is discounted by 10% (or $4,500).During the 2023 calendar year, franchisees paid initial franchise fees ranging from $6,500 (as part of an installment plan for an initial franchise fee of $25,000) to $35,000.

We do not charge a training fee for one individual to attend our initial training program. Training is available for additional persons if you pay our then-current training fee (currently, $250 per day per person) for each day of in-person training. We currently provide 2 days of in-person training.

ITEM 6

OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fees	For franchisees operating in California, 5.25% of Gross Revenues for the first 12 months of operation of the CP Business. Thereafter, the greater of $1,000 or 5.25% of Gross Revenues For all other franchisees, 4.5% of Gross Revenues for the first 12 months of operation of the CP Business. Thereafter, the greater of $1,000 or 4.5% of Gross Revenues	Monthly	See Note 1
System Marketing Fund Contribution	$350	Monthly	See Note 2
Poologics User Fee	$199	Monthly	See Note 3
Self-Insurance Reserve	1% of Gross Revenues	Monthly	See Note 4
Additional Training	Our then-current training fee (currently $250 per day), plus travel, lodging and meals	Upon receipt of invoice	See Note 5
Professional and Technology Services	$250 - $1,000	Monthly and as incurred	See Note 6
Annual Conference	Travel, lodging and meals	Annually	See Note 7
Annual Training (Optional)	Travel, lodging and meals	Annually	See Note 8

Name of Fee	Amount	Due Date	Remarks
CP Points Program – Annual Vacation	CP Points and any shortfall, as necessary, for travel, lodging and meals	Annually	See Note 9
Late Fee	$50 per day	As incurred	When payment or report is overdue
Interest	10% per annum (or the maximum amount permitted by law, if less)	As incurred	See Note 10
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable if we are successful in any legal proceeding involving the enforcement of any provision of the Franchise Agreement
Indemnification	Payment of our losses and costs	Upon occurrence of liability	See Note 11
Renewal Fee	50% of the then-current initial franchise fee for new franchisees	Upon renewal of the term	See Note 12
Relocation Fee	$2,500	Upon receipt of invoice	Upon approval of a request to relocate your CP Business
Transfer Fee	$5,000 plus 50% of the then-current initial franchise fee for new franchisees	Upon request for consent to transfer	See Note 13
Liquidated Damages	Will vary under circumstances	Upon receipt of invoice	Due only if you fail to operate your CP Business in compliance with the Franchise Agreement and the Franchise Agreement terminates

Name of Fee	Amount	Due Date	Remarks
Audit Expenses	Cost of audit	As incurred	Due only if you understate Gross Revenues figures by 3% or more.

All fees are imposed by and are payable to California Pools, unless otherwise noted. We may vary the frequency and method of payment. We may require you to pay fees via electronic withdrawal from your bank account. Except as otherwise provided, all fees are uniformly imposed and non-refundable, unless otherwise agreed upon between the parties.

Notes:

1. The Royalty Fee is due monthly by Electronic Funds Transfer. We also require franchisees to provide us with a company credit card as security for payment of the Royalty Fee. Payments begin the first month after you open the CP Business. Payments are due on or before the 10th day of the month. The term "Gross Revenues" means the entire gross receipts of every kind and nature from all products sold by the CP Business or services performed by you and excluding only amounts paid to any governmental tax authority. If you are converting to our System from a license or agency agreement with CPI, your Royalty will be the same as the royalty stated in the license or agency agreement, as applicable.

2. Contributions to the System Marketing Fund are due at the same time and in the same manner as the Royalty Fee. We use the System Marketing Fund to promote the System. There is no guarantee that expenditures from the fund will benefit all franchisees equally. If you are converting to our System from a license or agency agreement with CPI, your contributions will be the same as the contributions stated in the license or agency agreement, as applicable.

3. Franchisees must pay this fee to Poologics monthly for use of the Poologics Internet portal, which provides accounting, business operations and customer relationship management functions. This monthly fee is waived for licensees and agents of CPI who are converting to our System.

4. Franchisees must set-aside and reserve 1% of Gross Revenues monthly, until reaching a balance that we periodically designate (the "Reserve Balance"), as a reserve to self-insure against claims or losses that may not be covered by insurance policies or, for whatever reason, are small enough to warrant self-insuring against. If your balance falls below the Reserve Balance at any time during the Franchise Agreement's term, you must immediately resume setting aside 1% of Gross Revenues monthly until you again reach the Reserve Balance. Currently, the Reserve Balance is $100,000.

5. All initial training for one person is included in the initial franchisee fee. Training is offered virtually or at a location we designate. Training for additional persons is available for our then-current training fee (currently $250 per day) plus any travel costs incurred.

6. Professional and technology services consist of consultations with professional services providers, and ongoing services for Internet and cellular when operating the CP Business.

7. We may host an annual conference for all franchisees, typically in spring. If we host an annual conference, it will be mandatory for all franchisees. You will be responsible for all of your travel and related expenses. We do not currently charge a fee for franchise owners to attend the convention but may charge fees for other personnel that attend. We reserve the right to charge all attendees (including franchise owners) a reasonable fee in the future to cover our expenses.

8. We may host quarterly training meetings. We may host the quarterly training meetings online or in person, at locations we designate. We may require you to participate in each quarterly training meeting. You will be responsible for all your expenses in attending, including travel and related expenses (if the meeting is conducted in person). We do not currently charge a fee to attend the training, but reserve the right to charge a reasonable fee in the future to cover our expenses.

9. We administer a rewards program for franchisees called the CP Points Program. Franchisees earn points in the program by generating sales and by making purchases from designated suppliers. Points accrue each calendar year and may be redeemed in the same calendar year in which they accrue toward the annual CP Points Program trip. To the extent you have not accrued enough points to cover the expense of the trip you may pay the difference to participate on the trip. The trip is to a different location each year. Details about the CP Points Program are contained in the Operations Guide.

10. If you do not pay any amount when due, you must pay a late charge at an annual rate of 10%, or the maximum rate permitted by law, whichever is less.

11. You must hold harmless, indemnify and defend us and pay for any claims and losses resulting from the operation of the CP Business.

12. You may renew your Franchise Agreement for two successive 5-year terms upon meeting certain conditions and payment of a renewal fee at the commencement of each 5-year term.

13. This fee is paid only if you wish to transfer your ownership interest in the franchise. There are other conditions to your ability to transfer.

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ITEM 7

ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment

New CP Business

TYPE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE	$45,000	Lump Sum	When you sign the Franchise Agreement	California Pools
TRAVEL AND LIVING EXPENSES WHILE TRAINING	$6,000	As incurred	As incurred	Vendors and suppliers
INITIAL TRAINING FEE FOR ADDITIONAL PERSON	$0 - $500	As incurred	As incurred	California Pools
LEASE, UTILITY & SECURITY DEPOSITS (Note 1)	$0 - $7,500	As incurred	As incurred	Vendors and suppliers
LEASEHOLD IMPROVEMENTS (Note 1)	$0 - $20,000	As incurred	As incurred	Vendors and suppliers
PHTA MEMBERSHIP (Note 2)	$600 - $5,000	As incurred	As incurred	Supplier
CPB TRAINING COURSE AND CERTIFICATION (Note 3)	$2,340	As incurred	As incurred	Supplier
CONTRACTOR'S LICENSE, BUSINESS LICENSE & BUSINESS PERMIT	$0 - $5,000	As incurred	As Incurred	City, State
COMPUTER EQUIPMENT	$5,000	As incurred	As incurred	Suppliers
INSURANCE	$1,500 - $8,500	As incurred	As incurred	Supplier
GRAND OPENING MARKETING	$5,000	As incurred	Before opening	Suppliers
LEGAL AND PROFESSIONAL FEES	$2,500 - $6,500	As incurred	As incurred	Suppliers

TYPE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
ADDITIONAL FUNDS - 3 MONTHS AFTER OPENING (Note 4)	$5,000 - $10,000	As incurred	As incurred	Employees and suppliers
TOTAL (Note 5)	**$72,940 - $126,340**			

Your Estimated Initial Investment

Conversion from our affiliate's license or agency agreement

TYPE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INSURANCE	$1,500 - $8,500	As incurred	As incurred	Supplier
PHTA MEMBERSHIP (Note 2)	$600 - $5,000	As incurred	As incurred	Supplier
CPB TRAINING COURSE AND CERTIFICATION (Note 3)	$2,340	As incurred	As incurred	Supplier
ADDITIONAL FUNDS - 3 MONTHS AFTER OPENING (Note 4)	$5,000 - $10,000	As incurred	As incurred	Employees and suppliers
TOTAL (Note 5)	**$9,440 - $25,840**			

Notes to tables:

1. You do not need to lease office space for the CP Business but if you do, we have provided this estimate based upon office space of approximately 1,000 square feet.

2. Within 60 days after signing the Franchise Agreement, you must obtain, and maintain throughout the term of this Agreement, a membership (the "**Membership**") with the trade association we require, currently the Pool & Hot Tub Alliance ("**PHTA**"). The estimates above reflect annual membership costs, which will vary based on your annual Gross Revenues. You currently may choose to pay membership costs monthly.

3. You must successfully complete the PHTA's C120 Genesis Construction School: Concrete Pools training course ("**CPB Training**"**)** and obtain PHTA's Certified Professional Builder certification (the "**CPB Certification**") before opening the CP Business. The CPB Training currently costs $2090 with the Membership and is a prerequisite course you must complete to take the Certified Professional Builder Exam. You must pay to PHTA an exam fee of $250 and receive a score of at least 75% to obtain the CPB Certification.

4. These miscellaneous start-up costs are our estimate of necessary working capital. You may have additional expenses in starting the CP Business.

5. All figures in Item 7 are estimates only. We base our estimate of these expenses on CPI's experience operating a CP Business in Southern California. The low estimate assumes the franchisee is converting to our System from a license or agency agreement with our affiliate, CPI, and the high estimate assumes the franchise is new to swimming pool and spa contracting. The amount payable to us is nonrefundable. Whether other amounts are refundable will depend upon your agreement with the applicable supplier or other party.

We do not offer financing to franchisees for any of the above items.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may only offer products and services to your clients that we approve. We reserve the right to require you to offer certain products and services in the CP Business to create uniformity system-wide.

All services offered in the CP Business must meet our specifications and standards, as described in our Operations Guide.

Proprietary Products

We and our affiliate have developed certain swimming pool and spa design specifications and processes for swimming pool and spa construction which incorporate trade secrets and information proprietary to us and to the System, as well as sources for products used in furtherance of such designs (the "Proprietary Products"). These Proprietary Products may include additional items if future products or services are developed and authorized for use in CP Businesses. You must purchase all Proprietary Products only from our designated suppliers and in no event may you alter or attempt to substitute any other product for any Proprietary Product. However, we reserve the right to designate suppliers, or for us to the sole supplier, of Proprietary Products.

Construction Standards

In order to strive for a uniform image and uniform quality of products and services throughout CP Businesses, you must comply with the mandatory construction standards that we provide to you (the "Construction Standards"). The Construction Standards may regulate, among other things, the brands, types, and models of products, equipment, services and techniques you use to operate the CP Business; required, preferred, or authorized products, equipment, services and techniques or product, equipment, service and technique categories; and designated,

preferred, or approved suppliers of these items, which might include or be limited to us and/or our affiliates.

Approved Suppliers for Other Products, Inventory or Supplies

We may periodically include suppliers in the Operations Guide from which you must purchase certain products, goods, services, supplies, fixtures, equipment, inventory, computer hardware or software, real estate, or comparable items related to establishing or operating the CP Business. If you want to purchase any products or services for use in the CP Business from a supplier or distributor that we have not yet approved (for products and services that we require you to purchase only from designated or approved suppliers or distributors), the following conditions must be met:

1. The supplier must demonstrate that it can supply an item or service meeting our specifications - this may mean providing us with samples;

2. The supplier must demonstrate its financial soundness, and the reliability of its product or service; and

3. If the item will bear a California Pools trademark, we may require the supplier to sign a license agreement which may include a royalty payment to us.

We generally will notify you of our approval or disapproval of a supplier within 30 days of our receipt of a completed request for approval. We may notify you that the approval of a supplier is revoked at any time if we determine the supplier is not consistent with the System or the standards we set. There is no fee for seeking our approval of a supplier that you desire to use for the CP Business.

Poologics provides franchisees with an Internet portal for accounting, business operations and customer relationship management functions. All franchisees are required to pay for and use Poologics in the operation of the CP Business.

You must use a professional bookkeeping or accounting service to maintain the CP Business' books. You must use our designated supplier of bookkeeping services in the operation of the CP Business for at least 1 year after you begin operations. We may, in our judgment, require you to continue to use our designated supplier of bookkeeping services throughout the Franchise Agreement's term.

Because the CP Business does not require office space to operate, you do not need to consult with us or obtain our approval if you choose to lease space for the CP Business.

Except as described in this Item 8, there currently are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware or software, real estate, or comparable items related to establishing or operating the CP Business that you must purchase from us or designated or approved suppliers.

Other than Poologics, neither we nor our affiliates are approved suppliers, or the only suppliers, of any good or service, and none of our officers owns any interest in any required, recommended or approved supplier.

Insurance

We require all franchisees to obtain and maintain the insurance coverage set forth in our Operations Guide from a carrier with an AM Best rating of at least A-VIII. The required coverage currently includes Comprehensive General Liability including the following minimum coverages and limits: $2,000,000 in the aggregate, $1,000,000 per occurrence, Products Completed Operations $2,000,000, Personal Injury Advertising Liability $1,000,000, Broad Form Property Damage Liability $1,000,000, Blanket Contractual Liability $1,000,000, Premises Medical Payments $5,000. Recommended coverage currently includes Pop-Up Coverage $100,000. Insurance deductibles must not exceed $5,000. You are also required to maintain workers compensation insurance in accordance with applicable law. Required insurance coverage and limits are subject to change upon notice to you.

Computer Systems

We operate a website that uses our name and other trademarks and features our products and services. You are not permitted to develop or operate a website relating to the CP Business, or use our marks online without our express written permission, but we will list all CP Businesses on our website.

All franchisees are required to utilize the Internet portal that is provided by our affiliate, Poologics. The portal contains accounting, business operations and customer relationship management functions. Poologics is the only approved supplier of these services.

* * *

We have negotiated purchase arrangements including price terms with certain material and equipment suppliers for the benefit of our franchisees. These arrangements may change from time to time including the removal and addition of certain suppliers. We derive revenue in the form of a rebate, equal to a percentage of the purchases made by our franchisees, from suppliers with whom we have established purchase arrangements. Some arrangements include the sharing of rebates with franchisees. Purchase arrangements are described in further detail in our Operations Guide.

In the year ending December 31, 2023, we did not receive revenues from the sale of required purchases and leases of products and services to franchisees from us, our affiliates, or third-party suppliers. Our affiliate, CPI, received revenues from the sale of required purchases and leases of products and services to franchisees from us, our affiliates, or third-party suppliers in the amount of $767,213.99, or approximately 67% of CPI's total revenues of $1,145,463,63. Our affiliate, Poologics, received revenues from the sale of required purchases of products and services by franchisees in the amount of $31,213.92. Our affiliate, Wildcat, did not receive any revenues from the sale of required purchases and leases of products and services to franchisees during our 2023 fiscal year.

There are currently no purchasing or distribution cooperatives. We do not provide material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

We estimate that the required purchases and leases described in this Item will constitute approximately 10% to 15% of all purchases and leases you will incur to establish the CP Business and approximately 20% to 30% of all purchases and leases you will incur to operate the CP Business.

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.

	Obligation	Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Not Applicable	Items 8 and 11
b.	Pre-opening purchases/leases	Sections 8(d) and 10	Items 5, 7 and 8
c.	Site development and other pre-opening requirements	Not Applicable	Items 7, 8 and 11
d.	Initial and ongoing training	Section 7(a)	Item 11
e.	Opening	Section 3(a)	Item 11
f.	Fees	Sections 5(d), 6, 7(a)(iii), 7(a)(iv), 7(a)(vi), 7(a)(vii), 8(a), 9(h), 10, 11, 14(b)(i), 14(b)(iii)(F), 14(c), 25 and 29	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/Operating Manual	Sections 3, 7(b), 8(c), 9, 10, 11, 12(b), 16(a)(vii) and 16(b)(i)	Items 8 and 11
h.	Trademarks and proprietary information	Sections 1, 9(a), 9(b), 12 and 17(b)	Items 13 and 14
i.	Restrictions on products/services offered	Sections 9(a) and (c)	Items 8 and 16
j.	Warranty and customer service requirements	Sections 9(c)(i), (d) and (f)	Item 11
k.	Territorial development and sales quotas	Sections 2(b), 2(c), 9(h), and Exhibit A	Item 12
l.	Ongoing product/service purchases	Section 9(a)	Item 8

	Obligation	Section in Agreement	Disclosure Document Item
m.	Maintenance, appearance and remodeling requirements	Sections 9(d) and (e)	Item 11
n.	Insurance	Section 10	Item 8
o.	Advertising	Section 8	Items 6 and 11
p.	Indemnification	Section 11	Item 6
q.	Owner's participation/ management/staffing	Sections 9(c) and 9(f)	Item 15
r.	Records/reports	Sections 9(h) and 9(k)	Item 6
s.	Inspections/audits	Section 9	Item 11
t.	Transfer	Section 14	Item 17
u.	Renewal	Section 5	Item 17
v.	Post-termination obligations	Section 17	Item 17
w.	Non-competition covenants	Section 13	Item 17
x.	Dispute resolution	Section 25	Item 17
y.	Other: Personal Guaranty of franchise owners and spouses	Exhibits B and D of the Agreement	Item 22

ITEM 10

FINANCING

We do not offer financing to you, either directly or indirectly. We do not guarantee your note, lease or other obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Before you begin to operate your CP Business, we will provide:

(1) Define the territory for the CP Business. (Franchise Agreement, Sections 2(b)).

(2) Instruction regarding sub-contracting and selecting tradesman and materials for jobsites. (Franchise Agreement, Section 7(b)).

(3) Approval of advertising and promotional materials (at your expense). (Franchise Agreement, Section 8).

(4) Inclusion of the CP Business, including contact information and images of portfolios of completed projects, on our California Pools company website. (Franchise Agreement, Section 8(f)).

(5) Instruction and training in operating the CP Business and our procedures through meetings, printed material and other media, and access to continuing courses of training at times and locations that we designate. (Franchise Agreement, Section 7(a) and 7(b)).

(6) Initial training for you and your management. We do not charge a training fee for one individual to attend training. Training is available for additional persons if you pay our then-current training fee (currently, $250 per day per person). During training, you will have access to the California Pools confidential Operations Guide and other materials designated by us. You must complete training to our satisfaction before commencing the CP Business and in no event, more than 90 days after signing the Franchise Agreement. If you do not do so we will have the right to terminate your Franchise Agreement, and your initial franchise fee will not be refunded. Initial training will be conducted online or at a location we designate and will include training through manuals, classroom training and other classes as required and presented by us. We provide approximately 80-100 hours of initial training. You will receive no compensation or reimbursement for expenses incurred during participation in training. You will be responsible for all of your expenses to attend the training program, including any lodging, transportation and food. (Franchise Agreement, Section 7(a)).

Following is an outline of the training program:

TRAINING PROGRAM			
SUBJECT	**HOURS OF CLASSROOM TRAINING OR ON-LINE TRAINING**	**HOURS OF ON THE JOB TRAINING**	**LOCATION**
Operations	24	0	Online and/or a location we designate
Sales	16	8	Online and/or a location we designate
Construction	30	12	Online and/or a location we designate
Totals*	**70**	**20**	

* This estimate is the approximate time it will take for 1 trainee to complete the training program. The training time will depend on your experience and learning ability.

Training is designed to cater to the individual needs and experience of franchisees. Training programs are held when necessary to train new franchisees but in some cases, training may only be available periodically. Your training classes may include other franchisees. Steve Terry serves as our training director. Steve has more than 32 years of experience in the industry and has been with us since our inception in 2018.

We anticipate that you will commence the CP Business within 60 to 90 days after you sign the Franchise Agreement and pay the initial franchise fee. The maximum amount of time that you have to commence the CP Business is 90 days after signing the Franchise Agreement. If your CP Business has not commenced operations within 90 days after you sign the Franchise Agreement, we can terminate the Franchise Agreement and your initial franchise fee will not be refunded. The factors that may affect this time include delays in the issuance of licenses, weather conditions or other unforeseeable events, and any delays in scheduling and completing training. You may not commence the CP Business until you have completed the initial training program to our satisfaction.

In addition to the training we provide, you must complete the PHTA's CPB Training and obtain the CPB Certification before your CP Business opens for business.

During the operation of your CP Business, we will:

(1) Assist you in developing services or products to be offered as part of the CP Business. (Franchise Agreement, Section 7(a)).

(2) Assist you in establishing and using administrative, bookkeeping, accounting or inventory control procedures (subject to additional fees) and respond to your questions regarding operational issues and provide support on a reasonable basis. (Franchise Agreement, Section 9(k)).

(3) Subject to additional fees, provide additional training in California Pools services, if requested or we determine it to be necessary. (Franchise Agreement, Section 7(a)).

(4) Provide updated lists of approved suppliers for the equipment, materials and supplies. (Franchise Agreement, Section 9(a)).

(5) Furnish you from time to time with updated and revised material for the Operations Guide. (Franchise Agreement, Section 7(b)).

(6) Provide and direct all leads within your territory that are received by us. (Franchise Agreement, Section 7(a)).

(7) Design continued marketing and promotional campaigns for the System. (Franchise Agreement, Section 8(c)).

(8) Provide individualized assistance to you (whether in person, or by phone or email), subject to availability of our personnel. (Franchise Agreement, Section 7(a)).

(9) Host an annual CP Points Program trip. Franchisees may redeem CP Points toward attendance costs, including airfare, lodging and food. (Franchise Agreement, Section 7(a)).

During the operation of your CP Business, we may:

(1) Inspect the CP Business as we deem advisable. (Franchise Agreement, Section 9(j)).

(2) Interview personnel and clients. (Franchise Agreement, Section 9(j)).

(3) Inspect and copy any books, records and documents relating to the operation of the CP Business. (Franchise Agreement, Section 9(k)).

(4) Inspect or audit the CP Business records (bookkeeping, accounting, sales and income tax records and returns). (Franchise Agreement, Section 9(k)).

In addition, you will have access to the following, which may be provided to all franchisees (and not on an individualized basis) from time to time:

(1) Changes, improvements and developments to the products and services offered. (Franchise Agreement, Section 7(b)).

(2) Written or recorded materials (such as newsletters and bulletins) made available to all franchisees. (Franchise Agreement, Section 7(b)).

(3) Research and development of new programs, services, methods and products. (Franchise Agreement, Section 7(a)).

(4) Negotiated purchase agreements with equipment and materials suppliers to obtain discounted prices and CP Points. (Franchise Agreement, Section 9(a)).

(5) Annual conference for all franchisees to provide updates regarding the System, recognize top performers and collaborate regarding the services and products the System provides. If we host an annual conference, attendance is mandatory. No fee is currently charged for attendance at the annual conference, but you are responsible for your expenses in attending, including travel and living expenses. (Franchise Agreement, Section 7(a)).

(6) Quarterly franchise training meetings to discuss issues affecting the System, including industry changes, new services and products and/or marketing strategies. We may host the quarterly franchise training meetings online or in person, at locations we designate. We may require you to participate in each quarterly franchise training meeting. No fee is currently charged for attending the meeting, but we reserve the right to charge a fee in the future. You are responsible for your expenses in attending, including travel and living expenses (if the meeting is conducted in person). (Franchise Agreement, Section 7(a)).

(7) A website that we maintain that includes a list of all franchisees that are in good standing with us. We may modify the content of or discontinue this website at any time in our sole discretion. (Franchise Agreement, Section 8(f)).

Site Selection

You may operate the CP Business at any location within the territory, including from a home office. You are not required to establish an office. However, upon written notice to you, we may require you to operate the CP Business from a commercial location at any time during the Franchise Agreement's term. Upon receiving written notice from us, you must begin looking for a commercial location within 30 days and sign a lease and begin operating the CP Business from a commercial location within 90 days. If you establish an office, we do not have to approve your location.

Computer System

We do not currently require that you purchase or license any specific computer hardware other than a laptop computer (any brand is acceptable). We estimate that your cost to purchase a laptop is approximately $700 to $1,500 depending on the brand you select and how it is customized. You are required to pay for and use Poologics on your computer, which currently costs $2,388 per year ($199 per month). We reserve the right to require the use of other computer systems in the future. You will be responsible for maintaining, repairing, upgrading and updating any computer systems that you use in the operation of the CP Business directly with your providers. There are no limits or restrictions regarding the cost or frequency with which you may be required to manage your system. We estimate your annual cost to maintain the systems will be $250 to $1,250. We will have independent access to the information contained in your Poologics account and we reserve the right to request records from you and from Poologics at any time. Similarly, through Poologics, we will have independent access to information about your gross revenue and the transactions that you enter in to.

Marketing

We have established and administer a system-wide marketing fund to which you must contribute $350 monthly. Our affiliate-owned locations currently contribute $310 per month to the fund. We may elect to disseminate marketing through Internet-based mediums and social media, television, radio and print media such as magazine, billboards, flyers, mailers and newspapers. The Internet-based media coverage may be national in scope and the television, radio and print media coverage may be national, regional or local in scope, in our discretion. We may use funds to employ an outside consultant or agency to assist in the development, production and dissemination of marketing materials. We may also use that revenue to develop promotional and advertising materials for your use. In addition, we may provide sales training or printed material to assist you in selling our products and services. We may on occasion solicit comments from franchisees regarding advertising programs and policies but there is not and will not be a formal advertising council composed of franchisees that will advise us regarding these topics.

We will not prepare financial reports regarding marketing expenditures. Any amounts in the fund not spent during one year will carry over to the next year. No expenditures will be made from the fund to solicit new franchise sales. Fund contributions are neither separately accounted for nor audited.

During our 2023 fiscal year, marketing expenditures were spent as follows: 25% on general administration of the marketing fund, 15% on the “Pay Per Click” campaign administration, 10% on social media and the review website content development and management, and 50% on California Pools website development and management.

During the first 12 months of operation of the CP Business, you must spend on local advertising the greater of: (i) $6,000 or (ii) 1% of Gross Revenues, but we will not require you to spend more than $25,000 on local advertising during the 12 months of operation of the CP Business. After the first 12 months of operation of the CP Business, you must spend at least 1% of Gross Revenues annually on local advertising, but we will not require you to spend more than $25,000 annually on local advertising. As of August 21, 2024, you are not required to participate in a local or regional advertising cooperative.

You may use your own marketing materials to promote the CP Business but all such materials must be pre-approved by us in writing and we reserve the right to prohibit the use of such materials if we deem them to be inappropriate, in our discretion.

You must conduct pre-opening advertising in connection with the opening of the CP Business in accordance with our directions and assistance. In addition, at least 30 days before the CP Business opens for business, you must prepare and submit to us for our approval a proposed initial marketing plan that covers your local marketing plans for the first year the CP Business operates. You must make any alterations to the initial marketing plan we may require and implement that approved plan.

We operate a website that uses our name and other trademarks and features our services and showcases some of the swimming pools and spas that our affiliate, and its licensees and agents have constructed in the past. We reserve the right to conduct all commerce over the Internet and other means of electronic communication as may in the future be developed. Unless we otherwise agree, you may not operate a separate website for the CP Business.

CP Points Program

We administer the CP Points Program to incentivize franchisees to perform and purchase equipment and materials from designated suppliers. CP Points are earned by achieving certain gross revenue milestones and by purchasing from designated suppliers. Points accrue each calendar year and may be redeemed in the same calendar year in which they accrue toward the annual CP Points Program trip. Details about the CP Points Program are contained in the Operations Guide.

Manuals

During the term of your Franchise Agreement, we will provide you with access (via our intranet platform) to our Operations Guide, which is currently 61 pages. The table of contents of the Operations Guide is disclosed in Exhibit D of this disclosure document.

ITEM 12

TERRITORY

You will receive the right to operate the CP Business within an exclusive territory. The territory will consist of an area within boundaries that we and you agree to when we sign the Franchise Agreement. We will not enter into the Franchise Agreement unless we have agreed upon the territory. The territory will consist of an area designated by zip codes, counties, cities, roads or highways, or other boundaries that we agree upon. We will determine the size of the territory based upon the experience and resources that you have, the population density and other pertinent factors that may be unique to the area in which you plan to operate the CP Business.

Continued exclusivity for your territory is conditioned upon you being in good standing under the Franchise Agreement and achieving your annual sales quota. It is not conditioned upon market penetration or other performance metrics. We will collaborate with you to determine your first year's annual sales quota based upon market conditions and anticipated gross revenue. Generally, the annual sales quota for the first calendar year in which you operate is based on achieving a minimum annual Gross Revenue of about $1,000,000, but individual quotas may differ depending on the conditions of the specific market. For subsequent calendar

years, we will determine your annual sales quota based on the prior years' performance and year over year growth comparable to other locations in the area.

The annual sales quota will be determined on a calendar year basis (January 1 through December 31 of each year). We will not require you to achieve a minimum sales quota during the first 6 months after you sign the Franchise Agreement. After the first 6 months, we will prorate your annual sales quota for the remainder of the calendar year. For example, if you sign a Franchise Agreement in September 2024: (i) you will not be required to achieve a minimum sales quota between September 2024 and February 2025; and (ii) your annual sales quota for March 1, 2025 through December 31, 2025 will be prorated. We will prorate the annual sales quota by (a) dividing the first year's annual sales quota by 12; (b) multiplying the quotient by the number of months in that calendar year during which you were not subject to a sales quota; and (c) deducting the product from the annual sales quota for the first partial year. As an example, if the sales quota during the first year is $1,000,000 and you sign a Franchise Agreement in September 2024, we will: (A) divide $1,000,000 by 12 (which equals approximately $83,333); (B) multiply $83,333 by 2 (which equals $166,666) to reflect the fact that you were not subject to a sales quota during January and February 2023; and (C) reduce $1,000,000 by $166,666, which results in a prorated sales quota of $833,334. Beginning January 1, 2026, you would be required to achieve an annual sales quota determined on a full calendar year basis.

If you fail to achieve your annual sales quota during any calendar year, we will consider the factors that contributed to such failure and may, in our sole discretion, revise your annual sales quota accordingly for the following calendar year. If you fail to achieve your annual sales quota for a second consecutive year, you may lose exclusivity in your territory. If you lose exclusivity in your territory, we may conduct the CP Business in the territory or authorize third parties to do so. We also have the right to terminate your Franchise Agreement if you fail to achieve the annual sales quota for 2 consecutive years.

Further, we reserve the right under such circumstances to reduce the size of your territory. We will have the right to reduce the square mileage of your territory by a certain percentage, not to exceed the average percentage by which you fail to satisfy your annual sales quota during a 2-year period. If we exercise our right to reduce the size of your territory, we will analyze your performance in the territory during the term of the Franchise Agreement and remove certain zip codes (in full or in part) from your territory that we determine, in our sole discretion, to be underutilized by you. For example, if your annual sales quota in year 1 is $1,000,000 and your annual Gross Revenue is $900,000, your annual Gross Revenue would be 10% below your annual sales quota. After considering the factors that contributed to your failure to achieve your annual sales quota, we may (in our sole discretion) agree to lower your annual sales quota during the following calendar year. If we agree to lower your annual sales quota to $750,000 and your annual Gross Revenue during year 2 is $712,500, then your annual Gross Revenue during year 2 would be 5% below your annual sales quota, resulting in an average performance of 7.5% below your annual sales quota over a 2-year period. We reserve the right, under such circumstances, to reduce the square mileage of your territory by up to 7.5%. If your territory originally consisted of 1,000 square miles, we would have the right to remove certain zip codes from your territory to reduce the square mileage of your territory by up to 75 square miles.

We also have the right to modify your territorial rights if you are in default of the Franchise Agreement. If we have given you a notice of default of the Franchise Agreement and you have not cured such default during the applicable cure period and continue to remain in default, and the Franchise Agreement has not been terminated, then we may operate or grant another person the right to operate the CP Business in your territory.

You may not relocate the CP Business or establish additional CP Businesses without our written approval. In general, the primary factors that we may consider in deciding whether to approve your request to relocate is whether you are in good standing under the Franchise Agreement, whether you have been meeting sales quotas and whether the new location is of a substantially similar character. If it is not, you may be required to pay an additional fee to acquire rights to the new territory. You do not receive any options, rights of first refusal or similar rights to acquire additional franchises or territories. You may only operate one CP Business in your territory but if you buy a California Pools® servicing franchise from us, you may operate both the CP Business and the servicing franchise in the territory.

We reserve all rights that we do not grant to you. For example, we reserve all rights to the use of our name, to open one or more company-owned CP Businesses outside of your territory, to promote our CP Business and to sell our services and products and other services and products inside and outside of your territory using other channels of distribution such as the Internet, direct marketing, or other methods and using other trademarks. We are not required to compensate you for soliciting or accepting orders within your territory.

We also reserve the right to use the California Pools trademarks, and license others the right to use the California Pools trademarks, for purposes other than operating a CP Business, which may include, for example, the operation of a swimming pool and spa servicing business or a commercial swimming pool and spa construction business, whether within or outside your territory.

You do not have the right to use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing or solicitation of customers or prospective customers outside of your territory.

As of August 21, 2024, we do not intend to establish other franchises or company-owned outlets to sell similar products or services under a different trademark, but we reserve the right to do so.

We have plans to offer a California Pools swimming pool and spa servicing franchise that will operate using the same California Pools trademarks that are used in the CP Business. We anticipate this will be offered during 2025. We will operate both franchises and training facilities from the same offices. Franchisees of the servicing franchise business will be permitted to operate in your territory but will not be permitted to offer construction or remodeling services.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we will grant you the right to conduct a CP Business under the name CALIFORNIA POOLS®, and in connection with related service marks and trademarks. By service marks and trademarks, we mean trade names, trademarks, service marks, logos and other indicia used to identify the CP Business, the California Pools® brand, its services and its products.

The following is a description of the principal trademarks that we will license to you. The trademarks listed below are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”). All required affidavits have been filed.

Trademark	Registration Number	Date Registered
CALIFORNIA POOLS®	5362657	December 26, 2017
CALIFORNIA POOLS ®	4036639	October 11, 2011 Renewed: January 30, 2021

In addition, we have filed an application with the USPTO for the following trademark:

Trademark	Serial Number	Application Date
California Pools	98313214	December 13, 2023

We do not have a federal registration for our principal trademark. Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use our trademarks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our trademarks in the sale of an unauthorized product or service or in a manner not authorized by us in writing.

We reserve the right to modify or change the marks that you use in the operation of the CP Business at any time during the term of your Franchise Agreement. This includes changing the "California Pools" mark. You will be responsible for all costs and expenses associated with modifying and/or changing the marks.

We received the right to use all trademarks and to license their use to you under an agreement with our affiliate, CPI, dated May 15, 2018. Unless terminated, such agreement continues indefinitely, and such agreement may not be modified without both parties' consent. If such agreement is terminated for any reason, it provides that CPI will continue to honor the rights we grant to you under the Franchise Agreement. No other agreements limit our right to use or license the use of the trademarks.

You must notify us immediately if you learn about an infringement of, or challenge to, your use of our trademarks. Your Franchise Agreement requires us to protect you against claims of infringement if you are using the trademarks as required by your Franchise Agreement and if you are in good standing. You must assist us in protecting any of our rights, at our expense.

If you learn about a third party's use of our trademarks that you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so. We have the right to control any administrative proceeding or litigation involving our trademarks. If we decide to add a new

trademark, or modify or discontinue the use of any trademark, you must use the new trademark or change or discontinue the use of the trademark, all at your expense.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceedings. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Copyrights and Patents

We do not own any right in or to any currently registered or pending patents that are material to the operation of the CP Business, and we reserve the right to file for patents in the future.

We do claim trade secret rights and a common law copyright in our Operations Guide, though we have not filed for copyright registration. You must notify us immediately when you learn about a challenge to your use of our copyrighted material. We are not obligated to defend or indemnify you against claims arising from your use of the copyrighted material. You must assist us in protecting any of our rights, at our expense.

If you learn about a third party's use of our copyrighted material which you believe to be unauthorized, you must notify us immediately. We will decide whether or not to take action against the third party, and you must assist us, at our expense, if we decide to do so. We have the right to control any litigation involving our copyrighted material. If we decide to add, modify or discontinue the use of anything covered by a copyright, you must also do so at your expense.

We do not know of any infringing uses that could materially affect your use of the copyrighted material.

You must promptly disclose to us all ideas, concepts, techniques or materials relating to a CP Business that you or your owners, employees or contractors create ("Innovations"). Innovations are our sole and exclusive property, part of the System, and works made-for-hire for us. If any Innovation does not qualify as a work made-for-hire for us, you assign ownership of that Innovation, and all related rights to that Innovation, to us and must sign (and cause your owners, employees and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our affiliates have no obligation to make any payments to you or any other person for any Innovations. You may not use any Innovation in operating your CP Business or in any other way without our prior approval.

Confidential Information

You also receive the right to use certain of our trade secrets and confidential information including our System, website portals and related marketing and business processes.

We may provide you with other information which we have designated as "Confidential," "Trade Secret," or as "Proprietary Information." Without our prior written consent, you must not disclose the contents of the Operations Guide to any person, except your employees for purposes related solely to the operation of the CP Business, nor reprint or reproduce the Operations Guide, or any other confidential or proprietary information or trade secrets in whole or in part for any purposes. Before you disclose any confidential or proprietary information or trade secrets to your personnel, you must obtain agreements from your personnel, in a form satisfactory to us, prohibiting disclosure of any trade secret or proprietary information. You must provide executed copies of these agreements to us.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We require that you participate personally in the direct operation and management of the CP Business or that the operation of the CP Business is at all times under the direct supervision of a manager who has satisfactorily completed our training program and maintains a contractor's license in good standing in the state in which the CP Business is located. You and any of your staff, if you have one, must complete initial training to our satisfaction.

You and any manager or staff who are affiliated or employed by you, that we designate, must also sign a confidentiality and non-competition agreement in a form we approve before you or your personnel receive access to any of our confidential or proprietary information or trade secrets. You must provide executed copies of these agreements to us. There are no requirements for other persons involved in the CP Business to own any equity interest in the CP Business.

Each individual who owns an interest in you, if you are a corporation or other business entity, (and that individual's spouse) must sign an agreement to maintain confidentiality and not to compete and an agreement assuming and agreeing to discharge all of your obligations under the Franchise Agreement. In addition, if you are a corporation, partnership or other entity, we will determine which of your shareholders, partners or other principals must sign our form of Guaranty and Assumption of Franchisee's Obligations, attached to the Franchise Agreement as Exhibit D, in accordance with our then-current criteria.

Franchisees who are residents in community property states, including Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin, are required to have their spouse sign a spousal consent, in which the spouse must consent to the individual franchisee's execution of the Guaranty and Assumption of Franchisee's Obligations. In all other states, the spousal guaranty is not required.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you offer and sell only those services and products that we have approved. You must offer all services and products that we designate as required in the Operations Guide unless we otherwise agree in writing. It is important that our services and products be consistent

and incorporate the same elements wherever offered. This benefits the System and all of our franchisees.

We may add new services or products, change the types of authorized services and products, and restrict certain products and services that you offer from the CP Business; there are no limits on our ability to make these changes. For example, franchisees are not permitted to directly or indirectly construct or develop any commercial or other swimming pool larger than 2,000 square feet without our prior written approval.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise or Other Agreement	Summary
a.	Length of the franchise term	Section 4	10 years.
b.	Renewal or extension of the term	Section 5	If you meet certain conditions, and we are still offering franchises, you can enter into the then-current franchise agreement for 2 additional 5-year terms.
c.	Requirements for franchisee to renew or extend	Section 5	You must sign our then-current form of franchise agreement which may contain materially different terms; successfully complete renewal training; sign a general release; pay the renewal fee, fulfill all your obligations and not have received 3 or more default notices in any 24-month period; you must not be in default under the Franchise Agreement or any other agreement with us; we must not have decided to withdraw from your market; and you must meet requirements for new franchisees.
d.	Termination by franchisee	None	Not Applicable

	Provision	Section in Franchise or Other Agreement	Summary
e.	Termination by franchisor without cause	None	Not Applicable
f.	Termination by franchisor with cause	Section 16	We can terminate if you default or if the events described in (g) or (h) below occur.
g.	"Cause" defined-curable defaults	Section 16(b)	You have 15 days to cure defaults.
h.	"Cause" defined- non-curable defaults	Section 16(a)	Non-curable defaults: bankruptcy or insolvency; abandonment; material misrepresentation; conduct which reflects unfavorably on us or our system; non-compliance with law; repeated failure to comply with Franchise Agreement requirements; front-loading payments; seizure by government official or lien holder; final judgment of more than $25,000 remains unsatisfied for 30 days; undischarged levy of execution on franchise; conviction of a felony or other criminal misconduct; danger to public health or safety; unauthorized transfer; termination of any other agreement with us; unauthorized use of trademarks or trade secrets; the United States designates you a specially designated national or blocked person.
i.	Franchisee's obligations on termination/non-renewal	Sections 17(a)-(c)	Pay all amounts due to us; discontinue use of trademarks and our system; de-identify; return or destroy all supplies with our trademarks; return our Operations Guide and other confidential information; assist in smooth transition of CP Business; refrain from soliciting clients; refrain from making disparaging remarks; re-assign to California Pools telephone and facsimile numbers and e-mail addresses;

	Provision	Section in Franchise or Other Agreement	Summary
			cancel fictitious business name statement; and comply with all other requirements in the Operations Guide.
j.	Assignment of contract by franchisor	Section 14(a)	No restriction on our right to assign.
k.	"Transfer" by franchisee – definition	Section 14(b)(ii)	Includes transfer or encumbrance of Franchise Agreement, assets of the CP Business or greater than 10% ownership interest in your CP Business.
l.	Franchisor approval of transfer by franchisee	Section 14(b)(i)	You must obtain our consent to all transfers.
m.	Conditions for franchisor approval of transfer	Section 14(b)(iii)	You must not be in default under your Franchise Agreement or any other agreement with us; transferee meets qualifications for new franchisee; transferee must sign the then-current form of franchise agreement and guaranty; transferee must successfully complete initial training; pay the transfer fee; sign a general release; transferee's obligations to you are subordinated to obligations to us; you must transfer all of your agreements with us. If you want to transfer your franchise to an entity, you must own the entity, sign a personal service agreement with the entity, and the entity must agree to your Franchise Agreement (you remain responsible as well and must execute a performance guaranty).
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 14(c)	You put a price on your CP Business and must offer it to us first. We have 30 days to accept or reject the offer. If we reject and you find another buyer then you must offer it to us on the same terms as you offered it to the other buyer and we must be given another opportunity to

	Provision	Section in Franchise or Other Agreement	Summary
			accept or reject your offer before you may sell it to another buyer.
o.	Franchisor's option to purchase franchisee's business	Section 17(d)	We have the option of acquiring your assets if the Franchise Agreement expires or terminates.
p.	Death or disability of franchisee	Sections 14(d) and 15	If you or your principal dies or become permanently disabled, your executor or representative may either satisfy the then-current qualifications for franchisees or transfer the franchise to a qualified buyer within four months.
q.	Non-competition covenants during the term of the franchise	Section 13(a)	You may not be involved in any business similar to ours within your Territory, within the territory of any other existing California Pools franchisee, or within 30-miles from the territory of any other existing California Pools franchisee (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	Section 13(b)	You may not operate a similar business for 2 years within your former Territory, within the territory of any other existing California Pools franchisee, or within 30-miles from the territory of any other existing California Pools franchisee (subject to state law).
s.	Modification of the agreement	Section 28	No modification without a writing signed by you and us, except that we may amend the Operations Guide.
t.	Integration/ merger clause	Section 27	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises are not enforceable. Nothing in the Franchise Agreement is intended to disclaim anything contained in this disclosure document.

	Provision	Section in Franchise or Other Agreement	Summary
u.	Dispute resolution by arbitration or mediation	Section 25	Except for certain claims, all disputes must be mediated and if not resolved, arbitrated.
v.	Choice of forum	Section 25	Subject to state law, Austin, Texas.
w.	Choice of law	Section 24	Texas law applies, subject to the Lanham Act and applicable state law that cannot be waived.

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote our franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of December 31, 2023, there were 25 CP Businesses (25 franchised and 0 affiliate-owned). This financial performance representation covers the 20 franchised CP Businesses (the "**Covered Businesses**") that operated continuously from January 1, 2023 to December 31, 2023 (the "**2023 Fiscal Year**"). We excluded from this financial performance representation the 5 franchised CP Businesses that were not open for a full year as of December 31, 2023.

Below are the historical average Gross Revenues for the Covered Businesses during the 2023 Fiscal Year.

	# of Businesses	Average Gross Revenues	#/% Exceeding Average	Highest Gross Revenues	Lowest Gross Revenue	Median Gross Revenue
Covered Businesses	20	$2,766,425	5 / 25%	$16,344,648	$183,940	$1,085,780

Some CP Businesses have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

The term "**Gross Revenues**" means the entire gross receipts of every kind and nature from all products sold by the CP Business or services performed, excluding only amounts paid to any governmental tax authority, and without adjustments to account for any costs of sales, operating expenses, or other costs or expenses associated with ownership or operation of the CP Business. The Gross Revenues figures in this Item 19 reflect the information that our franchisees provided to us, which to our knowledge has not been audited. Upon your reasonable request, we will provide written substantiation for this financial performance representation. For context, 8 of the Covered Businesses have operated for over 10 years, 7 Covered Business have operated for between 5 years and 10 years, 3 Covered Businesses have operated for between 2 and 5 years, and 2 Covered Businesses have operated for less than 2 years. All Covered Businesses offer the same products and services that new CP Businesses will offer. Although the Covered Businesses were permitted to construct commercial swimming pools, none of them did so in 2023. Of the Covered Businesses, 12 are located in California, 1 is located in Georgia, 1 is located in Nevada, 1 is located in Pennsylvania, 2 are located in Texas, and 3 are located in Utah. Warmer markets generally lend themselves better to swimming pool construction businesses than markets with more extreme weather patterns. The sizes of the territories of the Covered Businesses vary based on the franchisee's experience and resources, the population density and other pertinent factors that are unique to the area in which the Covered Businesses operates. The territories of the Covered Businesses range in size from 270 square miles to 5,780 square miles, with the average territory covering approximately 1776 square miles. The population of these territories ranges from approximately 138,541 to 2,371,526, with the average population being approximately 1,158,954. All Covered Businesses face the same kinds of competitive challenges (from other pool contractors, general contractors, architects and other contracting and design professions, consultants and engineers), and receive the same level of support from us that we expect new CP Businesses will experience.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing CP Business, however, we may provide you with the actual records of that CP Business. If you receive any other financial performance information or projections of your future income, you should report it to our us by contacting Steve Terry at 141 East Mercer Street, Suite A1, Dripping Springs, Texas 78620, (800) 282-7665 and franchise@californiapools.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK.]

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System wide Outlet Summary
For Fiscal Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	23	26	+3
	2022	26	25	-1
	2023	25	25	0
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	0	-1
Total Outlets	2021	24	27	+3
	2022	27	26	-1
	2023	26	25	-1

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
[All states]	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
California	2021	16	1	0	0	0	0	17
	2022	17	0	2	0	0	0	15
	2023	15	3	3	0	0	0	15
Georgia	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	1	0	0	0	1
Nevada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	1	2	0	0	0	0	3
	2022	3	1	1	0	0	0	3
	2023	3	2	1	0	0	0	4
Utah	2021	3	1	1	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Total	**2021**	**23**	**4**	**1**	**0**	**0**	**0**	**26**
	2022	**26**	**2**	**3**	**0**	**0**	**0**	**25**
	2023	**25**	**5**	**5**	**0**	**0**	**0**	**25**

Table No. 4
Status of Company-Owned Outlets
For years Fiscal Years 2021 to 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
California	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	1	0	0
Totals	**2021**	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	1	0	0

Note 1 - The above outlet was owned by our affiliate, CPI.

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
California	1	3	0
North Carolina	0	1	0
Texas	1	2	0
Total	**2**	**5**	**0**

Contact information for all franchisees as of December 31, 2023 is listed on Exhibit G. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as franchisees of CPI or in our system, as may be applicable.

There are no trademark specific franchisee organizations associated with our franchise system that has either (a) been created, sponsored, or endorsed by us, or (b) is incorporated or otherwise organized under state law and asks us to be included in our disclosure document during the next fiscal year.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit C to this disclosure document are: (i) our audited balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in stockholders' equity, and cash flows for the fiscal years ended December 31, 2023, December 31, 2022, and December 31, 2021; and (ii) our unaudited balance sheet as of July 31, 2024, and the related unaudited profit and loss statement for the period from January 1, 2024 through July 31, 2024.

ITEM 22

CONTRACTS

Attached are copies of the following agreements proposed for use in this state:

Exhibit A: Compliance Questionnaire

Exhibit B: Franchise Agreement

ITEM 23

RECEIPT

Attached as the last 2 pages of this disclosure document, following the Exhibits, is a Receipt. Please sign it, date it as of the date you receive this disclosure document and return it to us. A duplicate of the Receipt is attached for your records.

EXHIBIT A

COMPLIANCE QUESTIONNAIRE

[See Attached]

NOTE: THIS COMPLIANCE QUESTIONNAIRE SHALL NOT BE COMPLETED OR SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE CALIFORNIA POOLS FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

DO NOT SIGN THIS QUESTIONNAIRE IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA AND/OR MARYLAND.

CALIFORNIA POOLS FRANCHISE INC.

Franchise Offer and Sale
Compliance Questionnaire

As you know, you and California Pools Franchise Inc. (the **"Franchisor"**) are preparing to enter into a Franchise Agreement for the establishment and operation of a California Pools franchise (a **"Business"**). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

a.	_____, 20__ Initials _____	The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise.
b.	_____, 20__ Initials _____	The date on which I received Franchisor's Franchise Disclosure Document ("FDD").
c.	_____, 20__ Initials _____	The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.

2. Have you received and personally reviewed the Franchise Agreement and each addendum and related agreement attached to it?

   Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, and each addendum and related agreement provided to you?

   Yes _____ No _____

   If No, what parts of the Franchise Agreement, addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Have you received and personally reviewed the FDD that was provided to you?

   Yes _____ No _____

5. Did you sign a receipt for the FDD indicating the date you received it?

   Yes _____ No _____

6. Do you understand all of the information contained in the FDD and any state-specific addendum to the FDD?

   Yes _____ No _____

If No, what parts of the FDD and/or addendum do you not understand? (Attach additional pages, as needed.)

7. Have you discussed the benefits and risks of establishing and operating a Business with an attorney, accountant, or other professional advisor?

   Yes _____ No _____

   Have you had the FDD and Franchise Agreement reviewed by an attorney, accountant, or other professional advisor?

   Yes _____ No _____

   If No to either question, do you wish to have more time to do so? Yes ____ No ___

8. Do you understand that the success or failure of your Business will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

   Yes _____ No _____

9. Do you understand that no agreement or addendum is effective until it is also signed and dated by the Franchisor?

   Yes _____ No _____

10. Do you understand that there are no promises, representations (other than in the FDD), agreements, "side deals," or other arrangements, written or oral, that are not in the Franchise Agreement?

    Yes _____ No _____

11. If you have answered "No" to any one of questions 8–10, please provide a full explanation of each such answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "Yes" to each of questions 8–10, please leave the following lines blank.

_____

_____

_____

12. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

    Yes _____ No _____

13. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?

    Yes _____ No _____

14. If you have answered "Yes" to any one of questions 12–19, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "No" to each of questions 12–19, please leave the following lines blank.

_____

_____

_____

15. Do you understand that all disputes and claims you may have under the Franchise Agreement and the Personal Guaranty must be heard in Austin, Texas (if they cannot be informally resolved)?

    Yes _____ No _____

16. Do you understand that the Franchise Agreement and the Personal Guaranty provide that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

    Yes _____ No _____

17. Do you understand that the Franchise Agreement and the Personal Guaranty both include a waiver of jury trial?

    Yes _____ No _____

18. During my negotiations and evaluations leading up to my decision to buy a franchise, I communicated with the following individuals from Franchisor or its affiliates:_____.

Your responses to these questions are important to us and we will rely on them. By signing this Questionnaire, you are representing to us that you have responded honestly, accurately, and completely to each of the above questions.

NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISEES WITH FRANCHISES TO BE OPERATED IN MARYLAND: 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.

Name _____ Address _____

Signature_____

EXHIBIT B

FRANCHISE AGREEMENT

[See Attached]

Franchise Agreement

_____
FRANCHISEE NAME

_____
TERRITORY NAME

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California Pools

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("**Agreement**") is entered into by and between California Pools Franchise Inc., a Wyoming corporation, with its principal business address located at 141 East Mercer Street, Suite A1, Dripping Springs, Texas 78620 ("**Franchisor**"), and _____ with its principal business address located at _____ ("**Franchisee**").

RECITALS

A. Franchisor has established a method and system for the development and operation of a swimming pool and spa construction and remodeling business under the name CALIFORNIA POOLS® (the "**CP Business**"), which includes, without limitation: the mark CALIFORNIA POOLS® and related names, trademarks, service marks, logos, copyrights, designs, emblems, slogans, commercial symbols and other indicia and associated goodwill now or hereafter designated for use by Franchisor in connection with the System and any and all revisions, modifications and additions thereto, whether or not recorded or registered with the United States Patent and Trademark Office or any other local, state, federal or foreign agency, registrar or body (the "**Marks**"); distinctive swimming pool and spa designs, a proprietary Internet portal for accounting, business operations and customer relationship management functions, trade dress, a manual incorporating required standards, procedures, policies, and techniques; and advertising, marketing, and promotional programs (the "**System**").

B. Franchisor is willing to grant to Franchisee, and Franchisee desires to obtain from Franchisor, the right to establish and operate a CP Business in accordance with the System and the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of these premises and the mutual covenants contained herein, the sufficiency of which is acknowledged by the parties, the parties agree as follows:

1. GRANT OF FRANCHISE

Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a license to use the Marks and the System solely in the operation of the CP Business within the Territory, as defined below (the "**Franchise**"). Franchisee acknowledges that adherence to the standards and policies of the System is essential for the continued operation of the Franchise granted by this Agreement. These include, without limitation, restrictions on the size and type of swimming pools and spas that may be constructed. For example, franchisees are not permitted to directly or indirectly construct or develop any commercial or other swimming pool larger than 2,000 square feet without Franchisor's prior written consent.

2. LOCATION AND PROTECTED TERRITORY

(a) Location. Franchisee may operate the CP Business at any location within the Territory (as defined in Section 2(b) below), including from a home office. Notwithstanding the foregoing, upon written notice to Franchisee, Franchisor may require Franchisee to operate the

CP Business from a commercial location at any time during the term of this Agreement. Upon receiving written notice from Franchisor, Franchisee must begin looking for a commercial location from which to operate the CP Business within thirty (30) days and sign a lease for and begin operating the CP Business from a commercial location within ninety (90) days. The location of the CP Business is set forth on **Exhibit A** attached hereto and incorporated by this reference.

(b) Territory. Franchisor will define the Territory using its then current standard criteria. Franchisor will determine the size of the Territory based on the factors that Franchisor deems relevant, which might include Franchisee's experience and resources, the population density and other pertinent factors that may be unique to the area in which Franchisee plans to operate the Franchise. Provided that Franchisee is in compliance with this Agreement, and subject to Sections 2(b)(i), 2(b)(ii) and 2(c), Franchisor shall not open and operate, or franchise another party to open and operate, a CP Business utilizing the Marks and the System in the area described in **Exhibit A** and identified therein as the territory (the "**Territory**").

(i) Annual Sales Quota. In order to maintain the protections of the Territory described in Section 2(b) above, Franchisee shall achieve sales quotas established by Franchisor annually (the "**Annual Sales Quota**"). In the first calendar year of operating the CP Business, Franchisor and Franchisee shall agree upon an Annual Sales Quota based upon market conditions and anticipated Gross Revenues in the Territory. For subsequent years during the term of this Agreement, Annual Sales Quotas will be established by Franchisor based on Franchisee's performance in prior years and Franchisee's year over year growth comparable to other locations in the area. Franchisee's Annual Sales Quota will be determined on a calendar year basis. Franchisor will not require Franchisee to achieve an Annual Sales Quota during the first six (6) months after the Effective Date. After the first six (6) months, Franchisor will prorate Franchisee's Annual Sales Quota for the remainder of the calendar year. By way of example, if Franchisee signs this Agreement in September: (a) Franchisee will not be required to achieve a minimum Annual Sales Quota between September and February; and (b) Franchisee's Annual Sales Quota for the following March through December will be prorated. Franchisor will prorate the Annual Sales Quota by (A) dividing the first year's Annual Sales Quota by twelve (12); (B) multiplying the quotient by the number of months in that calendar year during which Franchisee was not subject to an Annual Sales Quota; and (C) deducting the product from the Annual Sales Quota for the first partial year. Beginning January 1 of the following year, Franchisee would be required to achieve an Annual Sales Quota determined on a full calendar year basis. Franchisee acknowledges that the Annual Sales Quota is not a representation or guarantee of any financial results to Franchisee. For purposes of this Agreement, "**Gross Revenues**" means the entire gross receipts of every kind and nature from all products sold by the CP Business or services performed by Franchisee and excluding only amounts paid to any governmental tax authority.

(ii) Failure to Achieve Annual Sales Quota. If Franchisee fails to achieve its Annual Sales Quota during any calendar year, Franchisor will consider the factors that contributed to such failure and may, in its sole discretion, revise the Annual Sales Quota accordingly for the following calendar year. If Franchisee fails to meet its Annual Sales Quota for a second consecutive year, Franchisor may: (a) conduct a CP Business in the Territory itself or through third parties; (b) reduce the size of the Territory; or (c) terminate this Agreement. If Franchisor elects to reduce the size of the Territory, it will have the right to reduce the square mileage of the Territory by a certain percentage, not to exceed the average percentage by which Franchisee fails to satisfy its Annual Sales Quota during a two (2)-year period. If Franchisor exercises its right to reduce the size of the Territory, Franchisor will analyze Franchisee's performance in the Territory during the term of this Agreement and remove certain zip codes (in full or in part) from

the Territory that Franchisor determines, in its sole discretion, to be underutilized by Franchisee. By way of example, if Franchisee's Annual Sales Quota in the first year is One Million Dollars ($1,000,000) and Franchisee's actual annual Gross Revenues are Nine Hundred Thousand Dollars ($900,000), the Franchisee's annual Gross Revenues would be ten percent (10%) below the Annual Sales Quota. After considering the factors that contributed to Franchisee's failure to meet the Annual Sales Quota, Franchisor may (in its sole discretion) agree to lower the Annual Sales Quota during the following calendar year. If Franchisor agrees to lower the Annual Sales Quota in the following calendar year to Seven Hundred Fifty Thousand Dollars ($750,000) and Franchisee's annual Gross Revenues during that calendar year are Seven Hundred Twelve Thousand Five Hundred Dollars ($712,500), then Franchisee's annual Gross Revenues would be five percent (5%) below its Annual Sales Quota, resulting in an average performance of seven and a half percent (7.5%) below its Annual Sales Quota over a two (2)-year period. Franchisor reserves the right, under such circumstances, to reduce the square mileage of the Territory by up to seven a half percent (7.5%).

(c) Franchisor's Reservation of Rights. Franchisor reserves all rights not specifically granted to Franchisee hereunder. In particular, and not in limitation of the foregoing, Franchisor reserves the right to conduct businesses using marks or commercial symbols different from the Marks either within or outside of the Territory. Subject to Section 2(b) above, Franchisor also reserves the right to: (i) use the Marks, and license the right to others to use the Marks, for purposes other than operating a CP Business, which may include, for example, the operation of a swimming pool and spa servicing business or a commercial swimming pool and spa construction business, whether within or outside of the Territory; and (ii) conduct all commerce over the Internet and other means of electronic commerce as may in the future be developed, and Franchisee has no right to do so except as may be specifically permitted hereunder.

3. OPENING

(a) Opening. Franchisee must open its CP Business for business within ninety (90) days after signing this Agreement. Franchisee shall not commence operations of the CP Business until Franchisor has given its approval in writing. Franchisor reserves the right to conduct inspections of Franchisee's business equipment and materials, or of any other items, prior to giving its prior written approval. Franchisor shall provide Franchisee with such management assistance as Franchisor deems necessary at the commencement of operations and for a short time thereafter.

(b) Relocation. Franchisee may not relocate the CP Business or operate the CP Business in different or additional locations outside of the Territory without Franchisor's prior written consent. Upon approval of Franchisee's request to relocate the CP Business, Franchisee shall pay to Franchisor a relocation fee equal to Two Thousand Five Hundred Dollars ($2,500).

FRANCHISEE ACKNOWLEDGES THAT ALTHOUGH FRANCHISOR MAY HAVE BEEN INVOLVED IN THE TERRITORY SELECTION PROCESS AND OTHER ASPECTS OF THE DEVELOPMENT OF THE CP BUSINESS, FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR GUARANTY OF ANY KIND WITH RESPECT TO THE LOCATION, OR THE SUCCESS OR PROFITABILITY OF THE CP BUSINESS TO BE OPERATED BY FRANCHISEE.

4. TERM OF AGREEMENT

The term of this Agreement shall commence on the date it is signed by Franchisor and shall continue for a period of ten (10) years, subject to earlier termination as provided herein. The term of any lease or sublease (including options) Franchisee enters into for the location of the CP Business, if it elects to lease office space, shall be for such period of time. If Franchisee is acquiring an existing CP Business, the term of any necessary office lease shall be the shorter of: (a) the remaining term of the transferor's franchise agreement; or (b) the remaining term of the existing lease (including options) for the CP Business.

5. RENEWAL OF FRANCHISE

Franchisee may renew its right to operate the CP Business for two (2) additional, consecutive periods of five (5) years each, provided that all of the following conditions are satisfied prior to the end of the initial term (or each renewal term, as applicable):

(a) Written Notice. Franchisee gives Franchisor written notice of its election to renew not less than twelve (12) months prior to the expiration of the then-current term;

(b) No Default. Franchisee, when notice is given and at the time of renewal, is not in default of any material provision of either this Agreement or any other agreement between Franchisee and Franchisor or their affiliates;

(c) No Monetary Obligations Outstanding. All monetary obligations owed by Franchisee to Franchisor or its affiliate have been satisfied prior to renewal;

(d) Renewal Fee. Franchisee shall pay Franchisor the sum of 50% of the then-current initial franchise fee for new franchisees as a renewal fee;

(e) General Release. Franchisee must execute and deliver a general release of Franchisor and its affiliates, officers, directors, shareholders, employees, agents and representatives in a form acceptable to Franchisor;

(f) Lease. If Franchisee leases office space for the CP Business, Franchisee furnishes Franchisor with a copy of a lease for the CP Business premises indicating that Franchisee has the right to the premises for the renewal term;

(g) Updates. The CP Business must meet Franchisor’s then-current requirements or Franchisee must make all expenditures necessary to update the CP Business to meet those requirements;

(h) Re-Training. Franchisee or the Manager, if applicable, shall have successfully completed any retraining or refresher training course Franchisor may require;

(i) Current Agreement. Franchisee shall sign Franchisor's then-current form of Franchise Agreement for a five (5) year term. Franchisee acknowledges that the then-current form of Franchise Agreement may contain terms that are materially different from those set forth in this Agreement; and

(j) No Repeated Defaults. Franchisee shall not have, during the term of this Agreement or the preceding renewal term, received three (3) or more notices of default in any twenty-four (24) month period.

Franchisee shall have no right to renew this Agreement if Franchisee fails to comply with each and every condition set forth above in a timely manner or if Franchisee fails to return to Franchisor any documents within thirty (30) days after Franchisor has delivered them to Franchisee.

6. FEES

(a) Initial Franchise Fee. Franchisee shall pay to Franchisor an initial franchise fee in the amount set forth on **Exhibit A** in full upon execution of this Agreement. The initial franchise fee is deemed to be fully earned immediately upon payment and is nonrefundable.

(b) Royalty Fee. During the operation of the CP Business, Franchisee shall pay Franchisor a monthly royalty fee in the amounts set forth on Exhibit A (the "**Royalty Fees**").

(c) System Marketing Fund Contribution. Commencing in the first (1st) month that the CP Business opens through the remainder of the term of this Agreement, Franchisee shall pay to Franchisor an system marketing fund contribution equal to Three Hundred Fifty Dollars ($350) per month (the "**System Marketing Fund Contribution**").

(d) Poologics User Fee. Commencing in the first month the CP Business opens through the remainder of the term of this Agreement, Franchisee shall pay to Franchisor or its designee a Poologics User Fee equal to One Hundred Ninety-Nine Dollars ($199) per month (the "**Poologics User Fee**").

(e) Due Date. Franchisee shall pay the Royalty Fee and System Marketing Fund Contribution on a monthly basis on the tenth (10th) day of every month. Payments shall be made by electronic funds transfer, and Franchisee shall execute and deliver such instruments as are necessary and appropriate to affect such transfers. Franchisee shall also provide Franchisor with a credit card as security for the payment of Royalty Fees and System Marketing Fund Contributions. Franchisor shall have the right to vary the frequency of the due date (e.g., from monthly to weekly) and the method of payment from time to time. The Royalty Fee and System Marketing Fund Contribution are non-refundable.

(f) Nonpayment. If Franchisor or its designee, as applicable, does not receive Franchisee's Royalty Fee, System Marketing Fund Contribution, Poologics User Fee or any other payment hereunder by the dates they are due, Franchisee acknowledges that, in addition to exercising all other rights and remedies that Franchisor has, Franchisor may charge Franchisee's credit card (pursuant to Franchisor's standard credit card authorization form) and terminate this Agreement.

(g) Charge on Late Payments and Reports. In addition to all other rights and remedies that accrue to Franchisor, if Franchisee fails to pay any amount or submit any report when due, Franchisee shall pay to Franchisor a late charge equal to Fifty Dollars ($50) per day that such payment or report is late.

(h) Interest on Late Payments. All amounts which Franchisee owes to Franchisor, if not paid by the due date, will bear interest beginning on their due date at ten percent (10%) per annum or the maximum rate permitted by law, whichever is less. Franchisee acknowledges that

this provision does not constitute agreement by Franchisor to accept such payments after they are due or Franchisor's commitment to extend credit to, or otherwise finance Franchisee's operation of, the CP Business. Franchisee's failure to pay when due all amounts that it owes Franchisor constitutes grounds for Franchisor's terminating this Agreement under Section 16(b)(ii), notwithstanding Section 6(g) above or this Section 6(h).

(i) No Withholding of Payment. Franchisee agrees that Franchisee will not, on the grounds of the alleged nonperformance by Franchisor of any of its obligations hereunder or for any other reason whatsoever, withhold payment of any amounts due, nor shall Franchisee have any right of offset.

(j) Application of Payments; Right of Offset. Notwithstanding any designation by Franchisee, Franchisor shall have discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee. In addition, Franchisor shall have the right to offset any amounts due to it or its affiliates against any amounts to be paid to Franchisee.

7. DUTIES OF FRANCHISOR

(a) Training and Support.

(i) Initial Training. Within ninety (90) days after the date of this Agreement, Franchisee or, if applicable the Manager, as defined below, shall successfully complete Franchisor's initial training. Initial training shall be conducted online or at a location designated by Franchisor, as determined by Franchisor, and shall include training through manuals, classroom training and other classes as required and presented by Franchisor. Franchisee or the Manager, must each complete initial training before the CP Business opens for business to the public.

(ii) Evaluation. Franchisor shall have the right, during the initial training program, to further evaluate Franchisee's fitness to operate the CP Business under this Agreement. In the event Franchisee or the Manager fails to successfully complete the initial training program, Franchisor shall have the right to terminate this Agreement.

(iii) Training Fees. Franchisee shall not be charged an additional fee for providing initial training to the initial Manager. Franchisor may charge a fee to provide initial training to additional Managers or personnel.

(iv) Additional Training and Support. Franchisor may require Franchisee and/or the Manager to attend refresher and additional training courses from time to time and Franchisee acknowledges that there may be a fee charged for such training. Franchisor may, but is not required to, provide individualized assistance to Franchisee (whether in person, or by phone or email), subject to availability of Franchisor's personnel.

(v) Expenses. Franchisee shall be responsible for all expenses, if any, that Franchisee and its Manager may incur in connection with initial or refresher training.

(vi) Annual Conference. Franchisor may, but is not required to, host an annual conference for all franchisees to provide updates regarding the System, recognize top performers and collaborate regarding the services and products the System provides. If Franchisor hosts such a conference, Franchisee's attendance at the conference shall be mandatory. Franchisor

may charge a fee to host the conference. Franchisee is responsible for its expenses in attending, including travel and living expenses.

(vii) Quarterly Training Meetings. Franchisor may, but is not required to, host quarterly franchise training meetings to discuss issues affecting the System, which may include industry changes, new services and products and/or marketing strategies. Franchisor may host the quarterly franchise training meetings online or in person, at locations designated by Franchisor. Franchisor may require Franchisee's participation. Franchisor may charge a fee for such meeting. Franchisee is responsible for its expenses in attending, including travel and living expenses (if the meeting is conducted in person).

(viii) Leads. Franchisor shall use commercially reasonable efforts to provide and direct to Franchisee all leads that Franchisor receives requesting services within Franchisee's Territory.

(ix) Incentive and Points Programs. From time to time, Franchisor may administer certain incentive or points programs to incentivize franchisees to perform and purchase equipment and materials from designated suppliers. Franchisee shall participate in all such programs in accordance with Franchisor's practices and policies.

(x) New Products and Services. Franchisor may, but is not required to, assist Franchisee in developing services or products to be offered as part of the CP Business; provided, however, that all products, services, ideas, concepts, techniques or materials relating to a CP Business (collectively, "**Innovations**"), whether or not protectable intellectual property and whether created by or for Franchisee or its owners, employees or contractors, must be promptly disclosed to Franchisor and shall be deemed to be Franchisor's sole and exclusive property, part of the System, and works made-for-hire for Franchisor. To the extent any Innovation does not qualify as a work made-for-hire for Franchisor, by this paragraph Franchisee assigns ownership of that Innovation, and all related rights to that Innovation, to Franchisor and agrees to sign (and to cause its owners, employees and contractors to sign) whatever assignment or other documents Franchisor requests to evidence Franchisor's ownership or to help Franchisor obtain intellectual property rights in the Innovation. Franchisor and its affiliates have no obligation to make any payments to Franchisee or any other person with respect to any Innovations. Franchisee may not use any Innovation in operating its CP Business or otherwise without Franchisor's prior approval.

(b) Operations Guide. During the term of this Agreement and any renewal franchise agreement, Franchisor will furnish Franchisee with electronic access to Franchisor's proprietary and confidential manual which Franchisor may amend from time to time, containing mandatory specifications, standards, operating procedures and rules for the System (the **"Operations Guide"**). Franchisor reserves the right to establish terms of use for access to the Operations Manual and any other restricted portion of Franchisor's intranet portal. All such specifications, standards, operating procedures and rules prescribed from time to time in the Operations Guide, or otherwise communicated to Franchisee in writing (which may include instruction regarding sub-contracting and selecting tradesman and materials for jobsites), shall constitute requirements of this Agreement and shall be kept confidential by Franchisee. Franchisee will not at any time copy any part of these materials, disclose any information contained in them to others or permit others access to them. Franchisee acknowledges and agrees that the Operations Guide may be modified from time to time to reflect changes in the System; provided, however, that no such modification shall alter Franchisee's fundamental status and rights under this Agreement. All

modifications to the Operations Guide shall be binding upon Franchisee upon being mailed or otherwise made available to Franchisee. Franchisee agrees to accept, implement and adopt any such modifications at Franchisee's own cost. The Operations Guide will contain proprietary information belonging to Franchisor and Franchisee acknowledges that the Operations Guide is, and shall remain, the property of Franchisor. Franchisee shall promptly return any copies of the Operations Guide to the Franchisor upon termination or expiration of this Agreement and relinquish its electronic access to the Operations Guide. All references herein to the Agreement shall include the provisions of the Operations Guide and all such mandatory specifications, standards, procedures and rules, and such additions and modifications thereto. Franchisee understands and agrees that it is of substantial value to Franchisor and other franchisees of Franchisor, as well as to Franchisee, that the System establish and maintain a common identity. Franchisee agrees and acknowledges that full compliance with each and every detail of the System and the Operations Guide is essential to preserve, maintain and enhance the reputation, trade demand and goodwill of the System and the Marks and that failure of Franchisee to operate the CP Business in accordance with the System and the Operations Guide can cause damage to all of the other parties described above, as well as to Franchisee. Consistent with the goals of the System, Franchisee shall be responsible for the day-to-day operation of Franchisee's business.

8. ADVERTISING

(a) System Marketing Fund. Franchisor shall have the right to establish an advertising fund (the "**System Marketing Fund**"). Franchisee agrees and acknowledges that the System Marketing Fund Contribution may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds and may be deemed an asset of Franchisor. Despite the foregoing, Franchisor will administratively segregate the System Marketing Fund on its books and records. Franchisor will use the System Marketing Fund for the purpose of promoting the System as a whole and increasing the goodwill of the Marks. Franchisor will conduct such advertising and marketing of the System and its services as Franchisor deems desirable to promote and enhance the reputation of the System, including, without limitation, producing materials for use in connection with such advertising and marketing. Franchisee understands, acknowledges and agrees that all decisions regarding advertising and marketing, including without limitation the type, quantity, timing, placement and choice of media, market areas and advertising agencies shall be made by Franchisor and shall be final and binding. Franchisee agrees and acknowledges that all costs of the formulation, development and production of any advertising and promotion (including without limitation the proportionate compensation of Franchisor's employees who devote time and render services in connection with such advertising and promotional programs or the administration, accounting and collection of the System Marketing Fund Contributions) will be paid from the System Marketing Fund. Franchisor does not have any obligation to make expenditures that are proportionate or equivalent to Franchisee's System Marketing Fund Contributions in the market area of the Territory, nor does Franchisor represent that Franchisee will benefit directly or pro rata from the placement of advertising.

(b) Franchisee Expenditures. In addition to the System Marketing Fund Contribution, during the first twelve (12) months of operation of the CP Business, Franchisee shall spend on local advertising the greater of: (i) Six Thousand Dollars ($6,000), or (ii) one percent (1%) of Gross Revenues; provided, however, that Franchisee shall not be required to spend more than Twenty-Five Thousand Dollars ($25,000) on local advertising during the first twelve (12) months of operation of the CP Business. After the first twelve (12) months of operation of the CP Business,

Franchisee shall spend at least one percent (1%) of Gross Revenues annually on local advertising; provided, however, that Franchisee shall not be required to spend more than Twenty-Five Thousand Dollars ($25,000) annually on local advertising. All local advertising must be approved by Franchisor as set forth in Section 8(c) below. The purpose of such local advertising shall be to advance the reputation of the System and the Marks and develop awareness among consumers of them. Upon request from Franchisor, Franchisee shall submit to Franchisor receipts evidencing expenditures for approved local advertising. Franchisor reserves the right to require Franchisee to establish and operate a website that meets Franchisor's specifications, and which may be linked to Franchisor's website.

(c) Approval of Advertising. All advertising copy and other materials Franchisee proposes to use shall be in strict accordance and conformity with the standards, formats and specimens set forth in the Operations Guide. Franchisee shall submit the proposed advertising material to Franchisor in advance of publication and shall use only such advertising copy and materials as have been approved in writing by Franchisor. Franchisee agrees and acknowledges that the copyright for any advertising or other materials that Franchisee develops for the CP Business shall automatically be assigned to Franchisor without any further action by the parties required. Franchisee shall also implement and participate in all marketing and promotional campaigns for the System that Franchisor designates from time to time.

(d) Initial Advertising. Franchisee acknowledges and agrees that adequate pre-opening advertising is essential to the success of the CP Business and agrees to conduct such advertising in connection with the opening of CP Business in accordance with Franchisor's directions and assistance. In addition, at least thirty (30) days before the CP Business opens for business to the public, Franchisee must prepare and submit to Franchisor for its approval a proposed initial marketing plan that covers Franchisee's local marketing plans for the first year the CP Business operates. Franchisee must make any alterations to the initial marketing plan Franchisor may require and implement that approved plan.

(e) Discounts and Coupons. From time to time as part of the advertising and promotional activities conducted by Franchisor, Franchisor may institute discount programs and issue coupons. Franchisee agrees to accept such coupons from customers and to redeem them in accordance with Franchisor's policies then in effect and to participate in such discount programs. However, such programs shall in no way affect Franchisee's right to establish its own prices.

(f) System Websites. Franchisor or one or more of its designees may establish a website or series of websites to advertise, market and promote CP Businesses, the CP Business franchise opportunity, and/or for any other purposes that Franchisor determines are appropriate for CP Businesses (those websites, applications other technological advances are collectively called the "**System Website**"). If Franchisor includes information about the Franchise on the System Website, then Franchisee shall give Franchisor the information and materials that Franchisor periodically requests concerning the Franchise, including contact information and portfolio images from completed projects. Franchisor has the final decision concerning all information and functionality that appears on the System Website and will update or modify the System Website as Franchisor determines. By submitting to Franchisor information or materials for the System Website, Franchisee is representing to Franchisor that the information and materials are accurate and not misleading and do not infringe any third party's rights. Franchisee must notify Franchisor whenever any information about Franchisee or Franchisee's CP Business on the System Website changes or is not accurate. Franchisor owns all intellectual property and

other rights in the System Website and all information it contains. Franchisor may implement and periodically modify Operations relating to the System Website and, at its option, may discontinue all or any part of the System Website at any time. Nothing in this Section shall limit Franchisor's right to maintain websites and technologies other than the System Website or to offer and sell products or services under the Marks from the System Website, another website or technology, or otherwise over the internet without payment or obligation of any kind to Franchisee.

(g) No Fiduciary Duty. Nothing in this Section or anywhere in this Agreement creates a fiduciary relationship between the parties, nor shall anything herein be deemed to create any trust duties between the parties. No covenant shall be implied to vary or interpret the terms of this provision. Copies of Franchisor's periodic reports of the Fund shall be available to Franchisee upon reasonable request.

9. DUTIES OF FRANCHISEE

In addition to its duties as set forth elsewhere in this Agreement, Franchisee agrees to perform the following:

(a) Inventory and Supply Specifications. To promote uniformity and quality, and to protect the integrity of the Marks, Franchisee agrees to the following restrictions regarding inventory, supplies and products, as follows:

(i) Proprietary Products. Franchisor and its affiliate have developed certain swimming pool and spa design specifications and processes for swimming pool and spa construction which incorporate trade secrets and information proprietary to Franchisor and the System, as well as sources for products used in furtherance of such designs (the "**Proprietary Products**"). These Proprietary Products may include additional items if future products or services are developed and authorized for use in CP Businesses. Franchisee agrees to purchase all Proprietary Products only from Franchisor's designated suppliers and in no event will Franchisee alter or attempt to substitute any other product for any Proprietary Product. In connection with the operation of the CP Business and any other franchise which Franchisor may grant to Franchisee, Franchisee will only use Proprietary Products when required by Franchisor's or its affiliate's design specifications. Franchisor expressly reserves the right to designate suppliers, or itself to be the sole supplier, of Proprietary Products.

(ii) Construction Standards. In order to strive for a uniform image and uniform quality of products and services throughout the CP Businesses, Franchisee must comply with the mandatory construction standards that Franchisor provides to Franchisee (the "**Construction Standards**"). The Construction Standards may regulate, among other things, the brands, types, and models of products, equipment, services and techniques Franchisee may use to operate the CP Business; required, preferred, or authorized products, equipment, services, and techniques or product, equipment, service and technique categories; and designated, preferred, or approved suppliers of these items, which might include Franchisor or be limited to Franchisor and/or its affiliates.

(iii) Advertising and Materials or Supplies Using the Marks. In advertising services and products offered by the CP Business, all advertising material used by Franchisee shall be subject to approval by Franchisor as to quality and design and shall bear trademarks approved by Franchisor.

(iv) All Other Products, Inventory or Supplies. Franchisor will from time to time establish and publish reasonable specifications for the types of products, inventory and supplies authorized for use in connection with the operation of the CP Business. Franchisor may, from time to time, require Franchisee to purchase certain products, goods, services, supplies, fixtures, equipment, inventory, computer hardware or software, real estate, or comparable items related to establishing or operating the CP Business from Franchisor or designated or approved suppliers. If Franchisee wants to purchase any such items for use in the CP Business from a supplier or distributor that Franchisor has not yet approved, Franchisor may, in its sole discretion, approve suppliers selected by Franchisee provided the following conditions are first met:

(A) The supplier shall demonstrate to Franchisor's satisfaction that it is able to supply an item to Franchisee meeting Franchisor's specifications for such item, including but not limited to, providing Franchisor with samples and the opportunity to inspect its facilities from time to time;

(B) The supplier shall demonstrate to Franchisor's satisfaction that the supplier is of good standing in the business community with respect to its financial soundness and the reliability of its product and service; and

(C) In the event the item to be supplied is required to bear one of the Marks, such supplier must execute a license agreement (which may include a royalty payment) in a form acceptable to Franchisor.

Until and unless Franchisor notifies Franchisee in writing that it has approved a supplier, Franchisee must continue to purchase from previously approved suppliers (with respect to products or services that Franchisor requires Franchisee to purchase only from designated or approved suppliers or distributors). If Franchisor determines that a previously approved supplier no longer conforms to such standards, it shall so notify Franchisee and Franchisee shall thereupon discontinue making purchases from supplier. Franchisor shall, from time to time, publish updated lists of approved suppliers for inventory, supplies and products. Franchisor may, but is not required to, negotiate purchase agreements with suppliers to obtain discounted prices or other benefits to the System.

(b) Confidential Information and Operations. Franchisee acknowledges that the information contained in the Operations Guide constitutes confidential and trade secret information. Additionally, Franchisor may provide Franchisee with other information which has been designated by Franchisor as "Confidential," "Trade Secret," or "Proprietary Information." Without the prior written consent of Franchisor, Franchisee shall neither disclose the contents of the Operations Guide to any person, except employees of Franchisee for purposes related solely to the operation of the CP Business, nor reprint or reproduce the Operations Guide, or any other confidential or proprietary information or trade secrets in whole or in part for any purposes. Before disclosing any confidential or proprietary information or trade secrets to its personnel, Franchisee shall obtain agreements from its personnel, in a form satisfactory to Franchisor, prohibiting disclosure of any trade secret or proprietary information. Franchisee must provide executed copies of these agreements to Franchisor.

(c) Operation of CP Business.

(i) Operation of CP Business. Franchisee shall participate in the operation and management of the CP Business (personally or through a manager approved by Franchisor

who has completed the initial training program to Franchisor's satisfaction (the "**Manager**")) and shall diligently devote Franchisee's best efforts to the operation and management so as to maximize sales and profits, keeping free from conflicting enterprises or any other activities which would be detrimental to or interfere with such operation or management. The CP Business must be directly operated by Franchisee or by the Manager. Franchisee shall operate and maintain the CP Business only in the Territory designated herein and only in accordance with the business standards, procedures, policies, and techniques comprising the System as specified in the Operations Guide. In particular, and not in limitation of the foregoing, Franchisee shall participate in all loyalty and similar programs required by Franchisor. Franchisee acknowledges and agrees that such participation may involve accepting promotional coupons and discounting prices. Franchisee shall conspicuously post on all CP Business documentation, business cards and the like a notice to the effect that the CP Business is a franchised business that is owned and operated independently of Franchisor.

(ii) Products and Services. Products and services offered for sale by the CP Business are essential components of the System and shall be specified by Franchisor in its sole discretion, from time to time, in its Operations Guide or in other written materials. Franchisee shall offer for sale all mandatory products and services and shall not offer for sale any products or services which are not so specified by Franchisor as mandatory or optional. Franchisee shall not, under any circumstances, front-load payments from clients before services are performed.

(d) Jobsite Sanitation and Maintenance Standards. At its sole expense, Franchisee shall at all times maintain jobsites and work areas, in a good, clean, and safe condition.

(e) Staffing Requirements. Franchisee shall maintain an adequate number of neat, clean, competent, and courteous staff associated with the CP Business to ensure maximum customer satisfaction and consistent service.

(f) Sales Records and Access to Data in Poologics. Franchisee shall license from Poologics, or another supplier authorized by Franchisor, software or a cloud-based portal for accounting, business operations and customer relationship management functions (the "**Poologics System**"). Franchisee agrees to execute any and all necessary agreements and pay fees in connection with the installation, maintenance and upgrade of the Poologics System. Franchisee understands and agrees that both technological and operational developments may require Franchisee to upgrade or replace components of, or the entire, Poologics System during the term of this Agreement or upon its renewal. Franchisee will upgrade, replace or expand the Poologics System in order to assume and discharge all of the Poologics System related tasks specified, and as modified from time to time, by Franchisor. Franchisee agrees and acknowledges that Franchisor will have independent access to the information in the Poologics System and may access it at any time. Franchisee agrees to enter into Poologics all sales leads, home improvement contracts, change orders, and any other information designated by Franchisor from time to time, within three (3) business days of receiving such information. Franchisee also agrees to deliver monthly reports of Gross Revenues on a form approved or provided by Franchisor, together with the payment of all fees due under this Agreement.

(g) Legal Compliance. At its sole expense, Franchisee shall comply with all federal, state, and local laws, ordinances and regulations applicable to the ownership and operation of the CP Business, including, without limitation, laws, ordinances, and regulations regarding front-loading of payments.

(h) Right of Inspection. Franchisee shall allow the agents and representatives of Franchisor to inspect the operation of the CP Business at any time for the purpose of examining and inspecting jobsites, equipment, products, supplies, and staff of the CP Business to determine whether Franchisee is in compliance with this Agreement and the standards and policies of the System. In order to monitor the System, Franchisor shall have the right to interview Franchisee's employees and personnel, conduct quality assurance audits, employ mystery shoppers and conduct customer surveys. If Franchisee shall fail to operate the CP Business in accordance with the System, Franchisor may, at its option, and at Franchisee's expense, and in addition to any other remedies of Franchisor hereunder, place a representative of Franchisor in the CP Business until Franchisor shall determine in its sole discretion that there is compliance.

(i) Books and Records. Franchisee shall keep books of account in accordance with good accounting practices which fully and accurately disclose Gross Revenues and shall deliver to Franchisor by the fifteenth (15th) day of the following month, monthly financial statements, bank statements and sales records which accurately reflect current results of the operation of the CP Business. Franchisee must use a professional bookkeeping or accounting service to maintain the books of the CP Business. Franchisee must use Franchisor's designated supplier of bookkeeping services in the operation of the CP Business for at least one (1) year after Franchisee begins operations. Franchisor may, in its judgment, require Franchisee to continue to use its designated supplier of bookkeeping services throughout the term of this Agreement. Franchisee shall permit Franchisor, or its agent or representative to inspect and examine Franchisee's books and records at reasonable times. If any audit discloses that reported Gross Revenues of Franchisee have been understated, Franchisee shall immediately pay to Franchisor the amounts due, together with late charges as provided herein. If such audit discloses that the reported Gross Revenues of Franchisee for the period audited have been understated by three percent (3%) or more, Franchisee shall reimburse Franchisor for any and all expenses incurred in connection with or attributable to the audit including without limitation accounting and legal fees and travel expenses, room and board and compensation for Franchisor's agents and representatives. Such payments shall be without prejudice to any other rights and remedies Franchisor may have under this Agreement or otherwise. Franchisee shall maintain the books and records of the CP Business for at least three (3) years. Upon reasonable request from Franchisee, Franchisor may, at its option, assist Franchisee in establishing and using administrative, bookkeeping, accounting or inventory control procedures (subject to additional fees) and respond to Franchisee's questions regarding operational issues and provide support on a reasonable basis.

(j) Required Disclosure. Franchisee acknowledges that Franchisor may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Franchisee or the operation of the CP Business, including without limitation, earnings or other financial performance information. Franchisee agrees that Franchisor shall be entitled to disclose such information and that Franchisor shall have the right to determine the extent and manner in which such disclosure will be made. If Franchisor does not have the information necessary for the disclosure Franchisor determines it will make, Franchisee shall provide such information to Franchisor promptly upon Franchisor's request.

(k) Notification of Legal Proceedings. Franchisee shall notify Franchisor in writing within ten (10) days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award, or decree of any court or government agency which may adversely affect Franchisee's financial condition or ability to perform its duties or meet its obligations hereunder.

(l) Electronic Payment Compliance. Franchisee shall ensure that the CP Business adheres to the System standards applicable to electronic payments including PCI (Payment Card Industry) standards. If required under applicable law, by Franchisor or by one of the credit card companies, Franchisee shall provide Franchisor with evidence of compliance with the PCI standards at Franchisor's request and provide to Franchisor copies of an audit, scanning results or related documentation relating to such compliance.

(m) Privacy Laws. Franchisee shall: (1) abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information (collectively, the "**Privacy Laws**"); (2) comply with privacy and data protection requirements applicable to the CP Business and as may be set forth in the Operations Guide; (3) notify Franchisor immediately in the event Franchisee discovers any potential issues regarding its or Franchisor's non-compliance under such Privacy Laws; (4) refrain from any action or inaction that may cause Franchisor or any of its affiliates to violate any Privacy Laws; and (5) do and execute, or arrange to be done and executed, each act, document and thing necessary or desirable to keep Franchisor or any of its affiliates in compliance with any Privacy Laws.

(n) Trade Association Requirements. Franchisee acknowledges and agrees that:

(i) Franchisee shall obtain before the CP Business opens for business, and maintain throughout the term of this Agreement, a membership with the trade association ("**Trade Association**") Franchisor specifies (the "**Membership**"), currently the Pool & Hot Tub Alliance.

(ii) Before the CP Business opens for business, Franchisee or the Manager shall successfully complete and pass the Trade Association trainings and examinations Franchisor requires and obtain the certification from the Trade Association that Franchisor designates (the "**Certification**"). Franchisee shall maintain the Certification throughout the term of this Agreement.

(iii) Franchisee shall be responsible for all costs associated with obtaining, and maintaining throughout the term of this Agreement, the Membership and Certification, including any applicable training and examination costs.

10. INSURANCE

At all times during the term of this Agreement, Franchisee shall maintain in full force and effect at its sole cost and expense such insurance limits and coverages as Franchisor shall designate from time to time. Franchisee shall also maintain in full force and effect at its sole cost and expense, workers compensation insurance as required by law. Franchisor and all other subsidiaries, affiliates and other parties designated by Franchisor from time to time shall be named as additional insureds. Franchisee shall provide Franchisor with certificates of insurance evidencing the required coverage, which certificates shall be renewed and provided annually and shall contain such detailed information as Franchisor may from time to time request, and Franchisee shall also provide Franchisor with full and complete copies of any and all of the above policies including copies of any renewals or modifications thereto upon request of Franchisor. All insurance policies must be issued by an insurance company licensed to do business in the state where the CP Business is located, approved by Franchisor, and rated A-VIII or better by A.M. Best & Company, Inc. Franchisee shall cause the companies to agree by endorsement or separate written document that Franchisor shall be given at least thirty (30) days' prior written

notice of termination, expiration, cancellation, modification or reduction in coverage limits of any such policy. Upon failure of Franchisee to maintain in effect any of the insurance required, or to furnish to Franchisor satisfactory evidence of such insurance, Franchisor may, in its discretion, obtain insurance coverage on behalf of Franchisee, and Franchisee agrees to promptly execute applications or instruments required to obtain any such insurance and to pay to Franchisor, on demand, all costs, premiums and other expenses incurred by Franchisor. Without limitation of the foregoing, Franchisee shall also set aside one percent (1%) of its Gross Revenues monthly, until reaching a balance periodically designated by Franchisor (the "**Reserve Balance**"), as a reserve against uninsured and/or small claims. For the avoidance of doubt, if Franchisee's balance falls below the Reserve Balance at any time during the term of this Agreement, Franchisee must immediately resume setting aside one percent (1%) of its Gross Revenues monthly until Franchisee again reaches the Reserve Balance.

11. INDEMNITY

Franchisee shall, during the term of this Agreement and after the termination or expiration of this Agreement, protect, defend, indemnify and hold the Franchisor, and its affiliates and associates, licensors, officers, directors, owners, employees, agents, representatives and assignees (the "**Indemnified Parties**") harmless against any and all liability for all claims of every kind or nature arising in any way out of or relating to Franchisee's actions or failure to act, whether personal or in connection with the operation of the CP Business, any other actions or failure to act by Franchisee, its agents or representatives or any breach of this Agreement. For purposes of this indemnification, "claims" means and includes all obligations, actual and consequential damages, losses, claims, judgments, demands, liens, reckonings, accounts and costs incurred in the defense of any claim (such as, by way of illustration, but not limitation, accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses). Franchisor shall have the right to defend any such claim against it with counsel of its own choosing and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any claim. Franchisee shall have no right to settle or refuse to settle any claim; Franchisee shall retain all right to do so. In addition, Franchisee agrees to cooperate fully with Franchisor in any other claims brought by or against Franchisor. The defense of such claim, litigation or administrative proceeding by an Indemnified Party, or by Franchisee on an Indemnified Party's behalf, shall be at the sole cost and expense of Franchisee, who shall hold each Indemnified Party free and harmless from all such obligations and liabilities and shall reimburse an Indemnified Party for all expenses incurred therein, including attorneys' fees. Further, an Indemnified Party shall have the right independently to take any action it may deem necessary, in its sole discretion, to protect and defend itself against any threatened action subject to indemnification hereunder, without regard to expense, forum or other parties that may be involved.

12. MARKS AND TRADE DRESS

(a) Ownership of Marks and Goodwill. Franchisee's right to use the Marks is derived solely from, and is subject to, the terms and conditions of this Agreement. Such right is limited to the operation of the CP Business in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisee acknowledges that Franchisor has the right to use and sublicense the use of the Marks pursuant to a license agreement between it and its affiliate, California Pools, Inc. (the "**Licensor**") that owns the Marks (the "**License Agreement**"), and that they are valid trademarks. Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, directly or indirectly, the

License Agreement or Franchisor's rights and use in connection therewith, the Licensor's ownership or use of, application for, or registration of, or the validity or enforceability of, any of the Marks. Franchisee also agrees not to acquire or use any trademarks that are similar or identical to the Marks. Franchisee agrees that its usage of the Marks and any goodwill established thereby shall inure to the exclusive benefit of the Licensor.

(b) Limitations on Franchisee's Use of Marks and Trade Dress. If local laws require that Franchisee file a registration stating that Franchisee is conducting business under an assumed name or trade name, Franchisee shall state in such document that it is conducting such business as a franchisee of Franchisor. Franchisee shall not use any of the Marks or similar words or colorable imitations thereof as part of any name of any corporation, partnership, limited liability company or other business entity, or with any other prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form or as part of any domain name, web address or similar electronic use; nor may Franchisee use any of the Marks in connection with the sale of any unauthorized products or service or in any other manner not explicitly authorized in writing by Franchisor. Franchisee will not use or display, or permit the use or display, of the trademarks, trade names, service marks, insignias, logotypes or any other commercial symbols or trade dress of any other person or entity in connection with the CP Business without the prior written consent of Franchisor, or as expressly permitted in the Operations Guide.

(c) Defense of Trademarks.

(i) In the event that Franchisee receives notice or learns of a claim, suit, demand or proceeding against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Franchisee's use of the Marks or of any of Franchisor's copyrights in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of such claim, suit, demand or proceeding. Franchisee shall have no power, right, or authority to settle or compromise any such claim by a third party without the prior written consent of Franchisor. Provided that Franchisee is in full compliance with this Agreement, Franchisor shall defend Franchisee against any claim by a third party against Franchisee for Franchisee's use of the Marks and copyrighted material in accordance with this Agreement, using attorneys of Franchisor's choosing. Franchisor may elect to compromise or settle any such claim, at its sole discretion. Franchisee agrees to cooperate fully with Franchisor in connection with any such defense. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle such claims, demands, suits or proceedings.

(ii) In the event that Franchisee receives notice or is informed or learns that any third party, that Franchisee believes to be unauthorized to use the Marks, is using the Marks or any variants thereof, or is using any of Franchisor's or its affiliate's copyrights, Franchisee shall promptly notify Franchisor. Thereupon, Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against such third party on account of said person's alleged infringement of the Marks or copyrights. In the event the Franchisor undertakes such action, it shall have the authority and power of attorney to defend or settle such action. Franchisee agrees to render such assistance as Franchisor shall reasonably demand to carry out the prosecution of any such action. Franchisee shall have no right to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of said alleged infringement.

(d) Copyright. Franchisee acknowledges that Franchisor has developed and may further develop during the term of this Agreement, certain artistic designs, and certain other word combinations and other materials designated for use by Franchisee. Franchisee acknowledges

that Franchisor and/or its affiliate retains all right, title and interest thereto as provided by copyright law to the originator of works and, further, that Franchisee is licensed to use such copyrighted materials solely in accordance with the terms and during the term of this Agreement.

(e) Discontinuance of Use of Marks. If it becomes advisable at any time in Franchisor's sole discretion for Franchisee to modify or discontinue use of any Mark or any items of trade dress, or use one or more additional or substitute marks or items, Franchisee agrees to comply with Franchisor's directions to modify or otherwise discontinue the use of such Mark or item of trade dress and to accept, use and display such additional marks or items of trade dress within a reasonable time after notice thereof by Franchisor but in no event more than thirty (30) days after receiving notice from the Franchisor. Franchisor shall not be obligated to compensate Franchisee for any costs incurred by Franchisee in connection with any such addition, modification or discontinuance.

13. NON-COMPETITION

(a) Franchisee acknowledges that Franchisor could not protect the Trade Secrets against unauthorized use or disclosure and could not achieve a free exchange of ideas and information among franchisees in the System if Franchisee held interests in any competitive business. Franchisee acknowledges that Franchisor grants the rights to Franchisee in part in consideration of, and in reliance upon, Franchisee's agreement to deal exclusively with Franchisor. Therefore, Franchisee shall not at any time during the term of this Agreement, individually or in conjunction with any person or entity, have any interest as an owner, investor, shareholder, partner, member, lender, director, officer, manager, consultant, guarantor, representative, or agent or in any other manner whatsoever, directly or indirectly, carry on or be engaged in, financially or otherwise, or advise in the establishment or operation of any business involving or related to the sale of swimming pool construction or remodeling services within the Territory (other than the CP Business Franchisee operates under this Agreement), within the territory of any other existing CP Business, or within thirty (30) miles from the territory of any other existing CP Business.

(b) In addition, and except as otherwise provided in this Section 13(b), for two (2) years after the termination or expiration of this Agreement, Franchisee shall not carry on, be engaged in or advise in the establishment or operation of any business involving or related to the operation of a competitive business selling swimming pool construction or remodeling services or similar businesses described in section (a) above (except under a franchise agreement with Franchisor): (i) within the Territory, (ii) within the territory of any other existing CP Business, or within thirty (30) miles from the territory of any other existing CP Business. Franchisee agrees and acknowledges that this restriction represents only a limited one on Franchisee's ability to conduct a business and that the purpose of this covenant is not to deprive Franchisee of a means of livelihood, and will not do so, but is rather to protect the goodwill and interest of Franchisor and the System. Despite the foregoing, if Franchisee continuously operated the same or similar type of business to the CP Business that Franchisee will operate under this Agreement for the period of at least twenty-four (24) months immediately preceding the Effective Date of this Agreement (as described in Section 33), then this Section 13(b) shall not apply. For the avoidance of doubt, in all other cases, Franchisee is subject to the prohibitions in this Section 13(b).

(c) Covenants contained in this Section 13 shall be construed as severable and independent and shall be interpreted and applied consistently with the requirements of reasonableness and equity. The period, the geographic area and the scope of the restrictions on

Franchisee's activities are divisible so that if any provision of the restrictions is invalid, that provision shall be automatically modified to the extent necessary to make it valid.

(d) Franchisee shall require and obtain execution of agreements similar to those set forth in this Section 13 including agreements applicable upon the termination of a person's relationship with Franchisee that shall be effective for a period of two (2) year after such termination from all officers, directors, and holders of a beneficial interest of ten percent (10%) or more of the equity of any entity directly or indirectly controlling Franchisee, if Franchisee is an entity;

(e) All agreements required by this Section 13 shall be in forms satisfactory to Franchisor, including without limitation specific identification of Franchisor as a third-party beneficiary with the independent right to enforce them.

14. ASSIGNMENT AND TRANSFER

(a) By Franchisor. This Agreement is fully transferable and assignable by Franchisor, in whole or in part, and shall inure to the benefit of any assignee, transferee or other legal successor to its interest herein.

(b) By Franchisee.

(i) The rights granted to Franchisee in this Agreement are personal and Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the individual character, skill, attitude, business ability and financial capacity of Franchisee or, if Franchisee is a corporation, partnership, limited liability company or other entity, of its principal owners and officers or partners. Accordingly, Franchisee shall not transfer (as defined below) this Agreement or any interest therein without Franchisor's written consent and without offering Franchisor a right of first refusal. Any attempt at a transfer that violates the provisions of this Section shall constitute a material breach of this Agreement and shall convey no right or interest in this Agreement. A transfer by an individual franchisee to an entity that is wholly owned by the Franchisee and the sole business of which is the operation of the business contemplated by this Agreement shall not be subject to the Franchisor's right of first refusal nor shall Franchisee be required to pay the transfer fee set forth below; provided that Franchisee notifies Franchisor in advance of the transfer and provides Franchisor with all documents Franchisor deems necessary or advisable including without limitation, an assumption agreement and personal guaranty by Franchisee as an individual. Franchisee shall reimburse Franchisor for its expenses in documenting such a transfer.

(ii) For purposes hereof, "**transfer**" means any voluntary, involuntary, direct or indirect assignment, sale, division, encumbrance, hypothecation, mortgage, pledge or other transfer by Franchisee, in whole or in part, of any interest in this Agreement, any interest in the CP Business or more than ten (10%) of the ownership of Franchisee (either by one or by a series of transfers), if Franchisee is a corporation, partnership, limited liability company or other entity. "Transfer" shall also include, in the event of Franchisee's death, a transfer to the surviving spouse, heirs, estate or other representative of Franchisee (the "**Survivor**").

(iii) Franchisor may require fulfillment of any or all of the following conditions precedent to the granting of consent to any transfer:

(A) there shall be no existing default in the performance of Franchisee's obligations under this Agreement or under any other agreement with Franchisor or any of its affiliates;

(B) the operation of the CP Business shall be in complete compliance with Franchisor's then-current standards;

(C) the proposed transferee shall be qualified according to Franchisor's then-current standards for new franchisees, and shall have successfully completed Franchisor's initial training program;

(D) the proposed transferee shall have executed Franchisor's then-current standard franchise agreement for a term of years equal to the remaining term of this Agreement, the proposed transferee shall have executed all ancillary agreements then required by Franchisor and all holders of an equity interest in the proposed transferee (if an entity) shall have executed Franchisor's then-current form of Guaranty;

(E) Franchisee shall have paid to Franchisor a transfer fee equal to Five Thousand Dollars ($5,000) plus fifty percent (50%) of the then current initial franchise fee for new franchisees; provided, however, that in the event such transfer is to a Survivor, the transfer fee shall only consist of the reimbursement of Franchisor's expenses. The entire transfer fee is payable when Franchisee notifies Franchisor of the desire to transfer and is payable regardless of whether or not Franchisor consents to the Transfer;

(F) Franchisee (and its principals if Franchisee is a corporation or other entity) shall have executed a general release in a form acceptable to Franchisor of any and all claims against Franchisor and its officers, directors, employees, affiliates, shareholders, representatives and agents;

(G) any obligations of the transferee to the Franchisee shall be subrogated to the transferee's obligations to Franchisor under the Franchise Agreement it enters into with Franchisor;

(H) if the proposed Transfer is to a business entity, Franchisee must own such business entity, sign a personal service agreement with such business entity, and execute a performance guaranty; and

(I) Franchisee must transfer this Agreement together with all other agreements it has entered into with Franchisor and all rights thereunder to the transferee.

(iv) Franchisor's consent to any transfer shall not constitute a waiver of any claim that Franchisor may have against Franchisee or its owner(s), or of Franchisor's right to demand strict compliance with this Agreement.

(v) No interest in this Agreement or the franchise shall be the subject of a lien, security interest or pledge either in favor of Franchisee as part of a transfer of the Franchise, or otherwise.

(c) Right of First Refusal. Franchisee shall provide Franchisor with complete information on the proposed transferee and terms of the transfer. Within thirty (30) days of receipt

of the complete information and documents by Franchisee, Franchisor will inform Franchisee (i) whether it will exercise its right of first refusal, and (ii) if not, whether it will consent to the transfer. In the event that Franchisor notifies Franchisee that it will exercise its right of first refusal, except as provided below, Franchisor or its nominee will accept the transfer upon the same terms and conditions as set forth in the instruments and documents which embodied the proposed transfer. Franchisor shall not be required, by exercise of its right of first refusal, to perform obligations of the proposed transferee which are merely incidental to the transfer (e.g., employment agreements in favor of individuals, and brokers or finders fees to be paid by the proposed transferee to Franchisee or to any principal of Franchisee). Moreover, Franchisor shall have not less than sixty (60) days from the delivery of Franchisor's notice of exercise to consummate the transfer. If Franchisor elects not to exercise its right of first refusal and consents to the proposed transferee, Franchisee may consummate the proposed transfer, but only upon the terms and conditions set forth in the notice submitted to Franchisor.

(d) Death or Permanent Disability. If Franchisee, or the principal of a Franchisee that is not an individual, dies or is permanently disabled in a manner that prohibits operation of the CP Business, the Survivor or, in the case of permanent disability, the representative of Franchisee shall, within one hundred twenty (120) days of such death or determination of permanent disability, either meet all of the qualifications required of franchisees or shall transfer the Franchise Agreement.

15. OPERATION IN THE EVENT OF ABSENCE, DISABILITY OR DEATH

The parties hereto acknowledge that it is imperative that the CP Business be operated without any interruption and in a manner that will not cause harm to the CP Business or the System. In order to insure such continued operation, in the event that Franchisee is not able to operate the CP Business, by reason of illness, disability, death, or otherwise, and within one hundred twenty (120) days of such illness or death, Franchisee's executor or representative has not transferred the franchise in accordance with the provisions of this Agreement, Franchisee authorizes Franchisor to operate the CP Business for as long as Franchisor deems necessary and practicable without waiver of any other rights or remedies Franchisor may have under this Agreement. All proceeds from the operation of the CP Business during such period of operation by Franchisor shall be separately accounted for, and the expenses of the CP Business, including reasonable compensation and expenses for Franchisor's representative(s), shall be charged to said proceeds. If Franchisor, in its sole discretion, temporarily operates the CP Business as provided in this section, Franchisee agrees to hold harmless and fully indemnify Franchisor and any representative(s) of Franchisor who may act hereunder.

16. DEFAULT AND TERMINATION

The following provisions are in addition to and not in limitation of any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies.

(a) With Notice and No Opportunity to Cure. This Agreement shall immediately terminate on delivery of notice of termination to Franchisee by Franchisor upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Franchisee:

(i) becomes insolvent or admits in writing Franchisee's inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Franchisee within ninety (90) days;

(ii) abandons the CP Business by failing to operate it for five (5) consecutive business days under circumstances that render reasonable the conclusion that Franchisee does not intend to continue operating the CP Business, unless such failure is for a purpose Franchisor approves or due to disaster or similar reasons beyond Franchisee's control;

(iii) has made any material misrepresentation or omission in the application for the CP Business or in any report that Franchisee submits to Franchisor pursuant to this Agreement;

(iv) is convicted by a trial court of or pleads no contest to a felony or other crime or offense or engages in conduct that reflects materially and unfavorably upon the operation and reputation of Franchisor or the System, or if any principal of Franchisee is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct (unless Franchisee conducts an approved transfer of such principal's ownership interest in Franchisee within sixty (60) days of the principal's conviction, plea, or conduct);

(v) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of Franchisee's rights or obligations under this Agreement;

(vi) is a party to any other agreement with Franchisor or its affiliates that is terminated for Franchisee's breach thereof;

(vii) makes any unauthorized use of the Marks or Trade Secrets or makes any duplication or disclosure of any Trade Secrets including but not limited to any portion of the Operations Guide;

(viii) fails on three (3) or more separate occasions during the term of this Agreement to pay on a timely basis any fees payable hereunder or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice is delivered to Franchisee and whether or not such failures to comply relate to the same or different requirements of this Agreement;

(ix) front-loads payments from clients before services are performed;

(x) shall at any time have the CP Business or its assets or premises seized, taken over or foreclosed by a government official in the exercise of such official's duties, or by a creditor, lien holder or lessor of Franchisee, or a writ or levy of execution shall issue against the franchise granted hereunder or the goods and chattels of Franchisee;

(xi) fails, for a period of three (3) days after notification of noncompliance, to comply with any federal, state or local law or regulations applicable to the operation of the CP Business;

(xii) intentionally under-reports its Gross Revenues to Franchisor;

(xiii) if a judgment against Franchisee in the amount of more than Twenty Five Thousand Dollars ($25,000) remains unsatisfied (unless an appeal is filed or a supersedeas bond is secured) for a period of more than thirty (30) days;

(xiv) if Franchisor determines, in its sole discretion, that continued operation of the CP Business by Franchisee will result in imminent danger to public health or safety; or

(xv) if the United States government designates Franchisee or any of its owners (if Franchisee is an entity) a "specially designated national" or "blocked person."

(b) With Notice and Opportunity to Cure. This Agreement shall terminate upon Franchisee's failure to cure any of the following, each of which is deemed to be "good cause":

(i) noncompliance with any requirement in this Agreement not listed in subsection (a) above or the Operations Guide or prescribed by Franchisor within fifteen (15) days after notice thereof is delivered to Franchisee; or

(ii) failure to make payments to Franchisor for any amounts due within fifteen (15) days after notice thereof is delivered to Franchisee.

(c) No Waiver. The description of any default in any notice served upon Franchisee shall in no way preclude the Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination hereof.

(d) Enforcement. Franchisee acknowledges that the decision to enforce or not to enforce compliance with its rules and regulations by other franchisees shall not affect Franchisor's right to enforce such rules and regulations against Franchisee, even under similar circumstances.

(e) Termination by Franchisor and Liquidated Damages. Franchisee has agreed to operate the Franchise in compliance with this Agreement for the full term of this Agreement. If Franchisee fails to do so, Franchisee acknowledges that Franchisor would be damaged in several ways, including but not limited to: loss of future Royalty Fees, loss of representation in the Territory, confusion of customers, disadvantage in competing for new business and other types of business, and injury to the goodwill in the Marks. Franchisee further acknowledges that it is difficult to estimate the revenues of the Franchise over a period of years and that elements of Franchisor's damages not directly calculated from the Franchise's revenues are inherently difficult to calculate and the proof thereof would be burdensome and costly (although such damages are real and meaningful to Franchisor). Franchisor and Franchisee agree that liquidated damages (as calculated in this Section) are not a penalty and represent a reasonable estimate of just and fair compensation of Franchisor for the damages that it would suffer if Franchisee should fail to operate the Franchise in compliance with this Agreement for the full Term.

(i) In accordance with this Section 16(e), and immediately upon demand from Franchisor, Franchisee shall pay to Franchisor the Measured Amount. As used in this Agreement, the following terms shall have the following meanings:

(A) "**Measured Amount**" shall mean the sum of the average monthly amount due to Franchisor in Royalty Fees during the Calculation Period (defined below), multiplied by sixty (60).

(B) "**Calculation Period**" shall mean the twenty-four (24) months consisting of full calendar months immediately preceding the date on which termination took effect; provided that if the Franchise was not in operation for at least twenty-four (24) months consisting of full calendar months, then the Calculation Period shall be the number of months consisting of full calendar months during which the Franchise was open and in operation.

(ii) If, notwithstanding the provisions of this Agreement, the assets of the Franchise are transferred to a competitor, or any other prohibited event, as a result of which Franchisor has the right to terminate this Agreement, Franchisee will pay to Franchisor the amount of liquidated damages that is due under this Section times one hundred fifty percent (150%).

(iii) In addition to liquidated damages, Franchisor will have the right to recover reasonable attorneys' fees and court costs incurred in collecting such sums plus interest on all amounts due under this Section which will accrue from the date such liquidated damages are due until paid. Such legal remedies will not preclude Franchisor from any equitable remedies to which it may be entitled under applicable law. Franchisee's obligation to pay Franchisor liquidated damages, if applicable, and other sums pursuant to this Section will survive termination of this Agreement. Payment of liquidated damages to Franchisor will not affect the obligations of Franchisee to take action or abstain from taking action after the termination of this Agreement as required by Section 17 below or Franchisor's remedies in the event that Franchisee does not comply with its obligations thereunder.

17. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

(a) Payment of Amounts Owed to Franchisor. Franchisee agrees to pay Franchisor immediately after the effective date of termination or expiration of this Agreement, all amounts due to Franchisor and all other amounts owed to Franchisor or its affiliates which are then unpaid.

(b) Marks. After the termination or expiration of this Agreement, Franchisee will:

(i) not directly or indirectly at any time or in any manner identify Franchisee or any business with which Franchisee is affiliated as a current or former franchisee or licensee of Franchisor, or as otherwise associated with Franchisor, or use any Mark, any imitation thereof or other indicia of the CP Business in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association, or former connection or association, with the Franchisor;

(ii) at Franchisor's option, return or destroy (and if destroyed, Franchisee must set forth with particularity in a writing signed by Franchisee or a principal thereof the items destroyed) all supplies bearing any Marks;

(iii) refrain from engaging in a competing business as provided in Section 13 above;

(iv) stop using the Marks and the System and return to Franchisor all copies of the Operations Guide and all other proprietary information, including, without limitation, client lists;

(v) stop all use of all telephone numbers, facsimile numbers, e-mail addresses, home pages, web sites and the like that are associated with the CP Business and cooperate with

Franchisor in causing all applicable telephone companies and other service providers to reassign such numbers and addresses to Franchisor or its nominee including, without limitation, signing telephone transfer forms upon the execution of this Agreement or upon demand by Franchisor for use by Franchisor upon expiration or termination of this Agreement;

(vi) subject to applicable law, refrain from soliciting clients or personnel of the CP Business, and turn over all customer information and data to Franchisor;

(vii) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Marks;

(viii) assist in the smooth transition of the business to any successor franchisee;

(ix) refrain from making any disparaging comments regarding Franchisor;

(x) if applicable, take such steps as are necessary to change the décor, signage, flooring, fixtures, furniture and equipment and other elements of décor and trade dress so that the premises from which Franchisee operated the CP Business no longer resemble the CP Business; and

(xi) comply with all further requirements set forth in the Operations Guide.

(c) Continuing Obligations. All obligations of the parties that expressly or by nature survive the expiration or termination of this Agreement, including without limitation, Sections 11, 12 and 13, and shall continue in full force and effect subsequent to and notwithstanding its expiration or termination until they are satisfied in full or by nature expire.

(d) Option to Purchase. Upon termination or expiration of this Agreement, Franchisor or its nominee shall have the option, exercisable for sixty (60) days following the effective date of termination or expiration, to purchase the assets of the CP Business. The purchase price for the assets will be the fair market value as determined by the parties. If the parties are unable to agree upon the fair market value of the assets, they shall jointly select an independent appraiser to do so. Franchisee and Franchisor shall each pay one-half (½) of the cost of appraisal. The fair market value of the assets shall be determined without giving effect to goodwill. Franchisor may deduct any amounts Franchisee owes to Franchisor, any liabilities relating to the assets, and, if Franchisor has not complied with the requirements of this Agreement to upgrade the CP Business, the amount necessary to upgrade the CP Business to reflect Franchisor's then-current image. The purchase price will be payable fifty percent (50%) at the time of closing and the balance in three (3) equal quarterly installments of principal plus interest at a rate per annum equal to the prime lending rate charged by Franchisor's bank determined as of the closing date. If the purchase is exercised following Franchisor's termination of this Agreement for cause or termination by Franchisee in breach of this Agreement, any and all costs, expenses, and liabilities incurred by Franchisor, including attorneys' fees and the cost of appraisal, in exercising this option and in acquiring said property, as well as any and all monies due and owing from Franchisee to Franchisor, plus any damages, expenses and costs incurred or suffered by Franchisor by reason of any default, breach, or violation of this Agreement by Franchisee, shall be deducted from the purchase price.

18. CASUALTY

If the CP Business is damaged by fire or other casualty, Franchisee will expeditiously repair the damage. If the damage or repair requires closing the CP Business, Franchisee will immediately notify Franchisor, will repair or rebuild the CP Business in accordance with Franchisor's specifications, and will reopen the CP Business for continuous business operations as soon as reasonably practicable (but in any event within one year after closing of the CP Business), giving Franchisor advance notice of the date of reopening. If the CP Business is not reopened in accordance with this paragraph, this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

19. UNAVOIDABLE DELAYS

In the event of failure to perform or delays in the performance of any duties hereunder caused by forces not within the reasonable preventive control of the party due to perform, for example (without limitation), government regulations, fire, flood, labor disputes, natural disasters, acts of God, civil disorders, riots, insurrections, work stoppages, slowdowns or disputes, or other similar events, such failures or delays shall not cause a default in said performance, but, in the event of delay, the parties shall extend the time of performance for a period of time equivalent to the length of delay, or for such other reasonable period of time as agreed to between the parties, provided that such extension shall not enlarge or extend the term of Agreement.

20. INVALID OR UNENFORCEABLE PROVISIONS

If any provision of this Agreement, or its application to any person or circumstances, is invalid or unenforceable, then the remainder of this Agreement or the application of such provision to other persons or circumstances shall not be affected thereby.

21. RELATIONSHIP BETWEEN PARTIES

(a) Nothing herein contained shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture or employment, or a fiduciary relationship, and neither party shall hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of the other party or its affiliate. With respect to all matters pertaining to the operation of the business conducted hereunder, the Franchisee is, and shall be, an independent contractor. Neither Franchisor nor the Franchisee has the right to bind or obligate the other to any obligations or debts.

(b) It is acknowledged that the Franchisee is the independent owner of its business, shall be in full control thereof, and shall conduct such business in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself as the independent owner of its business and as a franchisee of the Franchisor. No party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall the Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of the Franchisee’s business, whether caused by Franchisee’s negligent or willful action or failure to act. Neither party shall have liability for any sale, use, excise, income, property or other tax levied upon the business conducted by the other party or in connection with therewith.

(c) Without limiting any of Franchisee's indemnification obligations in Section 11, in consideration of the right to operate the CP Business granted to Franchisee, Franchisee, on behalf of itself and its predecessors, affiliates, owners, directors, officers, employees, representatives, agents, successors and assigns (for purposes of this Section 21, the "**Franchisee Releasors**"), hereby release, discharge and agree to hold harmless the Franchisor and its predecessors, affiliates, owners, directors, officers, employees, representatives, agents, successors and assigns (for purposes of this Section 21, the "**Franchisor Releasees**") from any and all suits, claims, liabilities, demands, promises, obligations, costs, expenses, actions and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected, which the Franchisee Releasors now own or hold or have at any time heretofore owned or held or may at any time own or hold against the Franchisor Releasees arising out of or in any way related to Franchisee's independent contractor status including, without limitation, wage and hour laws, misclassification theories or any similar type of laws or liability theories aimed at protecting employees ("**Released Claims**"). Franchisee Releasors hereby covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against the Franchisor Releasees with respect to the Released Claims. Any of the Franchisor Releasees may plead or assert the covenant not to sue in this Section 21 as a complete defense and bar to any claim brought against any of them in contravention of this Section 21 and, if any such claim is brought against any of them, the Franchisee Releasors, jointly and severally, shall indemnify, defend, and hold harmless any such Franchisor Releasees from and against any such claim. The Franchisee Releasors acknowledge that they have read and understand the significance and consequences of Section 1542 of the California Civil Code which provides as follows:

> *A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.*

Nevertheless, the Franchisee Releasors acknowledge that this Section 21 has been agreed upon and they expressly waive any and all rights which any of them may have under Section 1542 of the California Civil Code, or any other state or federal statute or common law principle of similar effect. Neither Franchisor nor Franchisee shall make any express or implied agreements, guarantees or representations on behalf of the other, or incur any debt in the name of or on behalf of the other, or represent that Franchisee has any relationship with Franchisor other than as a franchisee of Franchisor pursuant to this Agreement. Franchisor shall not be obligated by or have any liability under any agreements or representations made by Franchisee, nor shall Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business.

22. WAIVER

No failure of Franchisor or Franchisee to exercise any power hereunder granted, or to insist on strict compliance by the other with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. Waiver by either party of any particular default by the other shall not affect or impair any rights with respect to any subsequent default of

the same or of a different nature; nor shall any delay or omission of either party to exercise any rights arising from a default affect or impair any rights as to said default or any subsequent default.

23. NOTICES

All notices hereunder shall be hand delivered or sent by express mail, federal express or air courier or by registered or certified mail to Franchisor and Franchisee at the respective addresses set forth on the first page of this Agreement, unless Franchisor and/or Franchisee shall from time to time change said addresses by written notice to the other as provided herein. Any notice given by registered or certified mail shall be deemed received by the party to whom it is addressed on the third day after such notice is deposited in the United States mail with postage thereon fully prepaid, return receipt requested. Any notice given by express mail, federal express or air courier shall be deemed given the next business day.

24. APPLICABLE LAW

This Agreement shall be governed in all respects and aspects by the laws of the State of Texas, excluding its conflict of law rules, and subject to the Lanham Act (15 U.S.C. 1051 et seq.).

25. RESOLUTION OF DISPUTES

(a) Upon the occurrence of any dispute or disagreement between the parties hereto arising out of or in connection with any term or provision of this Agreement, the subject matter hereof, or the interpretation or enforcement hereof (in each case, a "**Dispute**"), the Dispute shall first be submitted to mediation on an expedited basis in Austin, Texas, administered by the American Arbitration Association ("**AAA**"), or its successor, in accordance with its Commercial Mediation Procedures AAA then in effect. Either party may commence mediation by providing to AAA and the other party a written request for mediation, setting forth the subject of the Dispute and the relief requested, with the expectation that the first mediation session shall occur within forty-five (45) days of such written request. The party seeking the mediation must submit the following in addition to any demand or filing required by AAA: a full and specific description of the claim(s) under this Agreement including without limitation an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration that under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. The parties will cooperate with AAA and with one another in selecting a neutral mediator from the AAA panel of neutrals and in scheduling the mediation proceedings. The mediator must be a retired judge, or an attorney licensed to practice law in Texas and experienced in complex commercial transactions. If the parties are unable to select the mediator within ten (10) business days after receipt of the mediation notice by AAA, then AAA shall designate the mediator. The parties covenant that they will (i) participate in the mediation in good faith, (ii) share equally in the costs of the mediator and related AAA administrative costs, and (iii) pay in advance the estimated reasonable fees and costs of the mediation, as may be specified in advance by the mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator and any AAA employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any reference, arbitration, litigation or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. In the event it is necessary, any party may

file a motion in the state court located in Austin, Texas to compel the other party to participate in the mediation and the prevailing party shall be awarded its costs and expenses, including reasonable attorneys' fees in connection with such motion. If the Dispute is not resolved within ten (10) business days after the first mediation session, either party may (i) give written notice to AAA and the other party that the mediation is terminated and (ii) submit any remaining Disputes to binding arbitration pursuant to Section (b) below.

(b) If the parties are unable to resolve the Dispute pursuant to subsection (a) above, then the parties shall submit the Dispute to final and binding arbitration in Austin, Texas, administered by AAA, or its successor, in accordance with its Commercial Arbitration Rules then in effect. The parties agree that any and all Disputes that are submitted to arbitration in accordance with this Agreement shall be decided by one (1) neutral arbitrator who is a retired judge or attorney licensed to practice law in Texas who is experienced in complex commercial transactions. If the parties are unable to agree on an arbitrator, AAA shall designate the arbitrator. The parties will cooperate with AAA and with one another in selecting the arbitrator and in scheduling the arbitration proceedings in accordance with applicable AAA procedures. The arbitration shall be conducted in accordance with the AAA Commercial Arbitration Rules. Any party may commence the arbitration process called for in this Agreement by filing a written demand for arbitration with AAA, with a copy to the other party. The party seeking arbitration must submit the following in addition to any demand or filing required by AAA: a full and specific description of the claim(s) under this Agreement including without limitation an identification of the specific provisions that the other party has breached, documentary evidence of the facts alleged by the complaining party and a declaration under penalty of perjury that all facts stated in the claim and documentation are true and correct and do not fail to state facts known to the complaining party that are material to the determination of the Dispute. Any award issued as a result of such arbitration shall be final and binding between the parties thereto and shall be enforceable by any court having jurisdiction over the party against whom enforcement is sought. The parties expressly acknowledge and understand that by entering into this Agreement, they each are waiving their respective rights to have any Dispute between the parties hereto adjudicated by a court or by a jury.

(c) The parties recognize that their relationship is unique and that each franchisee is situated differently from all other franchisees, and that no one franchisee can adequately represent the interest of others. Therefore, the parties agree that any arbitration, suit, action or other legal proceeding shall be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff, consolidated or similar basis.

(d) The prevailing party in any legal proceeding will be entitled to recover as an element of such party's cost of arbitration, suit or proceeding, and not as damages, reasonable attorneys' fees to be fixed by the arbitrator or by the court. Nothing in this Agreement shall be construed as limiting or precluding either party from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting a bond (and if bond shall nevertheless be required, the parties agree that the sum of One Hundred Dollars ($100) shall be sufficient bond), in connection with the Marks, Trade Dress, Proprietary Information or Trade Secrets. The parties shall have the immediate right to seek such injunctive or other extraordinary relief at any time, including without limitation, during the pendency of an arbitration or other proceeding. This covenant shall be independent, severable and enforceable notwithstanding any other rights or remedies which such party may have.

26. TERMINOLOGY

All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context or sense of this Agreement or any section, paragraph, or clause herein may require, as if such word had been fully and properly written in the appropriate number and gender.

27. ENTIRE AGREEMENT

(a) This Agreement and the exhibits attached hereto and incorporated herein, if any, contain the entire agreement of the parties and there are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties hereto other than those set forth and duly executed in writing in this Agreement.

(b) Upon execution of this Agreement by Franchisor, all previous agreements, contracts, arrangements or undertakings of any kind relative to the Franchise granted herein are canceled, and as between the parties hereto, all claims and demands are fully satisfied; provided, however, that this paragraph shall have no effect upon written agreement(s) signed by both parties, whenever executed, except to the extent that such written agreement specifically refers to and modifies or cancels this Agreement. Nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative. If Franchisee is a corporation, partnership or other entity, those shareholders, partners and other persons owning an interest in such entity shall sign Franchisor's form of confidentiality and non-competition agreement. If Franchisee is a corporation, partnership or other entity, Franchisor will determine which of the shareholders, partners or other principals shall sign Franchisor's form of Guaranty and Assumption of Franchisee's Obligations, in accordance with Franchisor's criteria, set forth on **Exhibit D** attached hereto and incorporated herein.

(c) Franchisee's spouse or, the spouses of all owners of Franchisee if Franchisee is an entity, shall execute a spousal consent in the form attached hereto as **Exhibit B.**

28. AMENDMENT OF AGREEMENT

This Agreement shall not be modified or amended except by written agreement executed by both parties hereto. No subsequently published manual or other publication of Franchisor shall materially alter the parties' rights and obligations under this Agreement. Notwithstanding the preceding sentence, Franchisor may unilaterally amend the Operations Guide from time to time.

29. COSTS AND EXPENSES OF ENFORCEMENT

The prevailing party shall recover the reasonable costs and expenses, including reasonable attorneys' fees, incurred by such party in connection with any legal proceeding involving the enforcement of any of the provisions of this Agreement.

30. CAPTIONS

The section headings throughout this Agreement are for convenience and reference only, and the words contained therein shall not be held to expand, modify, amplify, or aid in the interpretation or construction of this Agreement.

31. FRANCHISEE'S ACKNOWLEDGMENTS

(a) NEITHER FRANCHISEE (INCLUDING, WITHOUT LIMITATION, ANY AND ALL OF ITS DIRECTORS AND OFFICERS, IF ANY), NOR ANY OF ITS AFFILIATES OR THE FUNDING SOURCES FOR EITHER IS A SPECIALLY DESIGNATED NATIONAL OR BLOCKED PERSON. NEITHER FRANCHISEE NOR ANY OF ITS AFFILIATES IS DIRECTLY OR INDIRECTLY OWNED OR CONTROLLED BY THE GOVERNMENT OF ANY COUNTRY THAT IS SUBJECT TO AN EMBARGO BY THE UNITED STATES GOVERNMENT. NEITHER FRANCHISEE NOR ANY OF ITS AFFILIATES IS ACTING ON BEHALF OF A GOVERNMENT OF ANY COUNTRY THAT IS SUBJECT TO SUCH AN EMBARGO. FRANCHISEE FURTHER REPRESENTS AND WARRANTS THAT IT IS IN COMPLIANCE WITH ANY APPLICABLE ANTI-MONEY LAUNDERING LAW, INCLUDING, WITHOUT LIMITATION, THE USA PATRIOT ACT. FRANCHISEE AGREES THAT IT WILL NOTIFY FRANCHISOR IN WRITING IMMEDIATELY UPON THE OCCURRENCE OF ANY EVENT THAT WOULD RENDER THE FOREGOING REPRESENTATIONS AND WARRANTIES OF THIS SECTION INCORRECT.

(b) BY SIGNING THIS AGREEMENT FRANCHISEE IS AGREEING TO HAVE ALL DISPUTES, CLAIMS OR CONTROVERSIES ARISING OUT OF OR RELATING TO THIS AGREEMENT DECIDED BY NEUTRAL ARBITRATION IN AUSTIN, TEXAS, AND FRANCHISEE IS GIVING UP ANY RIGHTS FRANCHISEE MIGHT POSSESS TO HAVE THOSE MATTERS LITIGATED IN A COURT OR JURY TRIAL. BY SIGNING THIS AGREEMENT, FRANCHISEE IS GIVING UP ITS JUDICIAL RIGHTS TO DISCOVERY AND APPEAL EXCEPT TO THE EXTENT THAT THEY ARE SPECIFICALLY PROVIDED FOR UNDER THIS AGREEMENT. IF FRANCHISEE REFUSES TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION FRANCHISEE MAY BE COMPELLED TO ARBITRATE UNDER FEDERAL OR STATE LAW. FRANCHISEE'S AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

(c) THIS AGREEMENT, ALTHOUGH DRAWN BY FRANCHISOR, SHALL NOT BE CONSTRUED MORE STRICTLY AGAINST ONE PARTY THAN AGAINST THE OTHER PARTY.

(d) FRANCHISEE AGREES AND ACKNOWLEDGES THAT FRANCHISEE SHALL COMPLY WITH ALL APPLICABLE LAW IN THE OPERATION OF THE CP BUSINESS AND ITS BUSINESS AND SHALL CONSULT WITH ITS OWN INDEPENDENT ADVISORS TO THE EXTENT NECESSARY TO DO SO; FRANCHISOR SHALL NOT BE RESPONSIBLE FOR THE OPERATION OF FRANCHISEE'S BUSINESS. WHENEVER A PROVISION OF THIS AGREEMENT PROVIDES FOR FRANCHISOR'S REVIEW AND CONSENT OR APPROVAL, FRANCHISOR'S REVIEW SHALL NOT BE TO DETERMINE COMPLIANCE WITH LAW, WHICH COMPLIANCE IS THE SOLE RESPONSIBILITY OF FRANCHISEE.

(e) The following acknowledgments shall be made by and binding on all franchisees and CP Businesses, except if this Agreement or the relationship between Franchisee and Franchisor is subject to state franchise registration and/or disclosure laws in California, Hawaii, Illinois, Indiana,

Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

(i) NO REPRESENTATION, PROMISE, GUARANTEE OR WARRANTY WAS MADE TO INDUCE THE EXECUTION OF THIS AGREEMENT OR IN CONNECTION HEREWITH WHICH IS NOT EXPRESSLY CONTAINED HEREIN. FRANCHISEE RECOGNIZES THAT NEITHER FRANCHISOR NOR ANY OTHER PERSON CAN GUARANTEE FRANCHISEE'S SUCCESS IN THE CP BUSINESS. BY THE EXECUTION AND ACCEPTANCE OF THIS AGREEMENT, THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ THE SAME AND UNDERSTAND EACH PROVISION HEREOF.

(ii) FRANCHISEE ACKNOWLEDGES THAT HE OR SHE HAS HAD THE OPPORTUNITY, AND HAS BEEN ADVISED BY FRANCHISOR, TO CONSULT WITH FRANCHISEE'S OWN INDEPENDENT ADVISORS SUCH AS ATTORNEYS, ACCOUNTANTS, BANKERS AND BUSINESS CONSULTANTS REGARDING THIS FRANCHISE AND THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND THAT FRANCHISEE IS NOT RELYING ON ANY REPRESENTATIONS OR STATEMENTS OTHER THAN THOSE SET FORTH IN THIS AGREEMENT.

32. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgment signed or agreed to by 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 Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[SIGNATURES ON NEXT PAGE]

33. EFFECTIVE DATE

This Agreement shall become effective and binding upon execution and delivery by Franchisor (the "**Effective Date**").

_____ _____
DATE SIGNATURE

_____
PRINT NAME

_____
TITLE (IF APPLICABLE)

_____ _____
DATE SIGNATURE

_____
PRINT NAME

_____
TITLE (IF APPLICABLE)

CALIFORNIA POOLS FRANCHISE INC.

_____ _____
DATE SIGNATURE

_____
PRINT NAME

_____
TITLE

EXHIBIT A

TERRITORY INFORMATION

(1) Initial Franchise Fee: $_____

(2) Royalty Fee: During the first 12 months of operation of the CP Business, Franchisee shall pay Franchisor a monthly fee equal to **[4.5%/ 5.25%]** of Gross Revenues per month. Commencing with the thirteenth month of operations of the CP Business, Franchisee shall pay to Franchisor a monthly fee equal to the greater of: (i) $1,000, or (ii) **[4.5%/ 5.25%]** of Gross Revenues per month. The fees set forth in this paragraph are collectively known as "Royalty Fees".

(3) Address of CP Business: _____
Street Address

_____
City State Zip

(4) Territory Name: _____
Territory Name

5) Zip Codes Served:

(6) Territory Map:

EXHIBIT B

SPOUSAL CONSENT

The undersigned each being the spouse of a Franchisee (or the spouse of an owner of the Franchisee) hereby states:

That he or she has read and understands the Franchise Agreement; and

That he or she consents to the terms and conditions of the Franchise Agreement, including but not limited to those concerning transfer, and

That he or she consents to execution of the Franchise Agreement by Franchisee; and

That he or she consents to execution of the Guaranty and Assumption of Franchisee's Obligations.

Dated:_____ Signature:_____

Print Name:_____

Dated:_____ Signature:_____

Print Name:_____

EXHIBIT C

INFORMATION REGARDING
NON-INDIVIDUAL FRANCHISEES

(1) If Franchisee is a corporation or partnership or other entity, there is set forth below the name, address, title and percentage ownership of each shareholder, partner or member of Franchisee:

NAME	ADDRESS	TITLE	PERCENTAGE OWNERSHIP

(2) If Franchisee is a corporation or limited liability company, there is set forth below the name, address and title of each officer and director or manager of Franchisee:

NAME	ADDRESS	TITLE

(3) The address where Franchisee's records are maintained is:

(4) There is set forth below the name, address and title of each of Franchisee's principal officers or partners who will be devoting their full-time efforts to the operation of the licensed business.

NAME	ADDRESS	TITLE

DATE: _____

_____
Name and Title of Person Completing Exhibit

_____
Signature

EXHIBIT D

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "**Agreement**") with California Pools Franchise Inc. ("**Franchisor**") of even date herewith, each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement, including but not limited to monetary obligations.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and demands and legal and equitable defenses to which he/she may be entitled.

Each of the undersigned consents and agrees that: (1) his/her liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) he/she will individually comply with all the provisions and subsections of the Agreement and any renewals and amendments thereto; (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (5) such liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall, in any way, modify or amend this guaranty which shall be continuing and irrevocable during the term of the Agreement and thereafter.

If any provision of this Guaranty and Assumption Agreement is deemed to be invalid or inoperative, for any reason, that part shall be deemed modified to the extent necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the Guaranty and Assumption Agreement shall continue in full force and effect as if it had been executed and entered into with the invalid portion so modified or eliminated.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, each of the undersigned hereto affixed his/her signature effective on the same day and year as the executed Agreement.

GUARANTOR(S)

By:_____

Print Name:_____

By:_____

Print Name:_____

CALIFORNIA POOLS FRANCHISE INC.

By:_____

Title:_____

EXHIBIT C

FINANCIAL STATEMENTS

[See Attached]

CALIFORNIA POOLS FRANCHISE, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

CALIFORNIA POOLS FRANCHISE, INC.
FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder
California Pools Franchise, Inc.

Opinion

We have audited the accompanying financial statements of California Pools Franchise, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, changes in stockholder's equity, and cash flows for the year 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 California Pools Franchise, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 California Pools Franchise, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Errors

As discussed in Note 3 to the financial statements, certain errors resulting in incorrect recording of revenue, deferred revenue, prepaid commissions, and loans receivable as of December 31, 2022, were discovered by management of the Company during the current year. Accordingly, an adjustment has been made to retained earnings as of January 1, 2023, to correct these errors. Our opinion is not modified with respect to this matter.

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 California Pools Franchise, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

"Citrin Cooperman" is the brand under which Citrin Cooperman & Company, LLP, a licensed independent CPA firm, and Citrin Cooperman Advisors LLC serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure. The entities of Citrin Cooperman & Company, LLP and Citrin Cooperman Advisors LLC are independent member firms of the Moore North America, Inc. (MNA) Association, which is itself a regional member of Moore Global Network Limited (MGNL). All the firms associated with MNA are independently owned and managed entities. Their membership in, or association with, MNA should not be construed as constituting or implying any partnership between them.

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 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 California Pools Franchise, Inc.'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 California Pools Franchise, Inc.'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.

Citrin Cooperman & Company, LLP

New York, New York
August 20, 2024

"Citrin Cooperman" is the brand under which Citrin Cooperman & Company, LLP, a licensed independent CPA firm, and Citrin Cooperman Advisors LLC serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure. The entities of Citrin Cooperman & Company, LLP and Citrin Cooperman Advisors LLC are independent member firms of the Moore North America, Inc. (MNA) Association, which is itself a regional member of Moore Global Network Limited (MGNL). All the firms associated with MNA are independently owned and managed entities. Their membership in, or association with, MNA should not be construed as constituting or implying any partnership between them.

CALIFORNIA POOLS FRANCHISE, INC.
BALANCE SHEET
DECEMBER 31, 2023

ASSETS

Current assets:	
Cash	$ 98,713
Accounts receivable, net	116,009
Franchise fee receivables	65,250
Vendor rebate receivables	362,942
Prepaid commissions, current	17,500
Prepaid expenses and other assets	170,977
Total current assets	831,391
Operating lease right-of-use assets, net	54,215
Other assets:	
Prepaid commissions, net of current portion	108,958
Franchise fee receivable, net of current portion	13,250
Deferred tax asset	58,337
Total other assets	180,545
TOTAL ASSETS	$ 1,066,151

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:	
Accounts payable	$ 14,782
Accrued expenses and other current liabilities	203,791
Deferred franchise fees - current portion	22,000
Operating lease liability - current portion	25,442
Due to related parties	289,411
Total current liabilities	555,426
Long-term liabilities:	
Deferred franchise fees, net of current portion	152,125
Operating lease liability, net of current portion	29,300
Total long-term liabilities	181,425
Total liabilities	736,851
Commitments and contingencies (Notes 6, 7 and 8)	
Stockholder's equity:	
Common stock - $0.0001 par value; 50,000,000 shares authorized, 5,000,000 shares issued and outstanding	500
Preferred stock - $0.001 par value; 5,000,000 shares authorized, 0 shares issued and outstanding	-
Additional paid-in capital	99,500
Retained earnings	229,300
Total stockholder's equity	329,300
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 1,066,151

See accompanying notes to financial statements.

CALIFORNIA POOLS FRANCHISE, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

Revenues:	
Royalties	$ 1,843,551
Franchise fees	22,000
Marketing fees	201,798
Vendor rebates	607,323
Other revenues	70,541
Total revenues	2,745,213
Selling, general and administrative expenses	2,978,557
Loss from operations	(233,344)
Other income	124,271
Loss before provision for income taxes	(109,073)
Provision for income taxes	(27,387)
NET LOSS	$ (81,686)

See accompanying notes to financial statements.

CALIFORNIA POOLS FRANCHISE, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Common Stock		Preferred Stock		Additional Paid-In	Retained	
	Shares	Amount	Shares	Amount	Capital	Earnings	Total
Balance - January 1, 2023, as previously reported	5,000,000	$ 500	-	$ -	$ 99,500	$ 442,738	$ 542,738
Correction of errors (Note 3)	-	-	-	-	-	(131,752)	(131,752)
Balance - January 1, 2023, as restated	5,000,000	500	-	-	99,500	310,986	410,986
Net loss	-	-	-	-	-	(81,686)	(81,686)
BALANCE - DECEMBER 31, 2023	5,000,000	$ 500	-	$ -	$ 99,500	$ 229,300	$ 329,300

See accompanying notes to financial statements.

CALIFORNIA POOLS FRANCHISE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities:		
Net loss	$	(81,686)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense		129,754
Noncash lease expense		24,167
Deferred tax benefit		(58,337)
Changes in operating assets and liabilities:		
Accounts receivable		(104,164)
Franchise fee receivable		(78,500)
Vendor rebate receivables		(370,890)
Prepaid commissions		(2,500)
Prepaid expenses and other current assets		17,086
Prepaid income taxes		120,954
Accounts payable		(8,245)
Accrued expenses and other current liabilities		83,111
Deferred revenue		63,000
Operating lease liability		(26,210)
Due to related parties		61,432
Net cash used in operating activities		(231,028)
Net decrease in cash		(231,028)
Cash - beginning		329,741
CASH - ENDING	$	98,713
Supplemental schedules for non-cash investing and financing activities:		
ROU Assets obtained in operating lease term modifications	$	76,766

See accompanying notes to financial statements.

NOTE 1. NATURE OF BUSINESS

California Pools Franchise, Inc. (the "Company") was incorporated on March 12, 2018, in the state of Wyoming to sell franchises pursuant to a non-exclusive license agreement with an entity related to the Company by common control (the "Licensor"). Pursuant to the Company's standard franchise agreement, franchisees will operate in the business of swimming pool construction for residential and commercial properties.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates may be adjusted due to a change in future economic, industry or customer financial conditions. Estimates are used in accounting for, amongst other items, accounts receivable, franchise fee receivable, vendor rebate receivable allowances, revenue recognition and contingencies. Actual results could differ from those estimates.

Accounts and franchise fee receivables

Accounts and franchise fee receivables are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts and changes in the allowance are included in selling, general and administrative expenses in the accompanying statement of operations. The Company assesses collectibility by reviewing accounts and franchise fee receivables on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted.

Under the prior accounting rules, the Company evaluated the following factors when determining the collectibility of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms.

The allowance for doubtful accounts on accounts receivable and franchise fee receivable as of December 31, 2023, was $28,691 and $0, respectively. There was no allowance for doubtful accounts as of December 31, 2022 for accounts and franchise fee receivables.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and franchise fee receivables (continued)

As of December 31, 2023 and 2022, the accounts receivable was $144,700 and $141,599, respectively. As of December 31, 2023 and 2022, franchise fee receivable was $78,500 and $0, respectively.

Vendor rebate receivables

The Company assesses the outstanding balances in vendor rebate receivable under Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASC 326"), by evaluating each of the party's ability to pay by reviewing their financial history annually, historical losses recorded and reassessing any risk that is identified. If a failure to pay is anticipated due to these conditions, the Company assesses the terms of the vendor rebates and estimates an expected credit loss.

Leases

The Company has an operating lease agreement for an office space. The Company determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized in the balance sheet.

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Company uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

The lease contains fixed and determinable escalation clauses for which the Company recognizes rental expense under the lease on the straight-line basis over the lease term, which include the period of time from when the Company takes possession of the leased space and the cumulative expense recognized on the straight-line basis in excess of the cumulative payments. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Impairment of long-lived assets

The Company reviews long-lived assets, which consist of right of use assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If this review reveals an indicator of impairment, as determined based on estimated undiscounted cash flows, the carrying amounts of the related long-lived assets are adjusted to fair value. Management has determined that there has been no impairment to the carrying value of its long-lived assets during the year ended December 31, 2023.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CP Points Incentive Program

The Company operates an incentive program to encourage franchisees to participate in an annual company-sponsored trip. Franchisees accumulate points throughout the year which are converted to "CP Bucks" in the subsequent year. CP Bucks must first be used to offset the cost of attending the annual Company-sponsored trip. If, after offsetting the cost of the trip, there is a remaining CP Bucks balance, it can be used to offset the cost of their monthly system marketing fund fees due. Franchisees may choose whether or not to attend the annual trip, but CP Bucks balances up to the trip threshold will be forfeited regardless of attendance. Any unused CP Bucks balances carry over through January of the following year. At December 31, 2023, the accrued balance under the incentive program was $102,815 and is included in "Accrued expenses and other current liabilities" in the accompanying balance sheet.

Revenue recognition

The Company derives its revenues from franchise fees and royalties, marketing fees, vendor rebates, renewal fees, transfer fees and other fees.

Franchise revenues, royalties, renewal fees, and transfer

Contract consideration from franchise operations consists primarily of initial and renewal franchise fees, sales-based royalties, and transfer fees payable by a franchisee if and when a franchise transfers a franchise unit to another franchisee. The initial franchise fees are nonrefundable and collected in accordance with the underlying franchise agreement. Sales-based royalties and marketing fees are collected monthly. Renewal and transfer fees are collected when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property in addition to a variety of activities relating to opening a franchise unit, training and other such activities commonly referred to collectively as "pre-opening activities." All pre-opening activities have been determined to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore are accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

Initial and renewal franchise fees are fixed considerations under the franchise agreement. The fixed considerations are allocated to the right to access the Company's intellectual property and are recognized as revenue on a straight-line basis over the term of the respective agreement.

Royalties are earned based on a percentage of franchisee gross sales over the term of the franchise agreement, as defined in each respective franchise agreement. Franchise royalties represent sales-based royalties that are related entirely to the use of the Company's intellectual property and are recognized as franchisee sales occur and the royalty is deemed collectible.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

System marketing fund

The Company maintains a system marketing fund which is established to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Marketing fund fees are collected from franchisees as a fixed fee based on the terms of the franchise agreement. The Company has determined that it acts as a principal in the collection and administration of the system marketing fund and therefore will recognize the revenues and expenses related to the system marketing fund on a gross basis. The Company has determined that the administration of the brand fund is a separate performance obligation from the right to access its intellectual property. Revenues from the system marketing fund are recognized as the related advertising and promotional services are performed, typically on a monthly basis, corresponding to the collection of the fixed fees.

When the system marketing fund exceeds the related brand fund expenses in a reporting period, advertising costs will be accrued up to the amount of advertising fund revenues recognized.

Other revenues

The Company earns other revenues for certain services, including additional training and support, special events, and other marketing initiatives, that are not a component of its franchise agreements. Revenues for these services are recognized at a point in time when the Company satisfies its performance obligation(s) by transferring the benefit of a service provided to a customer.

Incremental costs of obtaining a contract

The Company capitalizes direct and incremental costs, principally consisting of commissions associated with the sale of franchises, which are amortized over the term of the related franchise agreement.

Vendor rebates

The Company receives funds from vendors for supporting various marketing and advertising programs related to purchases by franchisees. For the year ended December 31, 2023, the Company recognized revenue from vendor rebates of $607,323. Vendor rebates are recognized when earned and are included in the accompanying statement of operations.

Advertising and marketing

Advertising and marketing costs are expensed as incurred and aggregated $299,696 for the year ended December 31, 2023.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in results of operations in the period that includes the enactment date. Valuation allowances are established against deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by taxing authorities. It also provides guidance for recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

As of December 31, 2023, the Company had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the Company had no interest or penalties related to income taxes.

Variable interest entities

In accordance with the provisions of the FASB ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities disclosed in Note 7 meet the conditions under ASU 2018-17 and,accordingly, it is not required to include the accounts of the related parties in the Company's financial statements.

Recently adopted accounting standards

In June 2016, FASB issued ASC 326, along with subsequently issued related ASUs, which requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently adopted accounting standards (continued)

The Company's financial instruments include accounts receivable, franchise fee receivables and vendor rebate receivables. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The Company adopted ASC 326 using the modified retrospective method on January 1, 2023,and it did not have a material impact on the financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through August 20, 2024, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. CORRECTION OF ERRORS

During 2023, it was determined the Company had expensed certain selling, general and administrative expenses in the periods incurred that should have been capitalized as prepaid commissions and amortized over the life of the related franchise agreements. Additionally, the Company had recognized certain revenues for services in the period before they were fully recognizable. Additionally, the Company also identified certain loans receivable that were recorded on the books incorrectly. As a result, total assets and total liabilities as of December 31, 2022, were understated by $123,958 and $255,710, respectively, and the retained earnings was overstated by $131,752, which is the amount by which retained earnings have been adjusted for as of January 1, 2023. Had the errors not been made, the net income for the year ended December 31, 2022,would have been decreased by $62,657.

NOTE 4. REVENUES AND RELATED CONTRACT BALANCES

Franchised outlets

The following data reflects the status of the Company's franchises for the year ended December 31, 2023:

Franchises sold	5
Franchised outlets in operation	25
Franchised outlets that ceased operations	5

Disaggregation of revenues

The economic risks to the Company's revenues are dependent on the strength of the economies in the United States, the strength of the real estate market in locations where its franchisees operate, and the Company's ability to collect on its contracts. The Company disaggregates revenues from contracts with customers by the timing of revenue recognition by type of revenue, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

NOTE 4. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)

Revenues by timing of recognition were as follows during the year ended December 31, 2023:

Point in time:		
Franchise royalties	$	1,843,551
Marketing fees		201,798
Vendor rebates		607,323
Other revenues		70,541
Total point in time		2,723,213
Over time:		
Franchise fees		22,000
Total revenues	$	2,745,213

Contract balances

Contract liabilities are comprised of unamortized initial and renewal franchise fees received from franchisees, which are presented as "Deferred franchise fees" in the accompanying balance sheet. A summary of significant changes in deferred franchise fees during the year ended December 31, 2023, is as follows:

Deferred franchise fees - beginning of year, restated	$	111,125
Revenue recognized during the year		(22,000)
New deferrals		85,000
Deferred franchise fees - end of year	$	174,125

At December 31, 2023, deferred franchise fees are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

Year ending December 31:		Amount
2024	$	22,000
2025		22,000
2026		22,000
2027		22,000
2028		22,000
Thereafter		64,125
Total	$	174,125

Deferred franchise fees consisted of the following at December 31, 2023:

Franchise units not yet opened	$	76,500
Opened franchise units		97,625
Total	$	174,125

NOTE 4. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)

The direct and incremental costs, principally consisting of commissions, are included in "Prepaid commissions" in the accompanying balance sheet. The direct and incremental costs expected to be recognized over the remaining term of the associated franchise agreements at December 31, 2023, are as follows:

Year ending December 31:	Amount
2024	$ 17,500
2025	17,500
2026	17,500
2027	17,500
2028	17,500
Thereafter	38,958
Total	$ 126,458

NOTE 5. CONCENTRATIONS OF CREDIT RISK

The Company places its cash, which may at times be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits, with a major financial institution and attempts to limit the amount of credit exposure with the institution. The Company has not experienced any losses in this account.

As of December 31, 2023, four franchisees accounted for approximately 58% of the Company's accounts receivables and three franchisees accounted for 100% of the Company's franchise fees receivable.

For the year ended December 31, 2023, two franchisees accounted for approximately 29% of the Company's franchise revenues.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Operating lease

On January 2020, the Company entered in an operating lease agreement for an office space commencing February 1, 2020 and ending on January 31, 2023.

On January 2023, the Company amended its existing lease agreement. The modification included extending the lease term to January 31, 2026. No gain or loss was recognized due to the modification. Total operating lease expense for the year ended December 31, 2023, was $35,159.

NOTE 6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating leases (continued)

Maturities of lease liability as of December 31, 2023, are as follows:

Year ending December 31:	Operating Lease
2024	$ 26,977
2025	27,552
2026	2,301
Net minimum lease payments	56,830
Less: interest	2,088
Present value of lease liability	54,742
Less: current portion	25,442
Lease liability, net of current portion	$ 29,300

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows from operating lease	$ 24,167
Non-cash ROU assets obtained on operating lease term modifications:	
Non-cash investing and financing activities	$ 76,766
Average lease term and discount rates were as follows:	
Weighted-average remaining lease term (in years) - operating lease	2.09
Weighted-average discount rate (%)	3.75

Contingencies

The Company records reserves for legal and other contingencies when information available to the Company indicates that it is possible that a liability has been incurred and the amount of the loss can be reasonably estimated. Predicting the outcomes of claims and litigation and estimating the related costs and exposures involve substantial uncertainties that could cause actual costs to vary materially from estimates. Legal costs incurred in connection with legal and other contingencies are expensed as they are incurred.

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the Company's financial condition or results of operations.

NOTE 7. RELATED-PARTY TRANSACTIONS

License agreement

On May 15, 2018, the Company entered into a non-exclusive license agreement with California Pools, Inc., ("the Licensor"), an entity affiliated to the company through common control, for the use of the California Pools trademark. The Company is required to pay a certain percentage of gross monthly royalties in accordance with the agreement. The agreement renews on a yearly basis until terminated by both parties. Additionally, the Company pays for certain administrative expenses on behalf of the Licensor which are then reimbursed and also reimburses the Licensor for certain administrative expenses paid for on its behalf. During the year ended December 31, 2023, license fees amounted to $184,825. As of December 31, 2023, the balance due to the Licensor amounted to $125,782 and is included in "Due to related parties" in the accompanying balance sheet.

Management agreement

On May 15, 2018, the Company entered into an agreement with a related party through common ownership and control, Wildcat Management South, Inc. ("Wildcat"), who provides management services to the Company. The agreement renews on a yearly basis until terminated by both parties. During the year ended December 31, 2023, expenses incurred under the management agreement amounted to $491,134 and relate to the Company's allocable share of costs incurred by Wildcat. As of December 31, 2023, the balance due to Wildcat amounted to $88,629 and is included in "Due to related parties" in the accompanying balance sheet.

Due to related parties

In addition to the previously mentioned agreements, the Company pays for certain administrative expenses on behalf of a related party which are then reimbursed and also reimburses the related party for certain administrative expenses paid for on its behalf. Expenses that the Company is to reimburse the related party for and that the Company pays for on behalf of the related party are included in "Due to related parties" in the accompanying balance sheet and in "Selling, general and administrative expenses" in the accompanying statement of operations. At December 31, 2023, the amount due to the related party amounted to $75,000.

NOTE 8. SYSTEM MARKETING FUND

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to collect system marketing fund fees. These funds are to be spent solely on marketing and related expenses for the benefit of the franchisees with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. For the year ended December 31, 2023, system marketing fund contributions were $82,625 and were included in "Marketing fees" in the accompanying statement of operations. As of December 31, 2023, the Company had expended all system marketing fund amounts collected on behalf of franchisees for advertising and marketing.

NOTE 9. INCOME TAXES

The provision for income taxes for the year ended December 31, 2023,is as follows:

Current income taxes:		
Federal	$	10,649
State and local		20,301
Total current		30,950
Deferred income tax provision (benefit):		
Federal		(42,802)
State and local		(15,535)
Total deferred		(58,337)
Total provision for income taxes	$	(27,387)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets as of December 31, 2023, are as follows:

Deferred tax assets:		
Allowance for doubtful accounts	$	7,795
Lease liability		14,871
Deferred revenue		26,520
Net operating losses		23,879
Deferred tax assets		73,065
Deferred tax liability:		
Right of use asset		(14,728)
Total deferred tax assets (liabilities)		58,337
Less: valuation allowance		-
Net deferred tax assets	$	58,337

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making its assessment and has not recorded a valuation allowance against its deferred tax assets as of December 31, 2023.

As of December 31, 2023, the Company had net operating loss carryforwards in the amount of approximately $93,000 that carryforward indefinitely.

The Company's effective income tax expense differs from the tax statutory amount for the years ended December 31, 2023 because of the effect of nondeductible expenses for income tax purposes and state income tax.

CALIFORNIA POOLS FRANCHISE, INC.

FINANCIAL REPORT

DECEMBER 31, 2022, 2021, and 2020

CALIFORNIA POOLS FRANCHISE, INC.

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SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Pools Franchise Inc.

Opinion

We have audited the financial statements of California Pools Franchise, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the related statements of income, changes in stockholder's equity, and cash flows for the years ended December 31, 2022, 2021, and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the three years ended December 31, 2022, 2021, and 2020, 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 (GAAS). 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective January 1, 2022, the Company adopted new accounting guidance Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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 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 GAAS 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 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 GAAS, 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.

Singer Lewak LLP

June 5, 2023

CALIFORNIA POOLS FRANCHISE, INC.

BALANCE SHEETS

December 31, 2022 and 2021

ASSETS

	2022	2021
Current assets		
Cash	$ 329,741	$ 300,459
Accounts receivable, net	141,599	195,617
Income taxes receivable	-	64,345
Prepaid expenses	309,016	153,969
Total current assets	780,356	714,390
Operating lease right-of-use assets, net	78,546	-
Total assets	**$ 858,902**	**$ 714,390**

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities		
Accounts payable	$ 23,024	$ 1,487
Accrued expenses	128,629	128,997
Due to related parties	83,395	64,580
Operating lease liabilities	25,164	-
Total liabilities	260,212	195,064
Operating lease liabilities, net of current portion	55,952	-
Stockholder's equity		
Common stock, $0.0001 par value, 50,000,000 shares authorized, 5,000,000 shares issued and outstanding	500	500
Preferred stock, $0.0010 par value, 5,000,000 shares authorized, 0 shares issued and outstanding	-	-
Additional paid-in capital	99,500	99,500
Retained earnings	442,738	419,326
Total stockholder's equity	542,738	519,326
Total liabilities and stockholder's equity	**$ 858,902**	**$ 714,390**

See notes to financial statements.

CALIFORNIA POOLS FRANCHISE, INC.

STATEMENTS OF INCOME

Years Ended December 31,

	2022	2021	2020
Revenues			
Royalty	$ 2,010,813	$ 1,840,883	$ 1,121,135
Advertising	201,537	133,425	141,547
Franchise	99,286	180,294	14,500
Other	2,203	12,281	8,551
Total revenues	2,313,839	2,166,883	1,285,733
General and administrative expenses	2,277,280	1,984,016	1,056,287
Income before provision for income taxes	36,559	182,867	229,446
Provision for income taxes	13,147	54,567	57,848
Net income	**$ 23,412**	**$ 128,300**	**$ 171,598**

See notes to financial statements.

CALIFORNIA POOLS FRANCHISE, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

Years Ended December 31,

	Common Stock		Preferred Stock		Additional	Retained	
	Shares	Amount	Shares	Amount	Paid-in Capital	Earnings	Total
Balance, January 1, 2020	**5,000,000**	**$ 500**	**-**	**$ -**	**$ 99,500**	**$ 119,428**	**$ 219,428**
Net income	-	-	-	-	-	171,598	171,598
Balance, December 31, 2020	**5,000,000**	**$ 500**	**-**	**$ -**	**$ 99,500**	**$ 291,026**	**$ 391,026**
Net income	-	-	-	-	-	128,300	128,300
Balance, December 31, 2021	**5,000,000**	**$ 500**	**-**	**$ -**	**$ 99,500**	**$ 419,326**	**$ 519,326**
Net income	-	-	-	-	-	23,412	23,412
Balance, December 31, 2022	**5,000,000**	**$ 500**	**-**	**$ -**	**$ 99,500**	**$ 442,738**	**$ 542,738**

See notes to financial statements.

CALIFORNIA POOLS FRANCHISE, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2022	2021	2020
Reconciliation of net income to net cash flows from operating activities			
Net income	$ 23,412	$ 128,300	$ 171,598
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Change in allowance for doubtful accounts	-	(8,436)	4,436
Noncash lease expense	24,685	-	-
Changes in operating assets and liabilities:			
Accounts receivable	54,018	(87,518)	(118,076)
Income taxes receivable	64,345	(64,345)	-
Prepaid expenses	(155,047)	(153,969)	-
Accounts payable	21,537	(3,851)	14,451
Accrued expenses	(368)	128,997	-
Due to related parties	18,815	39,580	25,000
Income taxes payable	-	(31,695)	16,882
Net cash provided by (used in) operating activities	51,397	(52,937)	114,291
Cash flows from financing activities			
Payments on operating lease liabilities	(22,115)	-	-
Net cash used in financing activities	(22,115)	-	-
Net increase (decrease) in cash	29,282	(52,937)	114,291
Cash:			
Beginning	300,459	353,396	239,105
Ending	**$ 329,741**	**$ 300,459**	**$ 353,396**
Supplemental disclosure for cash flows information			
Income taxes paid	**$ 13,147**	**$ 150,607**	**$ 40,966**

See notes to financial statements.

NOTE 1 – BUSINESS ACTIVITIES

California Pools Franchise, Inc. (the "Company") was incorporated on March 12, 2018, in the state of Wyoming. The Company is principally engaged in granting franchise licenses to potential franchisees throughout the United States for the purpose of construction of swimming pools for residential and commercial properties.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Variable Interest Entities

The Company has elected not to apply the Variable Interest Entity guidance under ASC Topic 810 to a lessor entity under common control, provided the conditions for the accounting alternative specified in ASC Topic 810 are met.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Franchise Operations

The Company grants franchises to investors under franchise agreements for ten-year terms (and includes two options to extend, each for five years) to operate the Company's swimming pool and spa construction and remodeling businesses in specific locations. Upon the signing of the franchise agreement, the Company receives an initial franchise fee of $0, $10,000, $20,000, $25,000, or $30,000 from the franchisee. The highest fee is charged to franchisees that are new to the swimming pool and spa construction and remodeling business. The lower fees are charged to franchisees that have been operating a swimming pool and spa construction and remodeling business and that are converting to the California Pools brand. The initial fee is waived for franchisees that have been operating a California Pools swimming pool and spa construction and remodeling business as a licensee or agent of the Company's affiliate, California Pools, Inc.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Uncollectible accounts are provided for based on management's evaluation of historical and current industry trends. Uncollectible accounts are written-off when a customer files bankruptcy, or after all attempts at collections have been pursued. Recoveries of trade receivables previously written off are recorded when received. The Company generally does not have collateral for its receivables. Although the Company expects to fully collect amounts due, actual collections may differ from estimated amounts. At December 31, 2022 and 2021, there was no allowance for doubtful accounts.

CP Points Incentive Program

The Company operates an incentive program to encourage franchisees to participate in an annual company-sponsored trip. Franchisees accumulate points on the basis of monthly revenue throughout the year. For every $600 in sales made in a monthly period, franchisees earn one point and points accumulate over a twelve-month period.

Points are not utilizable in the year in which they are accumulated. Instead, points are tallied at year-end and then converted to "CP Bucks" with an equivalent value of $1. CP Bucks must first be used to offset the cost of attending the annual company-sponsored trip. If, after offsetting the cost of the trip, there is a remaining CP Bucks balance, it can be used to offset the cost of their monthly advertising fees due. Franchisees may choose whether or not to attend the annual company-sponsored trip, but CP Bucks balances up to the trip threshold will be forfeited regardless of attendance. Any unused CP Buck balances carry over through January of the following year.

At December 31, 2022 and 2021, accrued CP Points was $109,231 and $128,997, respectively.

Revenue Recognition

The Company recognizes revenue under ASC Topic 606. Under Topic 606, the Company recognizes revenue when its customers obtain control of the promised good or services, typically through the grant or continued grant of the California Pools license. The Company applies the following five-step model for recognizing revenue from contracts with customers: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

At contract inception, once the contract is determined to be within the scope of Topic 606, the Company identifies the performance obligations in the contract by assessing whether the goods or services promised within each contract are distinct. The Company then recognizes revenue for the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)
The Company uses the practical expedient for private company franchisors in FASB ASC 952-606-25-2 to simplify the identification of performance obligations under Topic 606.

Monthly Royalty Fee: The Company earns royalty fees from the franchisors for the continued grant of the franchise license each month. These royalty fees are calculated as a percentage of the franchisees' monthly gross revenues. The percentage of royalty fees varies from contract to contract, as does the monthly revenue from the royalties as they fluctuate with franchisees' gross revenues. The Company recognizes royalty revenue for the prior month on the 10th of each month when it becomes due from the franchisee.

Monthly Advertising Fee: The Company earns a fixed monthly advertising fee from each franchisee for providing national and local advertising support to the franchisees. The Company oversees and approves the advertising materials generated by each franchisee. From time to time, it also provides special discounts or coupon programs for customers. The Company recognizes advertising fee revenue on the 10th of each month when it becomes due from the franchisee.

Initial Franchise Fee: The Company earns an initial franchise fee from franchisees when it grants the franchisee the right to use its intellectual property through execution of the franchise agreement and payment of the initial franchise fee. The Company recognizes initial franchise fee revenue when it is present in the franchise agreement and agreed to by the franchisee.

Advertising
Advertising expenses are charged to expense as incurred. For the years ended December 31, 2022, 2021 and 2020, advertising expense totaled $100,239, $33,038, and $32,157, respectively, which is included in general and administrative expenses on the accompanying statements of income.

Income Taxes
Income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. A valuation allowance is provided for deferred assets in the event it is more likely than not that the Company will not realize tax assets through future operations.

The Company recognizes the impact of tax positions in the financial statements if the positions are more likely than not to be sustained on an audit, based on the technical merits of the position. To date, the Company has not recorded any uncertain tax positions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)
The Company recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2022, 2022 and 2020, the Company did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

The following table summarizes the open tax years for each major jurisdiction:

Jurisdiction	Open Tax Year
Federal	2020 – 2022
State	2019 – 2022

Change in Accounting Principles
Effective January 1, 2022, the Company adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842*), using the modified retrospective method. The adoption of ASC Topic 842 resulted in a significant increase in the Company's assets and liabilities presented on the Company's Balance Sheet and the related changes in these balances presented on the Company's Statements of Cash Flows. The adoption of ASC Topic 842 did not have any impact on the Company's Statement of Income; therefore, no cumulative adjustment to beginning retained earnings was required as a result of adoption. The adoption of ASC Topic 842 primarily resulted in the recognition of operating lease right-of-use assets totaling $103,231 and operating lease liabilities totaling $103,231 as of January 1, 2022, based upon the present value of the remaining minimum rental payments using discount rates as of the adoption date. See Note 5 for additional discussion related to leases.

Upon adoption, the Company elected the following accounting policies or practical expedients related to ASC Topic 842:

- not reassess whether any expired or existing contracts are or contain leases, not reassess the lease classification for any expired or existing leases, and not reassess initial direct costs for any existing leases;
- apply accounting similar to ASC Topic 840 operating leases accounting to leases that meet the definition of short-term leases;
- to use the risk-free rate for a period comparable to the lease term published by U.S. Department of the Treasury on the lease commencement date

NOTE 3 – RISKS AND UNCERTAINTIES

Concentrations of Credit Risk

Cash

The Company maintains its cash balances in a financial institution located in the United States. From time to time, deposits exceed amounts insured by the Federal Deposit Insurance Corporation. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured up to $250,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Franchisee

For the year ended December 31, 2022, three franchisees represented approximately 38% of revenues. As of December 31, 2022, three franchisees represented approximately 37% of gross accounts receivable.

For the year ended December 31, 2021, two franchisees represented approximately 34% of revenues. As of December 31, 2021, three franchisees represented approximately 39% of gross accounts receivable.

For the year ended December 31, 2020, two franchisees represented approximately 39% of revenues. As of December 31, 2020, three franchisees represented approximately 48% of gross accounts receivable.

NOTE 4 – FRANCHISED LOCATIONS

During the year ended December 31, 2022, the Company granted four new franchise licenses and all of these franchisees became fully operational. None of these franchise licenses had been previously operating as a licensee or agent of the Company's affiliate, California Pools, Inc.; as such, franchise revenue amounted to $99,286 for the year ended December 31, 2022.

During the year ended December 31, 2021, the Company granted five new franchise licenses and all of these franchisees became fully operational. None of these franchise licenses had been previously operating as a licensee or agent of the Company's affiliate, California Pools, Inc.; as such, franchise revenue amounted to $180,294 for the year ended December 31, 2021.

During the year ended December 31, 2020, the Company granted two new franchise licenses and all of these franchisees became fully operational. None of these franchise licenses had been previously operating as a licensee or agent of the Company's affiliate, California Pools, Inc.; as such, franchise revenue amounted to $14,500 for the year ended December 31, 2020.

NOTE 4 – FRANCHISED LOCATIONS (Continued)

	Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Open at beginning of year	18	15	13
Opened during the year	4	5	2
Terminated during the year	(3)	(2)	-
Open at end of year	**19**	**18**	**15**

NOTE 5 – COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

Litigation

From time to time, the Company is involved in certain legal matters which arise in the normal course of operations. Management believes, based in part on the advice of legal counsel, that the resolution of such matters will not have a material adverse effect on the financial position of the Company.

Operating Leases

The Company leases an office facility under an operating lease agreement from an unrelated third party that requires minimum aggregate monthly payments of $1,965 and expires in January 2026. For the years ended December 31, 2022, 2021 and 2020, lease expense related to this third-party lease amounted to $34,365, $27,368 and $20,318, respectively. Operating lease expense is recognized on a straight-line basis over the lease term.

Lease term and discount rate for operating leases were as follows:

Weighted-average remaining lease term	3.08 years
Weighted-average discount rate	1.55%

As of December 31, 2022, minimum rental payments required under the operating leases for future years ending December 31 were as follows:

2023	$ 26,211
2024	26,977
2025	27,552
2026	2,300
Total lease payments	83,040
Less: interest	1,924
Present value of lease liabilities	**$ 81,116**

NOTE 5 – COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS (Continued)

Related Party Transactions

The Company has a related party, Wildcat Management South, Inc., through common ownership. Wildcat Management South, Inc. provides management services to the Company. During the years ended December 31, 2022, 2021, and 2020, the Company incurred expenses to Wildcat Management South, Inc. of $758,391, $755,496, and $459,350, respectively.

At December 31, 2022 and 2021, balances due to Wildcat Management South, Inc. amounted to $0 and $63,056, respectively, and balances due from Wildcat Management South, Inc. amounted to $71,957 and $0, respectively and are included in due to related parties on the accompanying balance sheets.

The Company has a related party, California Pools, Inc., through common ownership. During January 2020, the Company entered into an agreement with California Pools, Inc. to use the California Pools, Inc. trademark. The Company is required to pay $10,000 monthly from January 1, 2020 through December 31, 2020. Beginning January 1, 2021, the Company is required to pay 10% of gross monthly franchise royalty revenue. The agreement renews on a yearly basis until terminated by both parties. During the years ended December 31, 2022 and 2021, the Company incurred expenses to California Pools, Inc. of $201,081 and $184,088, respectively. As of December 31, 2022 and 2021, balances due to California Pools Inc. amounted to $155,352 and $1,524, respectively, and are included in due to related parties on the accompanying balance sheets.

NOTE 6 – INCOME TAXES

The provision for income taxes consisted of the following for the years ended December 31:

	2022	2021	2020
Federal	$ 9,252	$ 38,402	$ 40,711
State	3,895	16,165	17,137
	$ 13,147	**$ 54,567**	**$ 57,848**

NOTE 7 – SUBSEQUENT EVENTS

Management evaluated all activity through June 5, 2023, the date the financial statements were available to be issued.

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

California Pools Franchise, Inc.
Balance Sheet
As of July 31, 2024

	Total
ASSETS	
Current Assets	
Bank Accounts	
1000 Checking-US Bank 8943	437,631.11
Total Bank Accounts	**$ 437,631.11**
Accounts Receivable	
1150 Accounts Receivable	241,589.78
Total Accounts Receivable	**$ 241,589.78**
Other Current Assets	
1159 Allowance for Doubtful Account	-44,989.75
1380 Due To/From Construction	0.00
1385 Due To/From CPI	-82,557.53
1390 Due To/From Pacific Flux	3,081.00
1395 Due to/from Wildcat	-244,511.88
1400 Prepaid Expenses	0.00
1041 Prepaid Rent Exp	0.00
1402 Prepaid Retaining Fee	0.00
1403 Prepaid Subscription Exp	0.00
1404 Prepaid Prom. Trip Exp	31,915.60
1405 Prepaid Insurance Exp	26,441.60
1430 Prepaid Tax Payment	5,400.00
Total 1400 Prepaid Expenses	**$ 63,757.20**
1500 Undeposited Funds	0.00
Accrued Rebate Income	
Accrued Rebate Income - Heritage	11,335.65
Accrued Rebate Income - PENTAIR	277,285.00
Accrued Rebate Income - PoolCorp/SCP	81,250.00
Accrued Rebate Income - Zodia | Jandy | Fluidra	26,819.41
Total Accrued Rebate Income	**$ 396,690.06**
ROU Asset	78,546.00
Total Other Current Assets	**$ 170,015.10**
Total Current Assets	**$ 849,235.99**
Other Assets	
1155 Receivable Other	20,581.97
Total Other Assets	**$ 20,581.97**
TOTAL ASSETS	**$ 869,817.96**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	

Accounts Payable		
2000 Accounts Payable (A/P)		76,017.45
Total Accounts Payable	**$**	**76,017.45**
Other Current Liabilities		
2050 Donation Pass Through		2,000.00
2120 CP Points and Bucks Liability		0.00
2121 CP Bucks		14,807.29
2122 CP Points		33,575.84
Total 2120 CP Points and Bucks Liability	**$**	**48,383.13**
2170 Rebate Pass Through		0.00
2210 Payroll Tax Payable		0.00
2250 Income Tax Payable		0.00
Accrued Expenses		0.00
Accrued Payroll		0.00
Accrued Rebate Payout		
Accrued Rebate Payout - Splash Designs		3,391.96
Accrued Rebate Payout - Waterfront Pools		40,296.82
Total Accrued Rebate Payout	**$**	**43,688.78**
California Department of Tax and Fee Administration Payable		0.00
Deferred Revenue-Current		0.00
Out Of Scope Agency Payable		0.00
ROU Liability - Short Term		25,164.00
Texas State Comptroller Payable		0.00
Total Other Current Liabilities	**$**	**119,235.91**
Total Current Liabilities	**$**	**195,253.36**
Long-Term Liabilities		
Deferred Revenue		0.00
ROU Liability		55,952.00
Steimle Family Trust		0.00
Total Long-Term Liabilities	**$**	**55,952.00**
Total Liabilities	**$**	**251,205.36**
Equity		
3200 Retained Earnings		377,710.51
Additional Paid in Capital		99,500.00
Common Stock		500.00
Net Income		140,902.09
Total Equity	**$**	**618,612.60**
TOTAL LIABILITIES AND EQUITY	**$**	**869,817.96**

California Pools Franchise, Inc.
Profit and Loss
January - July, 2024

	Total
Income	
4000 INCOME	
4020 Royalties	1,073,286.01
4040 Marketing Fee (Flat Fee Charge)	54,380.18
4050 Franchise Fee	9,500.00
4080 Sales of Product Income	345.45
4095 Other Miscellaneous Income	631.35
4800 Rebate Income (Zodiac/Jandy/Fluidora)	48,759.09
4810 Rebate Income (SCP/PoolCorp)	81,250.00
4840 Rebate Income (Pentair)	438,556.00
4850 Rebate Income (Heritage)	4,431.00
Total 4000 INCOME	**$ 1,711,139.08**
4100 Billable Expense Income	
4035 Billable Marketing (PPC)	46,237.76
4036 Other Billable Expense Income	5,169.25
4060 Event Sales	100,025.66
4075 Sales of Web Store Items	12,978.06
Total 4100 Billable Expense Income	**$ 164,410.73**
Total Income	**$ 1,875,549.81**
Cost of Goods Sold	
5000 Cost of Goods Sold	
5200 Web Store Supplies & Materials COGS	7,629.51
Total 5000 Cost of Goods Sold	**$ 7,629.51**
Total Cost of Goods Sold	**$ 7,629.51**
Gross Profit	**$ 1,867,920.30**
Expenses	
6000 Operating Expenses	
6100 Payroll Expenses	
6110 Wages / Salaries	327,692.25
6130 Employer Taxes	14,392.89
6160 Payroll Expense- Processing Fees	1,122.90
Total 6100 Payroll Expenses	**$ 343,208.04**
Total 6000 Operating Expenses	**$ 343,208.04**
6050 Management Fee	476,848.92
6200 General Office Expense	
6245 Office Expense	13,186.02
6250 Postage-UPS, FedEx, Pitney	8,568.87
6255 Repairs & Maintenance	381.45
6260 Subscriptions and Software	17,257.02

7340 Merchant Fees		64.09
Total 6200 General Office Expense	**$**	**39,457.45**
6300 Insurance Expense		
6310 General Liability		39,736.17
6320 Workers Comp		637.00
6330 Auto Insurance		555.35
Total 6300 Insurance Expense	**$**	**40,928.52**
6400 Interest & Finance Expense		5,858.57
6400Travel Expense		
6415 Airfare		6,292.67
6420 Ground Transportation		2,540.52
6430 Lodging		8,948.93
6440 Meals		2,726.23
6490 Fuel		2,104.18
7950 Expense Other Travel		500.03
Total 6400Travel Expense	**$**	**23,112.56**
6500 Professional Fees		
6510 Legal Fees		66,175.26
6520 Accounting		155,552.58
6550 Marketing and other Professional Services		32,155.54
6560 Coaching and Leadership		3,706.00
Total 6500 Professional Fees	**$**	**257,589.38**
6570 Warranty Expense		850.00
6600 Sales & Marketing		
6620 Meals		14,023.44
6630 Photography		2,240.25
6635 Pay Per Click Local		32,927.79
6640 Print and Other Marketing Exp		82,154.19
6650 Events, Award, Prom Trips		145,956.91
6655 Sales & Marketing - Lifestyle Video		0.00
6685 Sales & Marketing		53,427.62
6690 CP Bucks Disbursement		27,601.84
7645 Promotional Apparel		2,756.14
7650 Promotional Items		4,673.62
7655 Sales & Marketing Other		7,709.58
Rebate Share/ Payout to (Licensee)		77,383.32
Total 6600 Sales & Marketing	**$**	**450,854.70**
6700 Rent & Utilities		425.37
6710 Building Rent		25,745.87
6720 Utilities		1,739.55
6740 Telephone /Mobile		940.35
6760 Computer, Office, Phone Etc		3,314.19
6780 Other		2,518.81
Total 6700 Rent & Utilities	**$**	**34,684.14**

6750 Repairs & Maintenance		1,776.90
7310 Bank Charges		223.00
7320 QBO PMT Merchant Fees		4,389.82
7330 Bad Debt		16,298.54
7800 Auto Expenses		
7820 Auto Lease Payments		1,406.29
7830 Maintenance		531.38
Total 7800 Auto Expenses	**$**	**1,937.67**
8000 Taxes		
8010 Federal Income Taxes		23,400.00
8020 State Income		5,600.00
Total 8000 Taxes	**$**	**29,000.00**
Unapplied Cash Bill Payment Expense		0.00
Total Expenses	**$**	**1,727,018.21**
Net Operating Income	**$**	**140,902.09**
Net Income	**$**	**140,902.09**

EXHIBIT D

OPERATIONS GUIDE TABLE OF CONTENTS

Section	***Pages***
Introduction	6
StartUp	6
Accounting	11
Staffing	4
Operations	8
Marketing	8
Sales	10
Construction	6
Conclusion	2
TOTAL PAGES	**61**

EXHIBIT E

STATE FRANCHISE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 866-275-2677	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 866-275-2677
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	N/A
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner at the Office of Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit G. Mennen Williams Building, 1st Floor Lansing, MI 48913 517-335-7567	N/A
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8236	New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	N/A

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX:801-530-6001	N/A
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219 804-371-9733
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities 345 W. Washington Avenue 4th Floor Madison, WI 53703 608-266-8557

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	October 28, 2024
Maryland	October 29, 2024
New York	Pending
Virginia	September 17, 2024, as amended November 7, 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.

CALIFORNIA POOLS FRANCHISE INC.
RECEIPT

The disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to us in connection with the proposed franchise sale. 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. Michigan requires that we provide you with this disclosure document ten business days before you sign a binding agreement with, or make payment to us or one of our affiliates in connection with the proposed sale.

If we do 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 applicable state agency.

Following is information about the franchise seller(s) involved in this transaction:

Steve Terry 141 East Mercer Street, Suite A1 Dripping Springs, Texas 78620	Ryder Steimle 905 Calle Amanecer, Suite 360 San Clemente, California 92673	Justin McGuire 141 East Mercer Street, Suite A1 Dripping Springs, Texas 78620

We authorize the agent listed in Exhibit E to this disclosure document to receive service of process.

I received a disclosure document issued August 21, 2024, that included the following Exhibits:

A. Compliance Questionnaire
B. Franchise Agreement
C. Financial Statements
D. Operations Guide Table of Contents
E. State Franchise Administrators and Agents for Service of Process
F. State Addenda
G. List of Franchisees

_____
Date

_____
Franchisee

_____
Print Name

individually and as an officer, partner or member
of _____
a (_____ corporation)
a (_____partnership)
a (_____ limited liability company)
which has been or will be formed to act as franchisee

Address:

_____
City State Zip Code

_____
Area Code Phone Number

CALIFORNIA POOLS FRANCHISE INC.
RECEIPT

The disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to us in connection with the proposed franchise sale. 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. Michigan requires that we provide you with this disclosure document ten business days before you sign a binding agreement with, or make payment to us or one of our affiliates in connection with the proposed sale.

If we do 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 applicable state agency.

Following is information about the franchise seller(s) involved in this transaction:

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F. State Addenda
G. List of Franchisees

_____
Date

_____
Franchisee

_____
Print Name

individually and as an officer, partner or member
of _____
a (_____ corporation)
a (_____partnership)
a (_____ limited liability company)
which has been or will be formed to act as franchisee

Address:

_____
City State Zip Code

_____
Area Code Phone Number

EXHIBIT F

STATE ADDENDA

The following modifications are to the California Pools Franchise Inc. Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Disclosure Document and Franchise Agreement.

NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

Neither the franchisor nor any person in Item 2 of the Disclosure Document 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 these persons from membership in this association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

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.).

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must sign a general release if you 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).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

The franchise agreement requires binding arbitration. The arbitration will occur in Austin, Texas, with the costs being borne by each party, except in certain cases in which the prevailing party will be entitled to recover its costs and attorneys' fees.

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 a franchise agreement restricting venue to a forum outside the State of California.

The franchisor's fiscal year end is December 31.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

No statement, questionnaire, or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND

1. The following language is added to the end of the second paragraph of the "Marketing" subsection of Item 11:

> We will prepare an annual, unaudited statement of the marketing fund collections and expenses and give you the statement upon written request.

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

> Any release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

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

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

The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

6. No statement, questionnaire, or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

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 E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

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

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

Except as provided above, with regard to 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 10 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 Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), entitled Requirements for you to renew or extend, and Item 17(m), entitled Conditions for our 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.

6. The following language replaces the "Summary" section of Item 17(d), entitled Termination by you:

You may terminate the agreement on any grounds available by law.

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

However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

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

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. 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.

10. 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 earliest 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.

VIRGINIA

Under 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 PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE
FRANCHISE AGREEMENT FOR USE IN THE
STATE OF MARYLAND

THIS RIDER (this "**Rider**") is made and entered into by and between **California Pools Franchise Inc.**, a Wyoming corporation with its principal place of business at 141 East Mercer Street, Suite A1, Dripping Springs, Texas 78620 (**"Franchisor"**), and _____ (**"Franchisee"**) with its principal place of business located at _____. In this Rider, **"we," "us,"** and **"our"** refers to Franchisor. **"You"** and **"your"** refers to Franchisee.

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____, (the "**Franchise Agreement**"). This Rider is being signed because (a) you are a resident of the State of Maryland and/or (b) the CP Business will be located or operated in the State of Maryland.

2. **RELEASES**. The following language is added to the end of Sections 5(e), 14(b)(iii)(F) and 21(c) of the Franchise Agreement:

> 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.

3. **TERMINATION**. The following language is added to the end of Section 16(a)(i) of the Franchise Agreement:

> ; however, such provision might not be enforceable under federal bankruptcy law (11 U.S.C. Section 1010 et seq.), although we intend to enforce it to the extent enforceable.

4. **FORUM FOR LITIGATION**. The following language is added to the end of Section 25 of the Franchise Agreement:

> This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

5. **ACKNOWLEDGMENTS**. The following statement is added at the end of Sections 27 and 31 of the Franchise Agreement:

> 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.

6. **ACKNOWLEDGMENTS**. Section 31(e) is hereby deleted in its entirety.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

_____ _____

DATE SIGNATURE

_____

PRINT NAME

_____

TITLE (IF APPLICABLE)

CALIFORNIA POOLS FRANCHISE INC.

_____

SIGNATURE

_____
DATE

_____

PRINT NAME

_____

TITLE

RIDER TO THE
FRANCHISE AGREEMENT FOR USE IN THE
STATE OF NEW YORK

THIS RIDER (this "**Rider**") is made and entered into by and between **California Pools Franchise Inc.**, a Wyoming corporation with its principal place of business at 141 East Mercer Street, Suite A1, Dripping Springs, Texas 78620 (**"Franchisor"**), and _____ (**"Franchisee"**) with its principal place of business located at _____. In this Rider, **"we," "us,"** and **"our"** refers to Franchisor. **"You"** and **"your"** refers to Franchisee.

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____, (the "**Franchise Agreement**"). This Rider is being signed because (a) you are domiciled in the State of New York and the CP Business that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **TRANSFER - BY US**. The following language is added to the end of Section 14(a) of the Franchise Agreement:

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

3. **RELEASES**. The following language is added to the end of Sections 5(e), 14(b)(iii)(F) and 21(c) of the Franchise Agreement:

> Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **TERMINATION OF AGREEMENT - BY YOU**. The following language is added as a new Section 16(f) of the Franchise Agreement:

> You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **INJUNCTIVE RELIEF**. The following sentence is added to the end of Section 25(d):

> Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

6. **FORUM FOR LITIGATION**. The following statement is added at the end of Section 25 of the Franchise Agreement:

> This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

7. **GOVERNING LAW.** The following is added to the end of Section 24 of the Franchise Agreement:

> This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

_____ _____

DATE SIGNATURE

_____

PRINT NAME

_____

TITLE (IF APPLICABLE)

CALIFORNIA POOLS FRANCHISE INC.

_____

SIGNATURE

_____

DATE

_____

PRINT NAME

_____

TITLE

EXHIBIT G

LIST OF FRANCHISEES

[See Attached]

CALIFORNIA POOLS
ACTIVE LOCATIONS (AS OF DECEMBER 31, 2023)

LOCATION NAME	FRANCHISEE NAME	CONTACT NAME	ADDRESS, CITY, AND STATE	CONTACT PHONE
CLAREMONT	Southern California Pool Guy	Rick Kresge	206 West Bonita Ave, Suite #2P, Claremont CA, 91711	(909)-908-3684
CORONA	Corona Pools and Dreamscapes	Jeremy Smith	1307 W. 6th Street #122, Corona CA, 92882	(562)-787-9663
MALIBU/SFV	Golden Bear Construction and Development Corp	Vanz Steimle	1860 Eastman Ave, Unit #110, Ventura CA, 93003	(805)-813-6828
ORANGE COUNTY (N)	Bill Murphey Construction Inc	Bill Murphey	PO Box #3581, Tustin CA, 92781	(714)-469-1580
ORANGE COUNTY (S)	RV Strong, Inc.	Ryan Vaughn	438 N. El Camino Real, San Clemente CA, 92672	(949)-378-6308
RIVERSIDE	Foster Enterprises	Dave Foster	2040 Eastridge Ave Suite #B-7, Riverside CA, 92507	(951)-795-5493
SAN DIEGO (N)	Southern California Pools, Inc.	Mike Welch	1635 S. Rancho Santa Fe #103, San Marcos CA, 92078	(760)-580-4755
SAN DIEGO (S)	Bluespace Pools and Spas	Jim Bellamy	8030 La Mesa Blvs #467, La Mesa CA, 91942	(760)-774-7567
SAN LUIS OBISPO	Atkinson Pools, Inc.	Angie Atkinson	PO Box #609, Santa Margarita CA, 93453	(805)-423-5933
SANTA BARBARA/VENTURA	Golden Bear Construction and Development Corp	Myles Steimle	1860 Eastman Ave, Unit #110, Ventura CA, 93003	(805)-813-7476
SANTA CLARITA	Water Worxs Inc.	Bill McLaughlin	21618 Golden Triangle Rd #104, Santa Clarita CA, 91350	(661)-755-1556
SOUTH BAY	Backyard Bliss, Inc.	John Rice	PO Box #11364, Carson CA, 90746	(310)-554-4241
TEMECULA	Active Construction Company, Inc.	Ronald Marquez	38246 Sherwood Street, Murrieta CA, 92562	(951)-595-6406
THOUSAND OAKS	MC Enterprises, Inc.	Mike Exstrom	107 N Reino Rd #345, Newbury Park CA, 91320	(805)-340-6465
UPLAND	Liquid Management, Inc.	Jim Montini	9757 7th St #809, Rancho Cucamonga CA, 91730	(909)-489-6515
ATLANTA (N)	CP Builders of Georgia, LLC	Mike Lawes	1595 Peachtree Parkway, Suite #202-226, Cumming GA, 30041	(770)-828-9517
LAS VEGAS	Waterfront Pools, LLC	Marv Howell	9975 S Eastern Ave #115, Las Vegas NV, 89183	(702)-717-5995
PHILADELPHIA	Infinity Pools, LLC	Andrew McFarlane	1080 Old Boot Rd, Downingtown PA, 19335	(484)-880-7063
AUSTIN (N)	D&D Poolscapes LLC	David Mundheim	723 W University Avenue #293, Georgetown TX, 78626	(512)-553-2933
DALLAS (N)	Rogue Two LLC	Jim Bellamy	522 Benson Lane, Suite #1A, Roanoke TX, 76262	(760)-774-7567
HOUSTON (N)	Randy J Pierson Jr	RJ Pierson	105 Trelawney Place, Montgomery TX, 77316	(661)-513-6805
HOUSTON (W)	Adjusting Concrete, LLC	Higinio Villarreal	1217 Divin Drive, Rosenberg TX, 77471	(832)-759-3450
SALT LAKE CITY (N)	Prime Pool Services	Marcus Burrup	14476 S Center Point Way #600, Bluffdale UT, 84065	(702)-606-7068
SALT LAKE CITY (S)	Zephyr Pools, LLC	Michael Burrup	14476 S Center Point Way #600, Bluffdale UT, 84065	(702)-606-7068
SOUTHERN UTAH	Splash Designs, LLC	Andrew Howell	1937 North Mountain View Dr, Washington UT, 84780	(435)-421-2869

LIST OF FRANCHISEES WHO LEFT THE SYSTEM AS OF DECEMBER 31, 2023

LOCATION NAME	FRANCHISEE NAME	CONTACT NAME	ADDRESS, CITY, AND STATE	CONTACT PHONE
CORONA	Wet Dreams, Inc.	Quinton Steimle	1307 W 6th St, Corona CA, 92882	(951)-283-3134
SAN GABRIEL	Sweetwater Pools, Inc.	Wyatt Stewart	433 W. Allen Ave, Suite A, San Dimas CA, 91773	(626)-587-6432
SOUTH BAY	Company Store	Ryder Steimle	1129 E Dominguez St, Unit G, Carson CA, 90746	(800)-282-7665
LAKE OCONEE	Splash of GA	Ibrahim Maslamani	6350 Lake Oconee Parkway, Suite #110, P.O Box #183, Greensboro GA, 30642	(404)-595-2155
AUSTIN	Precision Watershapes, Inc.	Justin McGuire	4749 Williams Dr #327, Georgetown TX, 78633	(512)-595-1502

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	October 28, 2024
Maryland	October 29, 2024
New York	Pending
Virginia	September 17, 2024, as amended November 7, 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.

CALIFORNIA POOLS FRANCHISE INC.
RECEIPT

The disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to us in connection with the proposed franchise sale. 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. Michigan requires that we provide you with this disclosure document ten business days before you sign a binding agreement with, or make payment to us or one of our affiliates in connection with the proposed sale.

If we do 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 applicable state agency.

Following is information about the franchise seller(s) involved in this transaction:

Steve Terry 141 East Mercer Street, Suite A1 Dripping Springs, Texas 78620	Ryder Steimle 905 Calle Amanecer, Suite 360 San Clemente, California 92673	Justin McGuire 141 East Mercer Street, Suite A1 Dripping Springs, Texas 78620

We authorize the agent listed in Exhibit E to this disclosure document to receive service of process.

I received a disclosure document issued August 21, 2024, that included the following Exhibits:

A. Compliance Questionnaire
B. Franchise Agreement
C. Financial Statements
D. Operations Guide Table of Contents
E. State Franchise Administrators and Agents for Service of Process
F. State Addenda
G. List of Franchisees

_____
Date

_____
Franchisee

_____
Print Name

individually and as an officer, partner or member
of _____
a (_____ corporation)
a (_____partnership)
a (_____ limited liability company)
which has been or will be formed to act as franchisee

Address:

_____
City State Zip Code

_____
Area Code Phone Number

CALIFORNIA POOLS FRANCHISE INC.
RECEIPT

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_____
Date

_____
Franchisee

_____
Print Name

individually and as an officer, partner or member
of _____
a (_____ corporation)
a (_____partnership)
a (_____ limited liability company)
which has been or will be formed to act as franchisee

Address:

_____
City State Zip Code

_____
Area Code Phone Number