FRANCHISE DISCLOSURE DOCUMENT

ReBath, LLC
a Delaware limited liability company
426 N. 44th Street, Suite 410
Phoenix, Arizona 85008
(480) 844-1575 ♦ (800) 426-4573
www.rebath.com
newfranchise@rebath.com

As a Re-Bath® franchisee, you will provide bathroom remodeling services, including installation of custom manufactured bathtub and shower base liners, replacement bathtubs and shower bases, wall panels and ancillary products such as shower doors, valves, plumbing fixtures, and installation tools, products and supplies.

The total investment necessary to begin operation of a Re-Bath® Franchised Business is $177,400 to $358,000. This includes $62,000 to $65,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 our Franchise Legal Department, 426 N. 44th Street, Suite 410, Phoenix, Arizona 85008, (480) 754-8950.

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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 30, 2018.

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION, MEDIATION OR LITIGATION ONLY IN ARIZONA. OUT-OF-STATE ARBITRATION, MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE, MEDIATE OR LITIGATE WITH US IN ARIZONA THAN IN YOUR OWN STATE.

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

3. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN INITIAL INVESTMENT RANGING FROM $177,400 TO $358,000. AS NOTED IN THE FINANCIAL STATEMENTS, THE FRANCHISOR'S PARENT COMPANY AND GUARANTOR (HOME BRANDS GROUP HOLDINGS, INC.) HAS A NEGATIVE STOCKHOLDERS EQUITY OF $24,612,168 AS OF DECEMBER 31, 2017. THE INITIAL INVESTMENT EXCEEDS THE NEGATIVE STOCKHOLDERS EQUITY OF THE PARENT COMPANY AND GUARANTOR. A PROSPECTIVE FRANCHISEE SHOULD CAREFULLY REVIEW THE FINANCIAL STATEMENTS AND BEAR THIS IN MIND WHEN FORMING ITS INVESTMENT DECISION.

4. 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.

5. 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.

6. YOUR SPOUSE MUST ALSO SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN

THE BUSINESS. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.

7. THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

8. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

See the next page for Effective Dates of this Disclosure Document in the various registration states.

STATE EFFECTIVE DATES

The following chart lists states that require the Disclosure Document to be registered or filed with the state or to be exempt from registration in order to offer or sell franchises within the state. In these states, the effective date of the Disclosure Document is as follows:

STATE	EFFECTIVE DATE
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

In all other states, the effective date of this Disclosure Document is the issuance date of April 30, 2018.

Some of the states listed above require that we give you additional disclosures. The additional required disclosures for these states are in Exhibit G to this Disclosure Document.

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

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.

(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.

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

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Exhibits

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor and Its Parents, Predecessors and Affiliates

To simplify the language in this Disclosure Document, "**ReBath**," "**we**" or "**us**" means ReBath, LLC, the franchisor. "**You**" or "**your**" means the person, persons or entity that enters into a Franchise Agreement for the operation of a franchised Re-Bath® business. If you are a corporation, partnership or limited liability company ("**Business Entity**"), certain provisions of the Franchise Agreement also apply to your owners as noted in the Franchise Agreement.

ReBath, LLC is a Delaware limited liability company that was formed on December 18, 2001. Our principal address is 426 N. 44th Street, Suite 410, Phoenix, Arizona 85008. Our agents for service of process are disclosed in Exhibit A. We conduct business under the name Re-Bath®. We and our predecessors have offered Re-Bath® franchises since 1991. We have not offered any other franchises in any other line of business. We do not conduct any other business activities other than selling and supporting Franchised Businesses and marketing and selling Re-Bath® products.

Our ultimate parent company is Home Brands Group Holdings, Inc. ("**HBG Holdings**"), a Delaware corporation. In April 2014, HBG Holdings changed its name from AmBath/ReBath Holdings, Inc. as part of a corporate restructuring. HBG Holdings has 2 direct subsidiaries, our parent company, Home Brands Group, LLC ("**HBG**"), and our affiliate, Agile Building Solutions, LLC ("**Agile**"). The principal business address of our affiliates is 426 N. 44th Street, Suite 410, Phoenix, Arizona 85008.

HBG Holdings guarantees the performance of our obligations under franchise agreements. HBG Holdings has not offered franchises in any line of business.

HBG may negotiate purchasing arrangements for certain cabinets, lighting and other products used in the Franchised Business to Re-Bath® franchisees. See Item 8. HBG has not offered franchises in any line of business.

Agile manufactures and sources remodeling products for us and third parties. We resell to you certain bathroom remodeling products manufactured or sourced by Agile. Agile has not offered franchises in any line of business.

The Franchises Offered

We offer a Re-Bath® franchise under an agreement ("**Franchise Agreement**") that gives you the right to use our Marks and our distinctive business format, systems, methods, procedures, designs, standards and specifications ("**System**") to operate a business that offers and sells single-family residential bathroom remodeling services and related products (the "**Franchised Business**") in a specific geographic area ("**Protected Territory**"). The System is described in our confidential Manual (the "**Manual**") and other written documents. You must comply with certain specifications in the Manual, but the Manual also contains recommended procedures and tools for you to consider in the operation of your Franchised Business.

As a Re-Bath® franchise, you will offer three project solutions: (i) a complete bathroom remodel, (ii) tub and shower updates, and (iii) aging and accessibility solutions. You will offer free in-home consultation where you will work with the customer to design their new bathroom. From there you will remove the old bathroom products and install the new products. You will offer a one-stop solution for the customer's bathroom remodeling needs. Re-Bath® is one of the nation's largest bathroom remodeling companies and is the only nationwide company that offers complete bathroom remodeling services. We provide you the training and tools you need to do these things through a three-week onboarding process and by providing you our comprehensive Manual and on-going training throughout the term of your Franchise Agreement.

We or our affiliates manufacture some of the products you need for the job. The other products are sourced through preferred vendors with whom we have established relationships. The products we offer include everything from bathtubs, walk-in tubs, and showers, to faucets, fixtures, flooring, lighting, vanities, countertops, wall surrounds and a variety of bath accessories (grab bars, towel holders, robe hooks, etc.).

As a Re-Bath® franchisee, you will operate the Franchised Business from a showroom, office, and warehouse located in the Protected Territory. You will offer these bathroom remodeling services and products to home owners and landlords of single-family dwellings located in the Protected Territory.

You will operate the Franchised Business under ReBath, LLC's national brand—the RE-BATH® trademark and logo— as well as its additional principal service marks, trademarks, logos, emblems, and slogans ("**Marks**").

As a Re-Bath® franchisee, we provide you with training, tools and support across each of our System Modules: Marketing, Sales, Product & Installation, Customer Service, and Office Management. Item 11 details the support we currently provide. We are continually developing and improving our System to provide opportunities to grow your business, and may change the System from time to time, including, for example, offering new or different products and services, and using new or different methods, procedures, and standards.

We currently negotiate agreements with certain nationwide retailers and distributors ("**National Accounts**"), such as Home Depot and JCPenney, to offer our franchisees' products and services to their customers. Although our current policy is to offer franchisees the opportunity to participate in National Accounts, we may, at our option, modify, suspend, or repeal our National Account program at any time, and/or modify, suspend, or repeal our consent to allow a franchisee, or all franchisees, to service National Accounts. Item 12 provides additional detail on our National Account opportunities.

Market and Competition

The market for bathroom remodeling products and services is well established and highly competitive. You will compete with general contractors who offer a variety of remodeling services, liner companies, bathtub refinishers and others who offer bathroom products and services for the redesign and remodeling of bathrooms. Your services will be sold to individual homeowners and landlords of single-family dwellings.

Regulations

You may need to obtain construction or contractor licenses or permits, depending on the state, county, or local laws, ordinances and regulations applicable to operating a Franchised Business in the Protected Territory. You may not begin operating or place any product orders until you obtain all required state and local licenses and permits for doing business. It is your responsibility to comply with all laws and regulations that apply in the Protected Territory. In addition, you must comply with all local, state and federal construction safety and environmental laws and regulations. You must also comply with employment, worker's compensation, immigration, insurance, corporate, taxing, health, licensing and similar laws and regulations of a more general nature applicable to most businesses. There may be other laws and regulations that apply to the Franchised Business. We recommend that you consult your attorney for an understanding of them.

ITEM 2
BUSINESS EXPERIENCE

Brad Hillier: Chief Executive Officer

Mr. Hillier has served as Chief Executive Officer of ReBath and HBG since March 2015. Mr. Hillier has served as a director of HBG Holdings since October 2010 and as Chief Financial Officer, Chief Operating Officer, and a Manager of HBG since its inception in June 2012. He previously served as Chief Executive Officer of 5 Day Kitchens, LLC, our former affiliate, from March 2015 to March 2017. From October 2010 to March 2015, he served as Chief Financial Officer and Chief Operations Officer of ReBath. He also served as Chief Financial Officer and Chief Operations Officer of 5 Day Kitchens from August 2011 to March 2015. He served as Chief Financial Officer and Chief Operations Officer of BlueFrog Plumbing and Drain, LLC from January 2014 to March 2015. He has served in all of these positions in Tempe, Arizona.

Donna Catalfio: Chief Administrative Officer

Ms. Catalfio began working as the Chief Administrative Officer of ReBath and HBG in February 2017. Prior to February 2017, Ms. Catalfio served as outside legal counsel for ReBath for more than 15 years while she worked as an associate and partner at Gallagher & Kennedy, P.A. in Phoenix, Arizona from September 2003 to January 2011, as a partner at Ballard Spahr, LLP in Phoenix, Arizona from January 2011 to January 2013, and as a partner at Bergin, Frakes, Smalley & Oberholtzer PLLC in Phoenix, Arizona from April 2015 to February 2017.

Kavita McCarthy: Chief Marketing Officer

Ms. McCarthy has served as Chief Marketing Officer of ReBath since January 2017. Previously, Ms. McCarthy served as Vice President of Marketing for ProSource Wholesale in St. Louis, Missouri from June 1997 to January 2017.

Richard Hinton: Controller

Mr. Hinton began working for HBG in March 2017. Previously, Mr. Hinton served as Chief Financial Officer at Southwestern Eye Center, Ltd. in Mesa, Arizona from April 1997 to January 2016.

Bill Banczak: Vice President of Operations

Mr. Banczak has served as the Vice President of Operations for ReBath, Agile and HBG since January 2016. He also served as Vice President of Operations at 5 Day Kitchens, LLC from January 2016 until March 2017. From October 2013 to September 2015, he was a Learning Ops Manager for Amazon.com, Inc. in Phoenix, Arizona. From April 2009 to October 2013, he was the Director of Operations – Strength Division for Precor Incorporated in Whitsett, North Carolina.

Sharby Kennard: Director of Customer Service

Ms. Kennard has served as Director of Customer Service for ReBath since August 2015. From July 2012 to August 2015, she was Director of Customer Experience for Cigna, leading customer experience for Cigna Medical Group of Arizona, in Phoenix, Arizona.

David Malm: Board Member

Mr. Malm has served as a board member since January 2012. He has also served as Senior General Partner of Webster Capital, a private equity firm in Waltham, Massachusetts since May 2007.

LeGrand Lewis: Board Member

Mr. Lewis has served as a board member since June 2012. He has also served as a Principal of Sorenson Capital Partners, a private equity firm in Salt Lake City, Utah, since February 2008.

ITEM 3
LITIGATION

Completed

Jack R. Jones, *et al.* v. ReBath, LLC *et al.* (District Court of Travis County, Texas, Cause No. D-1-GN-08-001979; filed June 2008). Jones and JRJ Bath, Inc. d/b/a Re-Bath of Central Texas, a company owned by Jones, filed this action against us, Kemp Brothers, LLC dba Re-Bath of Travis County and HD Solutions, LLC dba Re-Bath of San Antonio alleging claims for breach of contract, fraud, negligent misrepresentation and promissory estoppel, following discussions and negotiations between us and Jones regarding Jones' possible acquisition of a Re-Bath® franchise in central Texas and our decision not to award Jones the franchise. This action was settled in December 2008. Under the terms of the settlement, we, Kemp Brothers, and HD Solutions paid Jones the sum of $50,000.

All Surface, LLC, *et al.* v. ReBath, LLC *et al.* (Court of Chancery of the State of Delaware, Cause No. 12284; filed Apr. 2016). A group of former franchisees filed suit against us and our affiliate, Agile, alleging that we had sold products in geographic areas for which they had been granted territorial protection under a prior form of our franchise agreement. This action was settled in September 2016. Neither party admitted liability. Under the terms of the settlement: (a) the parties agreed to execute a new form of ReBath franchise agreement and ReBath agreed to offer this new form of franchise agreement to all franchisees in the ReBath network, (b) the defendants agreed to permit all ReBath franchisees whose franchise agreements were set to expire in fewer than 10 years the opportunity to extend the term for 10 years in exchange for a $1,000 extension fee per agreement, and (c) the defendants agreed to pay $100,000 to plaintiff's counsel for legal fees and costs incurred by the plaintiffs. The court dismissed the case on April 24, 2016.

Pending

Rome Enterprises Inc., Koehler Family Enterprises, Inc., Koehler Partners, Inc., Port City Bath, Inc., and HD Solution, LLC v. ReBath, LLC (American Arbitration Association; filed March 19, 2018). Three franchisees filed a demand for arbitration against us alleging, among other claims, that we violated the form of franchise agreement that we and they had entered into as a result of a prior dispute that settled in September 2016, and that we violated the covenant of good faith and fair dealing. The claimants seek injunctive and declaratory relief, an award of damages, and an order permitting them to terminate their franchise agreements with us. We intend to vigorously defend against these claims.

ReBath, LLC v. New England Bath Inc., *et al.* (American Arbitration Association; filed March 7, 2017). We brought an action against our franchisee, New England Bath, Inc. ("**New England Bath**"), alleging that it: (a) intentionally transacted business in other franchisees' territories during the terms of its franchise agreements, (b) failed to promptly resolve customer warranty claims during the terms of the franchise agreements, (c) violated the restrictive covenants after the terms, and (d) continued to use

ReBath's trademarks and goodwill after the terms expired. On July 13, 2017, New England Bath filed a counterclaim alleging, among other things, intentional interference with prospective business expectancy, based upon our purported requirement that New England Bath refrain from servicing former customers' warranty claims; and breach of the implied covenant of good faith and fair dealing. New England Bath seeks monetary damages of at least $3.5 million. We intend to vigorously defend against these claims.

Leinad Enterprises, LLC vs. Re-Bath, LLC (District Court of Harris County, Texas, Cause No. 2017-33361; filed May 17, 2017). A former franchisee, Leinad Enterprises, LLC ("Leinad") filed suit against us and our former affiliate, 5 Day Kitchens, LLC. The claims center upon the scope of Leinad's territorial rights granted under its franchise agreements with us and 5 Day Kitchens, LLC. Leinad raised the following, among other claims against us: fraud, negligent misrepresentation, violation of the Texas Deceptive Trade Practices Act, and violation of the Texas Business Opportunity Act. Leinad seeks monetary relief of at least $200,000. On October 30, 2017, the court granted our motion to dismiss, and thereby dismissed all claims against us and 5 Day Kitchens, LLC without prejudice, finding that the Franchise Agreement required the parties to mediate the claims and, if the dispute remained unresolved, arbitrate the claims in Arizona. The parties are currently in the process of arranging a date for mediation. We intend to vigorously defend against these claims.

Material Civil Actions Involving the Franchise Relationship Within Our Last Fiscal Year

None.

Other than the above 4 actions, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

You may acquire a Re-Bath franchise with an initial (and renewable) term of ten (10) years for an Initial Franchise Fee of $60,000 for a population within the Protected Territory of 750,000 (the "**Initial Franchise Fee**"). We may, however, offer larger or smaller Protected Territories and charge an Initial Franchise Fee that is adjusted accordingly. The Initial Franchise Fee is paid in full when you sign the Franchise Agreement.

The Initial Franchise Fee is fully earned when received by us and is non-refundable. Except as described above, all franchisees pay the same Initial Franchise Fee.

Initial Training Fees

The initial training program consists of approximately three weeks of training. The first training session usually occurs within 30 days of signing the Franchise Agreement and the Operating Owner and/or Manager are required to attend. In this training we provide an overview of our System and the tools available to you, and we assist you with your business plan, marketing plan and opening timeline (the "**Business Plan Training**"). The Business Plan Training will occur for anywhere between two to five days, depending on variables related to your market and business experience. The remaining two weeks of training consist of one week of in-depth training on our System tools with emphasis on our sales program and tools (“**System Training**”), and one week of hands-on training on how to install the products (“**Installation Training**”). The Operating Owner and/or Manager, together with certain staff members, may be required to attend these trainings. All of these trainings are held at our headquarters in Phoenix, Arizona. We do not charge for attendance at Business Plan Training or for two attendees to attend Installation Training and four attendees to attend System Training, but we may charge $1,500 for each additional attendee at Installation Training and $495 for each additional attendee at System Training. You are responsible for travel-related and other expenses incurred by you and your employees to attend training.

<u>Initial Inventory and Supplies</u>

You must purchase supplies and inventory necessary to start your Franchised Business, some of which may be purchased from us or our affiliates. We do not specify a minimum amount of supplies and inventory that must be purchased from us or our affiliates prior to opening your Franchised Business. We estimate that you are likely to purchase between $2,000 and $5,000 of supplies and inventory from us or our affiliates prior to starting your Franchised Business. Any purchases that you make from us or our affiliates are non-refundable.

ITEM 6
OTHER FEES

<table>
<tr><th>Type of Fee (1)</th><th>Amount</th><th>Date Due</th><th>Remarks</th></tr>
<tr><td>Royalty Fees</td><td><table><tr><th>Previous Month’s Gross Revenues</th><th>Royalty Fee</th></tr><tr><td>Less than $0.15/person</td><td>5% of Gross Revenues</td></tr><tr><td>Greater than or equal to $0.15/person</td><td>4% of Gross Revenues</td></tr></table></td><td>By the 15th day of each month, following the month during which the revenues were generated.</td><td>See Notes 2, 3 and 4.</td></tr>
<tr><td>Minimum Royalty Fees</td><td><table><tr><th>Year*</th><th>Minimum Royalty Fees Per Month</th></tr><tr><td>1</td><td>$575 per month for 12 months</td></tr><tr><td>2</td><td>$1300 per month for 12 months</td></tr><tr><td>3</td><td>$2,600 per month for 12 months</td></tr><tr><td>4</td><td>$3,000 per month for 12 months</td></tr></table></td><td>By the 15th day of each month.</td><td>There are no Minimum Royalty Fees prior to your Grand Opening. Beginning in the month in which you have your Grand Opening, but in no event later than 6 months after you have signed the Franchise Agreement, you must pay these fees until the end of the relevant Year.</td></tr>
</table>

<table>
<tr><th>Type of Fee (1)</th><th>Amount</th><th>Date Due</th><th>Remarks</th></tr>
<tr><td>Advertising Contribution</td><td><table><tr><th>Year*</th><th>Advertising Contribution</th></tr><tr><td>1</td><td>$275/month</td></tr><tr><td>2</td><td>$650/month</td></tr><tr><td>3</td><td>$1300/month</td></tr><tr><td>4 and beyond</td><td>$1500/month</td></tr></table></td><td>By the 15th day of each month, following the month during which the revenues were generated.</td><td>Commencing in the month in which you have your Grand Opening, but in no event later than 6 months after you have signed the Franchise Agreement. Payable to the Advertising or Brand Fund. See Note 3.</td></tr>
<tr><td>Cooperative Contribution</td><td>Up to 40% of the Minimum Local Advertising Requirement.</td><td>Monthly, as specified</td><td>Payable if we require you and other franchisees to form an Advertising Cooperative. Currently, there is only one Advertising Cooperative in the System that consists of two franchisees. You are not eligible or required to join this cooperative. If you are required to participate in an Advertising Cooperative in the future, Advertising Cooperative payments will offset your Minimum Local Advertising Requirement, which is explained in Item 11 below.</td></tr>
<tr><td>Initial Training Expenses</td><td>Business Plan Training is free.

The first 2 attendees at Installation Training are free, and there is a $1,500 fee for each additional person.

The first 4 attendees at System Training are free, and there is a $495 fee for each additional person.</td><td>As incurred</td><td>We will train you, your Operating Owner, and your Manager (and, in some cases, other designated personnel) for up to three weeks at our corporate headquarters in Phoenix, Arizona. However, we may not require that all of these individuals attend. You are responsible for travel-related and other expenses incurred by you and your employees to attend training.</td></tr>
<tr><td>Additional Training Fee</td><td>Our then-current fee, currently $500 per day, per trainee if training takes place at our corporate headquarters; $500 per day, per trainer if taking place at your location; for product installation training, there is an additional charge of $1,000 per trainee for training materials.</td><td>As incurred</td><td>At your request, we may provide training specific to your franchise either at your business location or at the corporate office.</td></tr>
<tr><td>Annual Owners' Retreat</td><td>Our then-current fee, currently up to $1,200 per person.</td><td>Before the Retreat</td><td>At least one owner who owns 20% or more of the Franchised Business must attend.

You are responsible for travel-related and other expenses incurred by you and your attendees to attend the annual retreat.</td></tr>
</table>

Type of Fee (1)	Amount	Date Due	Remarks
Annual Certification Program	Our then-current fee, currently up to $500 per person	Before the program	Your Manager or the Operating Owner must attend. See Item 15. You are responsible for travel-related and other expenses incurred by you and your attendees to attend the annual certification program.
Renewal Fee	25% of our then-current initial franchise fee	Before renewal	You must pay this fee if you renew your right to operate the Franchised Business.
Transfer Fee	50% of our then-current initial franchise fee	Before transfer	You must pay us this fee when you sell a controlling interest in the Business Entity that owns the Franchised Business or when you sell the Franchised Business in its entirety. If the transfer is for a partial, non-controlling interest, no transfer fee is charged.
Dishonored Check	$100 each plus any fees charged by our bank	On demand	You must pay us for each check returned by your bank for insufficient funds in your account.
Late Payment/ Late Report Charge	$150 for each week or part of a week that the payment or report is late	On demand	Payable when any payment or report is not actually received by us (or the Advertising Fund or Advertising Cooperative) on or before the date the payment or report is due. This fee is in addition to the overdue amount.
Interest	1.5% per month, or the maximum rate permitted by law, whichever is less	On demand	Begins to accrue the day payments become overdue.
Damages, Including Attorneys' Fees and Costs	Varies according to loss	On demand	Payable only if you do not comply with the Franchise Agreement.
Warranty Claim and Customer Complaint Costs and Expenses	Varies according to loss	On demand	You must pay us any fees, costs, or expenses we incur if we manage any warranty claims or customer complaints, or any disputes (including arbitration or litigation) relating to customer complaints or warranty claims.
Liquidated Damages for Violation of Covenants	$10,000 plus 50% of the first year's salary of the employee	On demand	Payable if you violate the specific covenants in the Franchise Agreement prohibiting solicitation of employees.
Liquidated Damages for an Unauthorized Installation, Project, or Sale	$5,000 per installation, project, or sale made in another franchisee's territory	On demand	

Type of Fee (1)	Amount	Date Due	Remarks
Reimbursement of Payments on Your Behalf	100% of the amount we paid on your behalf	On demand	Within 15 days of our written request, you must pay us any monies which we have paid, or have become obligated to pay, on your behalf.
Software License Fee	We may charge up to $500 per month per software item. We currently charge $300 per month for our CRM program, which includes 5 user licenses. Additional user licenses are $35 per month.	15th day of each month	The current charge is paid to us for payment to the software provider.
Inspection or Audit	$10,000	On demand	Payable only if audit reveals an understatement of 2% or more or if the inspection or audit was necessary because you failed to timely provide required sales reports. You must pay accountants' and attorneys' fees, and costs of travel and living expenses for representatives.

Notes:

1. Fee Payment Information: All fees are imposed by us and are payable to us or our affiliate unless otherwise stated. You must sign any document necessary to authorize us to withdraw royalties, advertising fees and any other ongoing fees directly from your bank account. All fees are non-refundable and are uniformly imposed on similarly situated franchisees. We reserve the right to modify these fees in certain circumstances. Currently, there are no cooperatives in the system that impose any fees. However, if a cooperative were to impose fees, we would have the ability to establish and modify any fees in connection with that cooperative, at our option.

   All payments based on the Gross Revenues for the preceding month must be paid and submitted so as to be received by us by the 15th day of each month. You must deliver to us any and all reports, statements and/or other information that we require, at the time and in the format that we request, which may include electronically polled data from your Computer System. You must timely close your books on or before the required reporting deadline set out in the Manual and submit accurate financial reports. You must comply with the payment and reporting procedures specified in the Manuals. To ensure that payments are received by us on a timely basis, our policies and procedures may require that you have sufficient funds in your account by the 14th day of each month, as the EFT process may sweep your account the day before for payment on the preceding day. Payments that are not based on Gross Revenues may also be paid by EFT, or by check or credit card. Payments made by credit card are subject to additional handling charges of up to 3%.

2. Gross Revenues: "**Gross Revenues**" means all revenue from the sale of products and services offered by the Franchised Business, and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, including proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit. However, "Gross Revenues" excludes any customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers and actually transmitted to the appropriate taxing authorities. We may modify our policies and practices regarding revenue recognition,

revenue reporting, and the inclusion or exclusion of certain revenue from "Gross Revenues" as circumstances, business practices, and technology change.

3. Royalty Fees: The applicable Royalty Fees in each month will be determined by your Gross Revenues during the previous month.

4. Minimum Royalty Fees: You are required to pay us either the Royalty Fees or the Minimum Royalty Fees, whichever is greater. The Minimum Royalty Fee only applies if the actual Royalty Fee paid to us does not meet your minimum royalty obligation.

   * "**Year**" refers to our fiscal year, which is currently the same as the calendar year. The duration of "Year 1" will vary depending on when the Grand Opening of your Franchised Business occurs. If your Grand Opening occurs during the first 6 months of our fiscal year (currently between January 1st and June 30th), "Year 1" for purposes of the table above will commence on the date of your Grand Opening and will expire at the end of that same fiscal year (currently, the ensuing December 31st). However, if your Grand Opening occurs during the second 6 months of our fiscal year (currently between July 1st and December 31st), "Year 1" will commence on the date of your Grand Opening and will expire at the end of our subsequent fiscal year. As a result, "Year 1" may be as short as 6 months (which would occur if the date of your Grand Opening was June 30th), or as long as one year and 6 months (which would occur if the date of your Grand Opening was July 1st).

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (1)	$60,000	$60,000	Lump sum or financed	When you sign the Franchise Agreement	Us
Initial Training (2)	$0	$3,000	Lump sum, if applicable	When training begins	Us
Travel and Living Expenses During Training (3)	$2,000	$8,000	As incurred	As incurred	Airlines, hotels, and restaurants
Insurance Premium (auto and general commercial liability), 3 months (4)	$2,000	$6,000	As agreed	Prior to opening	Insurance agent or carrier
Business License and Permits (5)	$2,000	$5,000	As incurred	As incurred	Government agencies
Vehicle(s) (6)	$10,000	$40,000	As negotiated	As negotiated	Third parties
Vehicle(s) "Wrap" Advertising (7)	$400	$4,000	As incurred	As agreed	Vendor
Equipment, Supplies & Inventory (8)	$12,000	$50,000	As incurred	As agreed	Vendor or our affiliates

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Software Purchase and License Fees [9]	$400	$2,700	As incurred	As incurred	Third parties
Internet, 3 months	$100	$300	As agreed	As agreed	Third parties
Showroom / Warehouse / Office [10]	$50,000	$75,000	As incurred	Warehouse and Office required before opening; Showroom required by end of month 5	Third parties
Soft Opening Campaign[11]	$5,000	$10,000	As agreed	As agreed	Third parties
Grand Opening Campaign [12]	$7,500	$15,000	As incurred	By end of sixth month	Us or Vendor
Professional Fees [13]	$1,000	$4,000	As incurred	As agreed	Third parties
Additional Funds, 3 Months [14]	$25,000	$75,000	As agreed	As incurred	Employees, utilities, suppliers, etc.
Total Estimated Initial Investment [15]	**$177,400**	**$358,000**	**Amount to open, including first 3 months**		

<u>Notes</u>:

1. The details of the Initial Franchise Fee are described in Item 5, including the conditions under which this fee is refundable.

2. We will train you and your Operating Owner and your Managers for approximately three weeks at our corporate headquarters in Phoenix, Arizona. However, we may not require that all of these individuals attend. We do not charge for Business Plan Training or for two attendees to attend Installation Training and four attendees to attend System Training, but we may charge $1,500 for each additional attendee to Installation Training and $495 for each additional attendee to System Training. You are responsible for all travel expenses, including hotel, transportation, meals and other incidental expenses that your or your employees incur during training, as well as any wages of your employees for their time during training.

3. This figure estimates the travel and living expenses, including airfare, which you will incur when you and your employees attend the initial training programs. The cost you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend training. It does not include any wages or salary for you or your trainees during training.

4. This is an estimate of insurance premiums (auto and commercial general liability) for the initial 3 months of business operation. Your costs will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors. See Item 9 for more details regarding insurance.

5. You are required to obtain a business license or permit before you start business. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate.

6. You may purchase a new or used Vehicle (defined in Item 8), or convert your existing van, so that it meets the Vehicle specifications listed in our Manual and is approved by us.

7. Your Vehicle must display the Re-Bath marks as set forth in the Manual. Currently, you are required to have branded vehicle graphics on your Vehicle. You are required to use our approved vendor to purchase and install vehicle graphics that include a range of options from a magnet to a full vehicle wrap.

8. You will need to purchase furniture, fixtures, computers, telephones, cell phones, printers, and other equipment for your office and warehouse initially, as well as supplies and inventory.

9. You are required to purchase or license QuickBooks and use this for accounting purposes. You are also required to purchase an initial set of five user licenses to RBDirect, our CRM program, which costs $300 per month. Additional software requirements are described in Item 11.

10. You must have a complete and operational showroom built out to our specifications within 5 months after signing the Franchise Agreement. You must have operational warehouse and office space prior to your Soft Opening. You must obtain written approval from us for the location of your showroom prior to executing a lease or purchase agreement for the space. In the event you move your showroom during the term of the Franchise Agreement, you must obtain approval from us for the new location as well. In addition, you must commence operations from the showroom within 6 months after signing the Franchise Agreement. We refer to this as the "Grand Opening" (further described in #12 below). Your Grand Opening must be scheduled after your Soft Opening (described in #11 below). You may locate your showroom, warehouse and office together in one building or you may locate them separately. You are required to display certain products in your showroom and prohibited from displaying others. We recommend that your showroom have 1,000 to 1,200 square feet so that it can display all of the required products. We recommend that you secure approximately 1,500 square feet of space for the warehouse and 300 square feet of space for the office. Your showroom must have interior signage and an exterior sign utilizing the Marks in accordance with our specifications. The cost of exterior showroom signs vary depending on size and type and variations in local ordinances, although average costs range between $3,000 and $5,000. The leasehold improvements that you may have to make to a built but unimproved location include items such as interior remodeling, painting, HVAC, electrical, sprinkler, plumbing, design and other improvements. If you purchase property or a building, or both, for the warehouse, your additional costs will depend on the location and size of the land and building; these costs are not included in the above chart. We would not typically invest in the land and building for a Franchised Business. We are unable to estimate these costs due to the significant variances based on location and market conditions. This amount will also vary depending on whether your showroom, warehouse, and office are located in the same facility or at separate locations.

11. You are required to have a "Soft Opening" at least thirty days prior to your Grand Opening. A "Soft Opening" is the date on which you begin to respond to leads and set sales appointments. To establish brand awareness in your market and to begin to generate leads prior to the Soft Opening, you have to advertise locally prior to opening (the "Soft Opening Campaign"). Under the Franchise Agreement, we have the right to require you to spend up to $10,000 on the Soft

Opening Campaign. You must provide us notice of your intended date for Soft Opening and such date is subject to our approval.

12. Your "Grand Opening" is the date on which you open and operate your completed and approved showroom. In addition to a Soft Opening campaign, you are required to invest in a Grand Opening Campaign that will run 15 to 30 days out from your Grand Opening date. Under the Franchise Agreement, we have the right to require you to spend up to $7,500 on the Grand Opening Campaign. You must conduct the Grand Opening Campaign according to a plan approved by us. Additional details regarding the Grand Opening Campaign can be found in Item 11. You must obtain our approval before you open the showroom, or conduct the Grand Opening Campaign.

13. This estimate is for legal, accounting, administrative, permitting, brokerage, and miscellaneous other professional fees that you might incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual cost may vary.

14. You will need additional capital to support on-going expenses during the initial 3 months after you open for business. The estimate includes items such as payroll, royalty, advertising fees, additional advertising, repairs and maintenance, bank charges, miscellaneous supplies and equipment, state tax, and other miscellaneous items, that may not be covered by sales revenues.

15. The figures in this table are only estimates. In compiling these estimates, we have relied on the experience and data collected from our existing franchisees. Your start-up expenses may be higher or lower than these estimates and you may need operating funds other than these estimates. The actual expenses you incur during the start-up period will depend on factors such as how fully you follow our methods and procedures, your management skills, your experience and business acumen, location of your franchise, local economic conditions and market for your product, prevailing wage rate, competition, and sales level reached during this initial period. New businesses often generate a negative cash flow. The estimate does not include Royalty Fees, Minimum Royalty Fees, or Advertising Contribution payments to us.

    Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history, suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period. You will need to have staff on-hand before opening to prepare the Franchised Business for opening, for training, orientation, and related purposes.

    If you are converting an existing business offering services similar to a Franchised Business, the costs stated above may be near the lower amounts estimated. For example, if you already own a business that you are converting to a Franchised Business, you may already own some of the equipment and the vehicle you will need.

    Unless otherwise noted above, expenditures are non-refundable. We do not offer direct or indirect financing to you for any items. The availability of financing through third-party lenders, if any, will depend on factors such as the lending policies of such financial institutions, the collateral you may have, your creditworthiness, and the general availability of financing.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To ensure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Manuals or otherwise in writing. You must not deviate from our standards and specifications, unless you have received our prior written consent.

Operations

You must establish and operate your Franchised Business in compliance with your Franchise Agreement and the Manual we loan to you, which we may modify, in our discretion.

Products and Services

You must offer and sell only those products and services that we have authorized you to sell. You must buy all products, supplies, equipment, materials, and other products used or offered for sale at the Franchised Business only from approved and designated suppliers (including manufacturers, distributors, and other sources). Additionally, you must obtain any materials that display our Marks only from us or from suppliers we designate.

Approved products, services and suppliers are listed in the Manual and may change from time to time at our option. You may submit to us a written request for approval of another product, service or supplier, and we have sole discretion to determine whether or not to approve the request. When considering whether to approve any possible supplier, we will consider (among others) the following factors: whether the supplier can demonstrate, to our reasonable satisfaction, the ability to meet our then current standards and specifications; whether the supplier has adequate quality controls and capacity to supply the System's needs promptly and reliably; and whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies. You may not buy from any supplier that we have not approved in writing, and you must stop buying from any supplier who we approve, but later disapprove. We have the right to designate a single supplier or manufacturer for a particular product. We may be a supplier of any product, and we may be the sole approved supplier of any product.

If you want to buy (or install) any products, services, or any other items from an unapproved supplier, you first must submit to us a written request for our approval. You may not purchase (or install) products or services from any proposed new supplier until we have approved in writing the proposed new supplier. There is no limit on the time we may take in evaluating a proposed supplier, however we expect to provide you with approval or disapproval of the supplier within 30 days from our receipt of your request and all requested samples and information. We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. Currently, there are no fees in connection with securing supplier approval. We may approve or disapprove of the suppliers who may be permitted to sell products to you in our discretion.

Currently, you must purchase all of the following products from us or our affiliates: acrylic and natural stone wall systems; acrylic and natural stone accessories; bathtub liners; shower bases; and walk-in bathtubs. HBG may in the future become a designated supplier for products and services. Agile or our other affiliates may become the exclusive supplier of other goods or services. The complete list of all designated and approved suppliers is contained in our Manual. We may modify this list from time to time.

We and our affiliates have also established a network of preferred vendors, which includes us, our affiliates, and third party vendors that we specify from time to time ("**Preferred Vendors**"). Our parent, HBG, negotiates and enters into purchase arrangements, which may include discounted pricing, special terms, rebates or other incentives. We may also negotiate or enter into these types of arrangements directly. We do not have in place any other purchasing arrangements at this time.

We and our affiliates may earn revenue or rebates from your purchase of required products. In the year ending December 31, 2017, we received $25,266,000 in revenue from required purchases by our franchisees, which was 72% of our total unaudited revenue of approximately $35,000,000. In the year ending December 31, 2017, HBG Holdings received rebates from purchases made by our franchisees totaling $1,693,501, and those rebates ranged from $1.00 to $75 per unit.

Insurance

Under the Franchise Agreement, you must obtain and maintain the insurance coverages and policies that we prescribe in the Manuals. Each insurance policy must be issued by an issuer we approve, who must have a rating of at least "A" in the most recent *Key Rating Guide* published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Franchised Business is located. All liability and property damage policies must name us, our affiliates, and their respective officers, directors, employees, partners, members, subsidiaries, employees and agents as additional insureds and must provide that each policy cannot be cancelled unless we are given 60 days' prior written notice. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

Warranties

You must comply with the policies relating to warranties that we designate from time to time in the Manuals or otherwise in writing. Our current warranty requirements include:

- We or our affiliates will provide a warranty to your customers on all products that we and they manufacture that is reasonably competitive with the warranties offered on similar products by third parties (the "**Product Warranty**"). At the time of installation of any product that is covered by the Product Warranty, you must deliver a copy of the then-current Product Warranty to the customer. The warranties provided by us or our affiliates are subject to change, upon written notification to you by us.

- You must provide a full workmanship warranty to your customers with respect to all workmanship and installation services provided by you, which you are solely responsible for servicing and fulfilling at your own expense ("**Workmanship Warranty**"). The Workmanship Warranty is not offered or provided by or us any other third party. You must include in your customer agreement a provision stating that the Workmanship Warranty is provided solely by you and is not offered or provided by us or any other third party. You must comply with the policies and procedures relating to the Workmanship Warranty that we may specify in the Manuals or otherwise in writing, including our specifications regarding the duration of such warranty. You must offer any other warranties we may designate from time to time.

- You must service and successfully resolve all Product Warranty and Workmanship Warranty claims from (a) customers within your Protected Territory, regardless of who provided the original installation services, and (b) customers for whom you provided the original installation services, regardless of whether the customer is located inside or outside of your Protected Territory. These claims will be serviced in accordance with our then-current warranty credit policy whereby you may receive certain product discounts and labor credits for the work you conduct on the claims. You must comply with the policies and procedures set forth in the Manual or otherwise in writing for servicing warranty claims and calls.

- Unless otherwise notified by us, you must promptly, fully, and courteously respond to and resolve all customer complaints and warranty claims regarding installation and workmanship to our reasonable satisfaction. In addition, you will provide all customers with the Product Warranty, as well as the Workmanship Warranty. You must disclose to all customers any and all product warranty information provided by suppliers and manufacturers of all products sold and/or installed by you.

- We have the right, but not the obligation, to respond to and settle or otherwise resolve any warranty claims, to manage all disputes and to control all arbitration and litigation (including any settlement or other resolution) relating to warranty claims as we deem appropriate. However, you must reimburse us for all fees, costs, and expenses that we incur in connection with such warranty claims, disputes, arbitration and litigation within 30 days of your receipt of our invoice.

Showroom Build-Out and Lease

You must, at your expense, construct, convert, design and decorate the showroom in accordance with our plans and specifications. We require that you obtain our written consent to any improvements to the showroom premises before construction begins. You must provide to us any lease or sublease (the "**Lease**") for a showroom. Our approval of any lease is conditioned upon inclusion in the lease of the "Lease Rider," attached to the Franchise Agreement. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider. You are responsible for obtaining the landlord's consent to these provisions. Our review of a location for the showroom does not guarantee or imply that the location will be successful. We do not currently impose any restrictions or guidelines on the build-out or lease of your office or warehouse.

Site Selection

If at the time you enter into the Franchise Agreement you do not have a showroom location that is approved by us at that time, you must sign the Site Selection Addendum attached to the Franchise Agreement. Under the terms of the Site Selection Addendum, you will have five months within which to lease or acquire an approved site for the showroom and to complete the build out of the showroom in accordance with our specifications. We reserve the right to require that you submit to us, in the form we specify, various site approval forms and data that we may specify, which may include a copy of the site plan, financial information, and any other materials or information that we may require, together with an option contract, letter of intent, term sheet, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have 10 days following receipt of complete submittal of all the information and materials we request from you to approve or disapprove the proposed site for your showroom. If we do not disapprove a proposed site by written notice to you within this 10-day period, the site will be deemed approved. Additional information regarding the Site Selection Addendum is included in Item 11. You must commence operating the Franchised Business from the showroom, or in other words, have your Grand Opening, within six months after you sign the Franchise Agreement. You must not relocate the showroom without our prior written consent. You are not required to secure approval for the location or layout of your warehouse or office space. However, you are required to have functional warehouse and office space prior to your Soft Opening. If you fail to lease or acquire a site for your office, warehouse and/or showroom within the relevant timeframe, we may terminate the Franchise Agreement.

Vehicles

You must acquire (by purchase or lease) and use in connection with the operation of the Franchised Business such number of vehicles as reasonably anticipated to meet customer demand (the "**Vehicles**"). The Vehicles must (i) be of such make and model, (ii) be equipped in such manner, and (iii) bear such signage and Marks as we may prescribe, in such manner as we may prescribe, as indicated by us in the Manuals or otherwise in writing. You must at all times maintain all Vehicles in a clean and safe condition and repair, and in no event less than the manufacturer's recommended maintenance. You must ensure that all Vehicles are fully licensed and operated by a driver validly licensed to operate such Vehicles. You must use the Vehicles solely for the operation of the Franchised Business and refrain from permitting the use of the Vehicles for any other purpose or activity at any time.

Prior to conducting a sales appointment or installing a job, any Vehicle used for that purpose that will be driven to the customer's home must be wrapped in approved graphics that display the Re-Bath® mark. We currently require you to use our national vendor partner, which provides standard graphics for our Vehicle wraps.

Computer System, Software and Other Technology

You must purchase a Computer System that meets our specifications, which are further detailed in Item 11. As part of the Computer System, we currently require you to install the following software and/or programs: QuickBooks, Zeewise, RBDirect, LearningZen or another designated learning management system (such as World Manager), FranConnect, and email.

QuickBooks is the accounting software that you must use. QuickBooks has both a web-based and desktop version. We recommend that you use the web-based application. The cost to use Quickbooks ranges depending on the version you select, but may be $300 for the desktop application or have a monthly fee from $15 to $50.

Zeewise is a software application that allows you to report sales and other financial information to us as required in the Franchise Agreement and Manual. You are required to install Zeewise and set it up for an automatic sync of information with our office as prescribed in the Manual. Currently, you are not charged a fee to use Zeewise.

RBDirect is our customer relationship management ("**CRM**") software, which is completely web-based. Therefore, any Windows or Mac based computer supported by Microsoft or Apple with appropriate internet access is acceptable. You are required to keep accurate and complete records of all leads received by your franchise in accordance with the specifications set forth in the Manual. We currently charge you $300 per month for up to 5 user licenses for RBDirect. Additional user licenses are $35 per month each.

LearningZen is our current learning management software ("**LMS**") application, which is completely web-based. We provide a variety of training types on a variety of subjects in our LMS application that you may be required to take or that may be recommended to you. Currently, you are not charged a fee to use LearningZen.

FranConnect is our franchise management application and one of our primary communication tools and it is also web-based. This application is where we make the Manual available to you and where we make and store weekly announcements. Currently, we do not charge a fee for FranConnect, and you may have an unlimited number of users at your franchise.

We reserve the right to require that you purchase additional hardware and software meeting our minimum specifications, including any proprietary or customized software that we may develop or have developed on our behalf.

<u>Advertising and Marketing</u>

All marketing and promotion of your Franchised Business must conform to our standards and specifications. You must use advertising and promotional materials that are provided by us or, if not provided by us, that are approved by us in writing in advance. In some cases (such as your website, signage and vehicle graphics) we only permit you to use advertising materials that we provide either directly or through a designated vendor. You must submit to us samples of all advertising and promotional materials you want to use which have not been prepared or previously approved by us. See Items 6 and 11. Your Franchised Business must participate in promotions and public relations campaigns (for example, contributions to charitable events) we institute from time to time for all Franchised Businesses, or for all Franchised Businesses within a particular geographic area. You must also participate in customer service, community service programs, product promotions, customer loyalty, gift card and other promotional programs, that we may reasonably determine are needed in your particular Franchised Business. We retain the right to develop and control all Websites (defined in Item 11). All Franchised Businesses, including any owned by us, must participate in these programs or other promotions that we may adopt in the future, provided that you will not be required to spend more than your Minimum Local Advertising Requirement (defined in Item 11) obligation on such programs.

<u>Credit Cards</u>

You must accept credit cards to facilitate sales. Credit cards accepted include Visa, MasterCard, Discover and American Express. You must also accept debit cards unless accepting debit cards requires a separate credit card processing terminal or an additional expense.

*   *   *

Except as described in this Item 8, you are not obligated to purchase or lease any other goods, services, products, or materials in accordance with specifications from us or from designated sources. We do not provide any material benefits to you (such as preferential renewal rights or granting additional franchises) based on your use of designated or approved suppliers except as stated herein.

There are currently no purchasing or distribution cooperatives in the System.

We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, will range from 70% to 80% of the total cost of establishing your Franchised Business and approximately 70% to 80% of the total cost of operating your Franchised Business after that time. None of our officers own any interest in an approved or designated supplier, except for their ownership interest in Agile and us.

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.

		Section(s) in Franchise Agreement	Disclosure Document Item(s)
a.	Site selection and acquisition/lease	Sections 1.1, 5.2.5, 5.8, 15.4, Ex. A-2, Ex. B & Ex. F	8 & 11
b.	Pre-opening purchases/leases	Sections 5.2, 5.3, 5.4 & 5.5	5, 6 & 7, 8
c.	Site development and other pre-opening requirements	Sections 5.1, 5.2, 5.3 & 5.4	7 & 11
d.	Initial and ongoing training	Sections 3.1, 5.5, 5.6, 5.7 & 5.12	5, 6, 7, 11 & 15
e.	Opening	Sections 3.1, 3.3, 5.3 & 5.4	11
f.	Fees	Sections 4, 5.6, 10 & Ex. A-1	5, 6, 7, 8 & 11
g.	Compliance with standards and policies/Manual	Sections 3.2, 5.1, 6 & 7	1, 7, 8, 11, 14 & 16
h.	Trademarks and proprietary information	Sections 6, 7, 8, 15.2 & 15.5	13 & 14
i.	Restrictions on products/services offered	Sections 1.8, 5.13 & 5.14	1, 7, 8 & 16
j.	Warranty and customer service requirements	Sections 5.16, 5.18 & 5.19	8 & 15
k.	Territorial development and sales quotas	Sections 1.1, 1.2, 4.3, Ex. A-1 & Ex. A-2	12
l.	Ongoing products/service purchases	Sections 5.13 & 5.14	1, 6, 7 & 8
m.	Maintenance, appearance and remodeling requirements	Sections 5.8, 5.9, 5.10 & 5.11	7, 8 & 11
n.	Insurance	Section 12	7 & 8
o.	Advertising	Sections 1.7, 10 & Ex. A-1	6, 7, 8, 11 & 18
p.	Indemnification	Section 18.4	6
q.	Owner's participation/ management/staffing	Sections 5.12 & 5.28	11 & 15
r.	Records/reports	Sections 4.4 & 9	6 & 11
s.	Inspections/audits	Sections 5.17, 9.3 & 9.4	6
t.	Transfer	Section 13	6 & 17
u.	Renewal	Section 2.2	6 & 17
v.	Post-termination obligations	Sections 8.1, 9.1, 9.5, 15,	15 & 17

		Section(s) in Franchise Agreement	Disclosure Document Item(s)
		23.6, Ex. F & Ex. G	
w.	Non-Competition covenants	Section 15 & Ex. G	15 & 17
x.	Dispute resolution	Section 24	17

ITEM 10
FINANCING

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

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

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

Before you open the Franchised Business, we (or our designee) will:

1. Designate the Protected Territory. (Franchise Agreement, Section 1.2)

2. Provide you with criteria for an acceptable showroom location and display. (Franchise Agreement, Exhibit B)

3. Provide you guidance on the exterior and interior design and fixtures, furnishings, equipment and signs of the Franchised Business. (Franchise Agreement, Section 3.2)

4. Provide training as described below in this Item 11. (Franchise Agreement, Sections 3.1 and 5.5)

5. Loan you 1 electronic copy of our confidential Manual (Franchise Agreement, Section 3.4). The total number of pages in our Manuals is 1,409. The Table of Contents of our Manuals is attached to this Disclosure Document as Exhibit D.

6. Provide you with such guidance as we deem advisable in formulating your opening orders for inventory and supplies and in organizing the Franchised Business. We will provide any additional on-site pre-opening and opening supervision and assistance as we deem advisable. (Franchise Agreement, Section 3.3)

7. Offer to you, or arrange for our affiliate to offer to you, those required and approved products we or our affiliates manufacture and sell. (Franchise Agreement, Section 3.5)

During the operation of the Franchised Business, we will:

1. Make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 3.1 and 5.5)

2. Conduct, as we deem advisable, periodic inspections of the Franchised Business, including all Vehicles, and may evaluate the products sold and services rendered by the Franchised Business. (Franchise Agreement, Section 3.9).

3. Provide periodic assistance in the marketing, management, and operation of the Franchised Business, in the times and in the manner that we determine. (Franchise Agreement, Section 3.10)

4. Establish and administer a system-wide marketing, promotional and advertising fund (the "Advertising Fund") as described below in this Item 11. (Franchise Agreement, Sections 10.1 and 10.2). The Advertising Fund is currently operational.

5. Provide you with updates to the Manuals and training programs. (Franchise Agreement, Section 7.1)

Showroom, Warehouse and Office Space

To operate your Franchised Business, you must have warehouse, office and showroom space. When you complete a sale and order product for a job, you will also need a warehouse to receive, inspect, store and stage the product. You also need to provide office space for your employees to safely work. Additionally, you must operate a showroom that displays products and allows customers to design their bathroom. The warehouse, office and showroom spaces may all be located together or they may be at different locations, as long as the showroom location is approved in advance and the showroom is built according to the specifications set forth in the Manual.

The location of your showroom must be within the Protected Territory and must be approved in writing by us in advance. Our showroom location guidelines are in the Manual. Generally, the showroom should be located within the major metropolis in your territory. It must have customer-friendly access and the ability to display signage visible from the street. In deciding whether to approve a proposed site, we consider such things as the visibility of the site, the traffic patterns near the site, the demographics of the population around the site, and other factors. If we and you are unable to agree on an approved showroom location, we may terminate the Franchise Agreement.

The showroom must be a dedicated space that reflects our brand standards and the requirements under the Franchise Agreement and it must be located in space zoned as flex or retail space with other consumer-facing businesses around it. Additionally, it must have a minimum of 1,000 square feet of showroom space. When you build out the showroom, it must be in accordance with the specifications in our Manual, which may address items such as showroom layout and design, signage, and product display. Currently, you are required to display certain products in the showroom and are prohibited from displaying others as set forth in our Manual.

If at the time you enter into the Franchise Agreement you do not have a showroom location that is approved by us, you must sign the Site Selection Addendum attached to the Franchise Agreement. Under the terms of the Site Selection Addendum, you will have five months within which to lease or acquire an approved site for the showroom and to complete the build out of the showroom to our specifications. We will have 10 days following receipt of complete submittal of all the information and materials we request from you to approve or disapprove the proposed site for your showroom. If we do not disapprove a proposed site by written notice to you within this 10-day period, the site will be deemed approved. Additional information regarding the Site Selection Addendum is included in Item 8. While you are not required to obtain our approval for the location of your warehouse and office space, you must have functional warehouse and office space prior to the Soft Opening. If you fail to lease or acquire a site for your office, warehouse and/or showroom within the relevant timeframe, we may terminate the Franchise Agreement.

The Franchised Business is considered to be "open" when you have begun to respond to leads and set sales appointments. We refer to this as the "Soft Opening." You may not "soft open" the Franchised

Business until you obtained our written approval. In order to approve a Soft Opening, at a minimum you must have completed all required initial training programs and made substantial progress on the completion of your showroom. You must also have operational office and warehouse space before you open for business. You are not required to operate the Franchised Business from your approved showroom space on the date that you first open the Franchised Business. However, on or before the six-month anniversary date of your Franchise Agreement, you must open and operate from a completed showroom (the “Grand Opening”).

We may, at our option, make available to you, in the Manual or otherwise in writing, advice on the exterior and interior design and fixtures, furnishings, equipment, and signs. These specifications are general guidance only and not specific to your location(s), and will not contain the requirements of any federal, state or local law, code or regulation (including those concerning the Americans with Disabilities Act (the “**ADA**”) or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor will these specifications contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build or renovate a specific premises, compliance with all of which will be your responsibility and at your expense. You must adapt, at your expense, the standard specifications to your location(s), subject to our approval. We have the right to modify the specifications as we deem appropriate from time to time. (Franchise Agreement, Section 3.2)

Vehicles

Prior to conducting a sales appointment or installing a job, any vehicle used for that purpose that will be driven to the customer’s home must be wrapped in approved graphics that display the Re-Bath® mark. We currently require you to use our national vendor partner, which provides standard graphics for our vehicle wraps.

Advertising and Promotion

We provide you marketing guidance and a comprehensive suite of marketing materials across marketing tactics. You must use advertising and promotional materials that are provided by us or, if not provided by us, that are approved by us in writing in advance. In some cases (such as your website, signage and vehicle graphics) we only permit you to use advertising materials that we provide either directly or through a designated vendor. You must submit to us samples of all advertising and promotional materials you want to use which have not been prepared or previously approved by us. At a minimum, all advertising and promotional materials must comply with our Branding Guidelines (which are set forth in the Manual) and other requirements set forth in the Manual to maintain a consistent and strong brand.

Currently we provide the following materials at no cost to you:

- Print advertising templates that can be customized for your franchise location and offers;
- TV advertisements that are also customizable to your franchise;
- Fully-customized and integrated online review and customer satisfaction surveys;
- Free rental program for home show booths and supporting materials; and
- Access to our MarketNow Portal where you can purchase pre-approved collateral such as branded apparel, business stationary, door hangers, lawn signs and giveaways.

You are responsible for the cost of placing TV or radio media buys and placing print advertisements. However, there is no cost to you to acquire the materials from us.

We provide you free of charge a customizable local microsite within our national website that you must use to advertise your business online. Your microsite is managed by our preferred digital vendor who assigns an account manager to you. The account manager monitors your microsite's data and trends and consults with you periodically to track and improve performance. You are required to include a pay-per-click program for your microsite at your own cost as set forth in the Manual, which typically ranges from $2,000 to $3,000 per month and which counts toward your Minimum Local Advertising Requirement. Our preferred digital vendor can assist you with this and manage it for you.

You must comply with the requirements for use of social media as specified in the Manuals. You are currently required to have a Facebook business profile for each major metro market in your territory. We must be identified as the owner of the account, but you may have administrative and advertising roles as applicable.

Each calendar year you are required to spend a minimum amount on local advertising and promotion (the "**Minimum Local Advertising Requirement**") in accordance with the specifications set forth in the Manuals, according to the following chart:

Year*	Minimum Local Advertising Requirement
1	$.10 per person
2	$.15 per person
3	$.20 per person
4 and beyond	12% of the previous Year's Gross Revenues

These are the direct costs to you of producing and purchasing placements or media buys of marketing materials. We currently require you to submit a marketing plan for the next year that meets the Minimum Local Advertising Requirement to our marketing department for approval. You must have an approved marketing plan by the dates set forth in the Manual or otherwise in writing from us. The amounts that you spend on the Grand Opening and Soft Opening campaigns count toward your Minimum Local Advertising Requirement.

We have established an Advertising Fund (also sometimes referred to in prior agreements as the "Brand Fund") that requires financial contributions from our franchisees and that is maintained, directed and administered by us. Commencing on the month in which you have your Grand Opening, you are required to contribute to the Advertising Fund as set forth in Item 6 ("**Advertising Contribution**"), and described in the following chart:

Year*	Advertising Contribution
1	$275/month
2	$650/month
3	$1300/month
4 and beyond	$1500/month

The Advertising Fund is owned and managed by us. Advertising Contributions will not count toward the Minimum Local Advertising Requirement.

The Advertising Fund is intended to maximize general public recognition, acceptance, and use of the System; and we and our designee are not obligated, in administering the Advertising Fund, to make expenditures for you which are equivalent or proportionate to your contribution, to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Advertising Fund, or to expend any particular amount of money in any franchisee's Protected Territory.

We or a designee will have the right to direct all advertising programs, as well as all aspects of the advertising program, including the concept, materials, and media used in the programs and the placement and allocation of the programs. The Advertising Fund, and all contributions to and earnings from the Advertising Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and/or conducting media advertising campaigns, social media campaigns, direct mail advertising, marketing surveys and other public relations activities; product development and market testing; brand research and development; developing and hosting marketing, brand enhancement, and customer engagement seminars for franchisees; employing advertising and/or public relations agencies; developing new or modified trade dress and marks; point-of-purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; developing and implementing customer retention programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing and maintaining our Website (defined below); developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing 1 or more websites devoted to the System, the Marks and/or the "ReBath" brand; and providing promotional and other marketing materials and services to the Franchised Businesses operated under the System. The Advertising Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we will have the right to determine, that we believe will promote general public awareness and favorable support for the System. We will have the sole right to decide how the Advertising Fund creates, places, and pays for marketing. Media coverage may be national, regional, or local, and may be prepared by us in-house or by an advertising agency.

We will have the right to charge the Advertising Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Advertising Fund and marketing programs for you and the System (for example, costs of personnel for creating and implementing, associated overhead, advertising, merchandising, promotional and marketing programs, and accounting services reasonably related to the operation and functions of the Advertising Fund). The Advertising Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Advertising Fund.

The Advertising Fund is not and will not be used for our ordinary operating expenses, and it is not a trust. We do not assume any fiduciary obligation to you or any other franchisee for maintaining, directing, or administering the Advertising Fund or for any other reason. A statement of the operations of the Advertising Fund as shown on the books of the Fund will be prepared annually, and will be made available to you on an annual basis, upon request. This annual statement is not required to be audited, but we may choose to provide an audited statement.

Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been spent for marketing or promotional purposes. We may spend less or more than the aggregate contributions from franchisees to the Advertising Fund in any given year, and we may "roll over" any surplus funds from year to year.

We currently do not operate company-owned units and we do not contribute to the Advertising Fund. However, we have in the past and may in the future make contributions to a separate media fund ("**Media Fund**") that was established under a legacy form of franchise agreement, at our option. You are not required to make any contributions to the Media Fund.

In our last fiscal year ending on December 31, 2017, 38% of the money spent from the Advertising Fund was related to web marketing, 25% was related to broadcast, 23% was related to national support, 8% was related to customer satisfaction and online reputation, 3% was related to print advertising, 2% was related to email marketing, and 1% was related to outdoor advertising/community events.

No portion of the Advertising Fund is used for marketing that is principally a solicitation for the sale of franchises. We do not currently have an advertising council with respect to the Advertising Fund. We have the right to form, change, dissolve, or merge any advertising council that may be formed with respect to the Advertising Fund. We do have an advisory council that has the right to vote on how Media Funds are used. As noted above, members of this council are franchisees who signed a legacy form of Franchise Agreement, and you are not eligible to participate in this advisory council.

As discussed in Items 5 and 7, in addition to (and not in place of) the Advertising Contribution, we have the right to require you to spend up to $10,000 on local advertising and promotion for your soft opening campaign ("**Soft Opening Campaign**") and up to $15,000 on local advertising and promotion for the grand opening of your Franchised Business (the "**Grand Opening Campaign**"). We will collaborate with you to develop the Soft Opening and Grand Opening Campaigns. You must have your Soft Opening and Grand Opening Campaigns approved by us, with funds committed to the program, prior to and as a pre-condition to the soft opening and Grand Opening of your Franchised Business. The amounts spent on the Soft Opening and Grand Opening Campaigns count toward the Year 1 Minimum Local Advertising Requirement. The Grand Opening Campaign must take place during the 30 days preceding the date when your Franchised Business commences operations at the showroom (the grand opening). You may spend any additional sums you wish on opening advertising.

We have the right, in our discretion, to establish an Advertising Cooperative for the geographic area in which your Franchised Business is located (an "**Advertising Cooperative**"). We also have the right to change, dissolve, or merge any Advertising Cooperative. Advertising Cooperatives will be established, organized, and governed in the form and manner that we have approved in advance in accordance with the Franchise Agreement, and members of the cooperative will be permitted to provide non-binding input. The purpose of the Advertising Cooperative is to conduct marketing campaigns for the all of the franchises located in that geographic area. We may require that you contribute up to 40% of your Minimum Local Advertising Requirement to an Advertising Cooperative. Currently, we have one operating Advertising Cooperative.

If an Advertising Cooperative for your area was established before you began to operate the Franchised Business, then when you open the Franchised Business, you must immediately join that Advertising Cooperative. If an Advertising Cooperative for your area is established after you began to operate the Franchised Business, then you must join the new Advertising Cooperative within 30 days of when the Advertising Cooperative commences operations. You will not be required to be a member of more than one Advertising Cooperative for the Franchised Business. The following provisions will apply to each Advertising Cooperative (if and when organized):

Any disputes arising among or between you, other members of the Advertising Cooperative, and/or the Advertising Cooperative, will be resolved according to the rules and procedures set forth in the Advertising Cooperative's governing documents.

Advertising Cooperatives will not be required to prepare annual or periodic financial statements.

Advertising Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.

Advertising Cooperatives may not use marketing, promotional plans, or materials without our prior written approval, as described below.

You must submit your required contribution to the Advertising Cooperative at the same time as payments are required for royalties and the Advertising Contribution, together with the statements and reports that may be required by us or by the Advertising Cooperative, with our written approval. If we request in writing, you must submit your payments and reports for the Advertising Cooperative directly to us and we will distribute the money and reports to the Advertising Cooperative. If we incur administrative expenses in support of the Advertising Cooperative, these expenses may be paid to us from the funds of the Advertising Cooperative or from a portion of the Advertising Contribution that would be allocated to the Advertising Cooperative. As noted above, we may specify that a portion of your Advertising Contribution will be paid or allocated to the Advertising Cooperative. The specific amount of your contribution to the Advertising Cooperative will be determined by us. If you are required to contribute to an Advertising Cooperative, these contributions will be credited toward your Minimum Local Advertising Requirement.

Although, if established, an Advertising Cooperative is intended to be of perpetual duration, we maintain the right to terminate any Advertising Cooperative. An Advertising Cooperative will not be terminated, however, until all monies in that Advertising Cooperative have been expended for marketing or promotional purposes.

Computer System

We have the right to specify or require that you use computers, software and hardware ("**Computer Systems**") that are certain brands, makes or models, or that meet certain minimum specifications. Currently we require that your Computer Systems be sufficient to operate and be compatible with the applications that you are required to use to operate your Franchised Business. Required software applications currently include, but may not be limited to, QuickBooks, Zeewise, RBDirect, LearningZen, FranConnect, and email.

QuickBooks is the accounting software that you must use. QuickBooks has both a web-based and desktop version. We recommend that you use the web-based application. The cost to use Quickbooks ranges depending on the version you select, but may be $300 for the desktop application or have a monthly fee from $15 to $50 for the web-based application.

Zeewise is a software application that allows you to report sales and other financial information to us as required in the Franchise Agreement and Manual. You are required to install Zeewise and set it up for an automatic sync of information with our office as prescribed in the Manual. Currently, you are not charged a fee to use Zeewise.

RBDirect is our customer relationship management ("**CRM**") software, which is completely web-based. Therefore, any Windows or Mac based computer supported by Microsoft or Apple with appropriate internet access is acceptable. You are required to keep accurate and complete records of all leads received by your franchise in accordance with the specifications set forth in the Manual. We currently charge you $300 per month for up to 5 user licenses for RBDirect. Additional user licenses are $35 per month each.

LearningZen is our current learning management software ("**LMS**") application, which is completely web-based. We provide a variety of training types on a variety of subjects in our LMS application that you may be required to take or that may be recommended to you. Currently, you are not charged a fee to use LearningZen.

FranConnect is our franchise management application and one of our primary communication tools and it is also web-based. This application is where we make the Manual available to you and where we make and store weekly announcements. Currently, we do not currently charge a fee for FranConnect, and you may have an unlimited number of users at your franchise.

Additionally, you are required to include a pay-per-click program for your microsite at your own cost as set forth in the Manual, which typically ranges from $2,000 to $3,000 per month, which is credited toward your Minimum Local Advertising Requirement.

We frequently communicate with you and your employees through email. We require you and your employees to obtain an "@rebath.net" email address from us, at no charge. In the future, we may require that you obtain an email address from a third-party vendor, for which you may be required to pay a fee. This email address must be used for all email communications that relate to the Franchised Business.

Currently, the Computer System includes a computer, printer, digital camera, smartphone, high speed business class Internet service, and landline telephone with at least three separate lines and a voice message system. You must use a computer with adequate memory, speed and storage to run the proprietary software we may develop from time to time. The total cost to purchase the computer system, including all hardware and software, will range from $3,000 to $7,500.

You must pay for all maintenance of your Computer System at your own expense. You may be required to utilize a hosted system in the future for ordering product or transferring data concerning sales. You will be responsible for ensuring that your computer has the appropriate memory, software and functional capabilities to support a hosted system or vendor website.

We do not guarantee, warranty, maintain or support any computer hardware in any manner. You should determine for yourself whether or not any third party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services. Our computer hardware and software requirements may periodically change and you will be required to update your computer hardware and software periodically. We will advise you in writing of any required upgrades, which are subject to the limitations set forth below.

We have the right to remotely access your computer to consult with you on problems you may be experiencing as well as download information to update your software. There are no contractual limits on our access to your computer information. The contractual limits on required upgrades are described below.

Remodeling and Upgrades

You must undertake periodic remodeling and upgrading of your showroom and Vehicles, including furniture, fixtures, equipment, décor, signage and trade dress, as we require in the Manual or otherwise in writing. Not sooner than 3 years, nor later than 5 years, after the date the Franchised Business opens for business, and again as a pre-condition to renewal, you must refurbish your showroom and Vehicle(s) at your expense to conform with the specifications set forth in the Manual at that time.

You will not be required to engage in remodel or upgrade of your showroom or vehicles more than once every 3 years during the term of the Franchise Agreement, and you will not be required to spend more than $25,000 for the remodeling or upgrades during any consecutive 2-year period; provided, however, that this dollar limitation may be increased during the initial term of this Agreement in accordance with any increase in the Consumer Price Index as set forth in the Franchise Agreement. In addition, we may require showroom remodeling or upgrades as a pre-condition to renewal. The limitation on the frequency or scope of showroom and Vehicle remodeling and upgrades does not include repair to, or the normal upkeep of, the premises of the showroom or Vehicles, nor does it include equipment upgrades (discussed below) or the costs to display new or modified products including modifications to the colors, textures, and finishes of products. You will have 6 months after receipt of our written notice to complete any required remodeling or upgrades.

You may also be required, from time to time, to upgrade and make other changes to the Computer System as we may request in writing. We have the right to require any equipment upgrades we deem necessary for your Franchised Business; provided, however, that we will not require equipment upgrades at a cumulative cost of more than $25,000 for equipment upgrades every 2 years.

Training Programs

Initial or Onboarding Training

The initial or onboarding training program is mandatory for each new franchisee (including resales of existing franchises). This training must be successfully completed before you begin operations and open for business. The Operating Owner or the Manager (defined in Item 15 below) must attend this training. The number of individuals we will designate as required to complete the training will vary based upon your organizational structure and individual roles. This training is hosted at our corporate headquarters in Phoenix, Arizona, and you are responsible for all travel-related expenses for the training. If you are a new franchisee (which does not include the purchase of transferred or re-sold franchises), we will not charge you a fee for a designated number of individuals to attend initial training program. If you purchased your franchise from an existing franchisee, for which you did not pay any initial franchise fee to us, we may require you to pay a training fee to us for your initial training of up to $5,000 per person.

The initial training program consists of up to three weeks of training. The first week of training session usually occurs within 30 days of signing the Franchise Agreement and the Operating Owner and/or Manager are required to attend. In this training we provide an overview of our System and the tools available to you, and we assist you with your business plan, marketing plan and opening timeline (the "**Business Plan Training**"). The Business Plan Training will occur for anywhere between two to five days, depending on variables related to your market and business experience. The remaining two weeks of training consist of one week of in-depth training on our System tools with emphasis on our sales program and tools ("**System Training**"), and one week of hands-on training on how to install the products ("**Installation Training**"). The Operating Owner and/or Manager together with certain staff members may be required to attend these trainings. Our current curriculum for each week of initial training is shown in the tables below:

INITIAL TRAINING PROGRAM(S)

BUSINESS PLAN TRAINING

Subject	Classroom Hours	On-The-Job Hours	Location
Business modeling and planning	Up to 8	0	ReBath Corporate Offices in Phoenix, AZ
Overview of System & Tools	Up to 8	0	
Opening tasks and timeline	Up to 8	0	
Marketing planning	Up to 8	0	
General Q&A	Up to 8	0	
Total	**40**	**0**	

SYSTEM TRAINING PROGRAM

Subject	Classroom Hours	On-The-Job Hours	Location
Marketing	8	0	ReBath Corporate Offices in Phoenix, AZ
Sales	24	0	
Product	2	0	
Customer Service	2	0	
Office Management & RBDirect	4	0	
Total	**40**	**0**	

INSTALLATION TRAINING PROGRAM

Subject	Classroom Hours	On-The-Job Hours	Location
Product Knowledge and Lead Setter Soft Skills	8	0	ReBath Corporate Offices in Phoenix, AZ and Agile Manufacturing Facility in Phoenix, AZ
Installation of acrylic wall systems, trim and replacement bathtubs	0	8	
Installation of natural stone wall systems and replacement bathtubs	0	8	
Installation of walk-in bathtubs, bathtub and shower liners, and accessories (cabinets, countertops, faucets, etc.)	0	8	
Total	**8**	**24**	

Our training program is managed and supervised by Wendy Smith, our Training & Development Manager. Ms. Smith started in September of 2016. Wendy has 20 years of experience training in a variety of fields, primarily in the hospitality field. We may use additional or substitute instructors as needed, in our discretion. The training materials include our Manuals and other written materials that will be provided.

The fee for providing Business Planning Training and System Training for up to 4 people is included in the Initial Franchise Fee. There is a fee of $495 for each additional person who attends System Training. The fee for providing Installation Training for up to 2 people is included in the Initial Franchise Fee. Therefore, we do not charge you for the first 2 attendees at Installation Training. There is a $1,500 fee for each additional person who attends.

Those individuals designated by us as required to complete any of the three initial training programs must successfully complete the training to our satisfaction before you begin operations.

You will be responsible for training all of your other employees, including installers and salespeople, in accordance with our standards and training programs. We may also require these additional employees to complete assigned and required training courses through our LMS application. If you fail to properly train your employees, we may require them to attend training at our headquarters for a reasonable training fee or pay a fee in addition to our costs and expenses to send one of our trainers to train them at your location.

Annual Certification Training

Each year we conduct Certification Training to make you aware of new programs and requirements we have launched or will soon launch. The individual responsible for managing the day-to-day operations of your business, whether the Operating Owner or manager, is required to attend this training. The training may be held in Phoenix, Arizona or other locations in the United States. We typically hold two or more training sessions that may be in different locations to allow for flexibility in schedules. We charge a registration fee for this training, and you are responsible for all travel-related expenses.

Annual Owners' Retreat

Each year we hold an Annual Owners' Retreat at a place and on dates determined by us. The retreat may be hosted outside of the United States. At this retreat, we reflect on and celebrate the franchise network's past year's results, strategize and forecast the next year, and announce planned initiatives. It also provides an opportunity for you to meet and network with other franchisees and to share ideas and practices. At least one owner (of 20% or more of the franchise business) must attend the retreat. There is a registration fee that varies year to year, and you are responsible for all travel-related expenses.

Additional Training

We also provide online training on a variety of topics through our LMS system. Upon reasonable notice to you, we may require you or your designated personnel to complete assigned online training courses. We may also provide additional in-person training opportunities that are recommended but optional to attend.

You are solely responsible for all travel, meal, lodging, and payroll expenses associated with sending attendees to our training programs.

ITEM 12
TERRITORY

Protected Territory and Scope of Rights

During the term of the Franchise Agreement, we will grant you the right to offer and sell single-family residential bathroom remodeling services and related products and services identified by our Marks within a Protected Territory with limited exclusivity. You may not advertise, sell or install products or services to anything other than existing single-family residences without our prior written consent. You are prohibited from advertising, selling or installing products or services for new construction without our prior written consent.

You will not receive an exclusive territory. You may face competition from other franchisees (to the extent they operate outside of their territories, even if not permitted under their agreements to do so), from outlets that we own, from other channels of distribution, or competitive brands that we control. However, so long as you are in compliance with the Franchise Agreement and subject to our reservation of rights described below in this Item 12, we and our affiliates will not: (a) operate or license others to operate a Franchised Business from a physical premise located within the Protected Territory, or (b) install products or provide services, or license others to install products or provide services, that are identified by the Marks at existing bathrooms in single-family residences that are located within the Protected Territory.

We, our affiliates, and successors, retain all other rights, and may without compensation to you: (a) offer, sell, and install any products, and provide any services, that are identified by any marks except the Marks, including products and services that are the same or similar to products and services offered, sold, and installed by the Franchised Business, within and outside of the Protected Territory; (b) offer, sell, and install any products and provide any services that are identified by any marks, including the Marks, at and to any facilities other than existing single-family residences, within and outside of the Protected Territory; and (c) advertise and promote the System and the Marks within and outside of the Protected Territory.

We may offer and sell goods and services through other channels of distribution, including the Internet, within the Protected Territory, under the Marks, or under different trademarks without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, or make sales outside of the Protected Territory, except as described below.

Your Protected Territory will consist of a population of 750,000 people. However, we may offer larger or smaller Protected Territories and charge an Initial Franchise Fee that is adjusted accordingly. Your Protected Territory will be described by either county name (in which case your Protected Territory will consist of all standard zip codes wholly within the county borders, and for those zip codes that fall into more than one county such zip codes as are designated by our population data supplier as belonging to that county) or by U.S. Postal Service zip codes in your Franchise Agreement. The geographic size of your territory is designated by population and will be set forth in the Franchise Agreement. At our option, you may purchase multiple franchise units provided that you meet the capital requirements determined by us to simultaneously operate multiple units.

We negotiate agreements with certain nationwide retailers and distributors ("**National Accounts**"), such as Home Depot and JCPenney, to offer our franchisees' products and services to their customers. To participate in any given National Account program, you must meet the terms and conditions set by both us and the National Account partner for such participation and must sign the necessary contracts governing those programs. Both we and the National Account partner have the right to refuse your participation in the program at our option. In the event your participation is refused or terminated for any reason, or in the event you choose not to participate in any given program, we may grant others (including, but not limited to, other franchisees) the right to provide sales, installations, products and services with respect to that particular National Account in your Protected Territory. We may charge you lead referral and/or administrative fees in return for National Account referrals.

In the future we may arrange other referral programs under which you pay fees to us or the referral source in return for leads in your Protected Territory. We will give you information about these programs as they are developed and you may decide whether to opt out of them. If you do not expressly opt out, you will be considered to have opted in.

Your showroom, warehouse and office must be located within your Protected Territory. You are required to obtain our prior written approval to re-locate your showroom within your Protected Territory. You do not have any options, right of first refusal or similar rights to acquire additional franchises in contiguous or other territories.

Operations Outside of the Protected Territory

You are not permitted to engage in any marketing, install any products, or provide any services, at locations outside of the Protected Territory, unless you have obtained our prior written consent. Currently, you may request permission to engage in marketing, install products, or provide services, in territories known as “unowned territories” in accordance with the requirements, terms and conditions in the Manual. If we give you permission to engage in marketing, install products, or provide services in any unowned territory, we have the right to sell or assign such territory, or part of it, at any time, without prior notice to you. You will not have a right of first refusal or option to buy any unowned territory you formerly marketed in or worked.

Although we will not grant another Re-Bath franchise the right to engage in any marketing, install any products, or provide any services in your Protected Territory, except as permitted under a National Account program as described above, we do not promise that another franchisee will not violate his or her franchise agreement and conduct business in your territory. If a franchisee does so, we may require the franchisee to immediately pay to us or, at our option, to you, liquidated damages of $5,000 per installation, project, or sale. If we require the franchisee to pay liquidated damages to you (or we remit to you liquidated damages paid by that the franchisee to us), that payment is your sole remedy against us and the other franchisee for that installation of products or provision of services. However, we have no obligation to seek liquidated damages.

Modifications to the Protected Territory

If you wish to expand your Protected Territory, your requested expansion must be approved by us and memorialized in a mutually-executed amendment to the Franchise Agreement. For any approved expansion, you must pay for the additional population acquired based on a pro rata share of the current rate we offer for the purchase of a new franchise.

If you default and we are entitled to terminate the Franchise Agreement, as an alternative to termination and at our option, we may modify or reduce the size of the Protected Territory, and/or we may modify your rights in the Protected Territory to be non-exclusive. We otherwise may not modify the Protected Territory without your written approval.

Options; Rights of First Refusal

You do not have any options, rights of first refusal, or similar rights to acquire additional franchises.

ITEM 13
TRADEMARKS

We grant you the right in the Franchise Agreement to operate your Franchised Business under the Marks described below:

MARK	**REGISTRATION/ FILING DATE**	**REGISTRATION OR SERIAL NO.**
RE-BATH	Registered June 23, 2015	Reg. No. 4759237
RE·BATH	Registered June 23, 2015	Reg. No. 4759238
RE·BATH	Filed January 10, 2018	Serial No. 87749975
YOUR BATHROOM REMODELER	Registered May 12, 2015	Reg. No. 4736877
DURABATH	Registered April 29, 2008 Renewed May 15, 2014	3419748
DURABATH	Registered September 20, 2016	Reg. No. 5046302
DAMARA	Registered November 21, 2017	Reg. No. 5341073
SO MUCH TO LOVE	Filed January 23, 2017	Serial No. 87310558

All registered Marks are registered on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"). We have filed all required affidavits. There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, involving these marks. There is no action pending regarding these marks.

No agreements limit our rights to use or license the use of the Marks.

You must follow our rules when you use our Marks. These rules are set forth in the Manual, the RE-BATH® Brand Guidelines, and otherwise in writing. You may not use our Marks or name in the name of your business entity or to sell an unauthorized service or product or in any manner we have not authorized in writing.

You must promptly notify us of any unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks. We have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks.

If we undertake the defense or prosecution of any litigation concerning the Marks, you must sign any documents and agree to do the things as may, in our counsel's opinion, be necessary to carry out that defense or prosecution, such as becoming a nominal party to any legal action. Unless the litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out of pocket costs in doing these things (although you will still be responsible for the salary costs of your employees) and we will bear the costs of any judgment or settlement. However, if the litigation results from your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, then you will have to reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

If we determine that you have not used the Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be borne by you.

You must modify or discontinue the use of our Marks if we modify or discontinue them. You may not directly or indirectly contest our right to our Marks.

There are no superior prior rights or infringing uses actually known to us that could materially affect your use of the Marks.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We have the following copyright registrations with the United States Copyright Office, which we intend to renew:

COPYRIGHT	REGISTRATION DATE	REGISTRATION NO.
ReBath, LLC Sales System Manual	June 13, 2007	TX 6629126
Re-Bath Consumer Brochure	October 23, 1995	TX 41999226
Re-Bath Information Sheets series	January 16, 1996	TX 4242612

We or our affiliates have the following patents registered with the USPTO:

- On March 5, 2014, patent number 9,090,049 issued for Method of Making Composite Stone Panels.
- On March 27, 2012, patent number D656,594 was issued for the Old World Tuscan One-Piece Molded Panel.
- On November 10, 2009, patent number D603,979 was issued for the One-Piece Molded Old World Tuscan Wainscot Panel;
- On November 10, 2009, patent number D603,980 was issued for the One-Piece Molded Old World Tuscan Wall Panel;
- On January 8, 2008, patent number D559,410 was issued for the Slate Tile Wall Surround System;
- On October 9, 2007, patent number D552,757 was issued for the One-Piece Molded Subway Tile System;
- On October 2, 2007, patent number D552,266 was issued for the Deco Tile Beauty Band;
- On October 2, 2007, patent number D552,263 was issued for the One-Piece Molded Wainscot System;
- On April 24, 2007, patent number D541,395 was issued for the One- Piece Wall System;
- On June 20, 2006, patent number D523,566 was issued for the Hampton Tile Wall Surround System;
- On December 29, 2005, patent number D552,758 was issued for the One-Piece Molded Mosaic Tile System; and

- On December 29, 2005, patent number D552,759 was issued for the One-Piece Molded Newport Tile System.

We do not own any other patent or any other registered copyrights that are relevant to the franchise.

Although we have not filed a copyright registration application for our Manuals, we claim a copyright in their contents. The contents are confidential and proprietary. You may use the contents only as long as you are a franchise, and only as provided in the Franchise Agreement.

We are not obligated to take any action to protect or defend use of proprietary information, copyrighted materials, or patents, but will respond as we think appropriate and will control any action we decide to bring or defend. We are not required to participate in your defense or indemnify you for use of copyrighted material or patents. We do not actually know of any infringing uses of our copyrights or patents that could materially affect your use of the copyrighted materials in any state and there are no agreements that limit our rights to use our copyrights or patents or to allow others to use them.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We grant franchises to both those who plan to actively participate in the direct operation and daily affairs of the Franchised Business, and those seeking a more passive investment. If you operate the Franchised Business yourself and you are a business entity, you must designate one owner of the business who owns at least 20% of the business to be responsible for the daily operations of the Franchised Business and to serve as our point of contact (the "**Operating Owner**"). If you do not operate the Franchised Business yourself, you must employ at least one manager on a full-time basis who will be responsible for daily operations and serve as our point of contact (the "**Manager**"). If the franchisee is a company, the Manager does not have to have an equity interest in the company. You must disclose the identity of the Manager to us, and should the Manager change, you must notify us in writing.

The Operating Owner or Manager must successfully complete our initial training program, devote his or her entire time during normal business hours to the management, operation, and development of the Franchised Business, maintain confidentiality of our confidential information, and conform to covenants not to compete.

If you are an individual, you and your spouse must sign the Franchise Agreement. If you are a business entity, anyone who has direct or indirect control of the entity or a direct or indirect beneficial interest in the entity, must sign the Guarantee, Indemnification and Acknowledgement in the form attached to the Franchise Agreement. In addition, we may require that your spouse also sign the Guarantee, Indemnification and Acknowledgement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell from the Franchised Business only those goods and services that we have authorized you to sell. You must offer and sell all goods and services we require. We have the right to change the authorized and required goods and services without limitation. There are no limitations on the customers you may serve at the Franchised Business.

Unless we approve otherwise in writing, you may only provide goods and services with respect to single-family residential bathroom remodeling jobs within your Protected Territory. You must not actively solicit sales from customers in another franchisee's territory.

The showroom for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the showroom without our prior written approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The table lists 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 Agreement	Summary
a.	Length of the franchise term	Section 2	10 years
b.	Renewal or extension of the term	Section 2	Two renewal terms of 5 years each, subject to execution of a renewal Franchise Agreement which may contain materially different terms and conditions than the original contract.
c.	Requirements for franchisee to renew or extend	Section 2	Provide evidence of continued possession of current Approved Location(s) (or obtain written approval from us of a new Approved Location(s)), provide written notice 6 to 12 months in advance of end of term (initial or renewal), remodel or refurbish Franchised Business to comply with current standards, compliance with existing agreement and payment of all monetary obligations, execution of the then-current Franchise Agreement which may include materially different terms from the original contract, payment of a renewal fee equal to 25% of the then-current initial franchise fee, execution of a general release and compliance with the then-current qualification and training requirements.
d.	Termination by franchisee	Not Applicable	There is no contractual right for you to terminate the Agreement, but you may terminate under any grounds permitted by

Provision		Section in Franchise Agreement	Summary
			applicable law.
e.	Termination by franchisor without cause	Not Applicable.	Not Applicable
f.	Termination by franchisor with cause	Section 14	We can terminate if you commit any of several listed defaults, including bankruptcy, abandonment, and other grounds.
g.	"Cause" defined - curable defaults	Section 14	You have 30 days (or 5 days in the event of a monetary default) to cure a default other than a non-curable default; within the respective time frame, you must initiate a remedy and satisfactorily cure the default.
h.	"Cause" defined - non-curable defaults	Section 14	We may terminate the agreement immediately upon delivery of written notice if your actions or inactions qualify as any of the non-curable defaults enumerated in detail in Section 14.2, including bankruptcy, abandonment, conviction of felony, maintaining false books and records, etc.
i.	Franchisee's obligations on termination/non-renewal	Section 15	Upon termination: (i) you must cease operations, (ii) you must cease using the Marks, (iii) you must cancel any assumed names, (iv) we will have the right to acquire the lease or occupy the leased premises, (v) you must not operate any business that is confusingly similar to our Franchised Businesses, (vi) you must pay outstanding balances and all damages, costs and expenses related to the termination of your Franchised Business, (vii) you must immediately deliver to us all Manuals and proprietary information, (viii) we will have the right to purchase any furnishings and equipment related to the Franchised Business with 30 days, (ix) you must provide us with all unfulfilled and incomplete contracts within 3 days after termination, (x) you must cancel use of or assign to us any objects or information that identify the Franchised Business, as detailed in Section 15.11, (xi) you must grant us access to the Franchised Business premises to recover all Confidential Information and proprietary
j.	Assignment of contract by franchisor	Section 13	No restriction on our right to transfer.
k.	"Transfer" by franchisee-defined	Section 13	You may not, without our prior written consent, transfer, pledge or otherwise encumber: the Franchise Agreement or any of your rights and obligations under the Franchise

Provision		Section in Franchise Agreement	Summary
			Agreement, all or substantially all of the assets of the Franchised Business, the leases or any other interest in the Approved Location(s) or any direct or indirect ownership interests in you.
l.	Franchisor approval of transfer by franchisee	Section 13	We have the right to approve transfers, which we will not unreasonably withhold, provided conditions are met.
m.	Conditions for franchisor approval of transfer	Section 13	Approval conditions are enumerated in detail in Sections 13.4 and 13.5
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 13.6	We can match any third party purchase offer for all or part of your Business within 30 days after receipt of such information, unless the transfer is to an entity owned by you or is because of a death or incapacitation.
o.	Franchisor's option to purchase franchisee's business	Section 15.9	We have the option, within 30 days of termination or default, to purchase your furnishings, equipment, material, or inventory at cost or fair market value.
p.	Death or disability of franchisee	Sections 13.7, 13.8 and 13.9	Notification to Franchisor must occur within 10 days after death or permanent disability. In the event of death, Franchised Business must be assigned to heir, successor or approved third party within 6 months. In the event of disability, the Franchised Business must be assigned to an approved third party within 6 months of notice to franchisee.
q.	Non-competition covenants during the term of the franchise	Section 16	Prohibition on owning interest in or operating any similar or competing businesses that offer products or services similar or identical to the Approved Products (a "**Competitive Business**"); diverting business to a Competitive Business; acts injurious to Marks or System; and solicitation of our, our affiliates', or our franchisees' employees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 16.3	The greater of the following, as is then-enforceable under applicable law: a 2-year, 18-month, or 1-year prohibition on: operating or having an interest in a Competitive Business: (i) at the Approved Location, (ii) within your former Territory, (iii) within 10 miles of the boundary of the Protected Territory, (iv) within a 10-mile radius of the Approved Location, or (v) within the Protected Territory of another ReBath business; diverting business to a Competitive Business; acts injurious to Marks or System; and solicitation

Provision		Section in Franchise Agreement	Summary
			of our, our affiliates', or our franchisees' employees.
s.	Modification of the agreement	Section 22	Must be mutually agreed upon and in writing, and executed by all parties.
t.	Integration/merger clause	Section 22	Only the final written terms of the Franchise Agreement are binding (subject to state law), but this provision will not act, or be interpreted, as a disclaimer of any representations made in this disclosure document. Any representations or promises made outside of the disclosure document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 24	Must mediate first and arbitrate if necessary (subject to state laws).
v.	Choice of forum	Section 24	Jurisdiction and venue shall be in the courts of Maricopa County, Arizona or the United States District Court for the District of Arizona, southern division, or the state and county of the residence of the guarantee or the location of the franchise, at our election. (subject to applicable state laws)
w.	Choice of law	Section 24	Arizona (subject to applicable state laws).

ITEM 18
PUBLIC FIGURES

There is no compensation or other benefit given or promised to any public figure arising from either the use of the public figure in the name or symbol of the franchise or the endorsement or recommendation of the franchise by the public figure in advertisements. There are no public figures involved in our management. The Franchise Agreement does not prohibit you from using the name of a public figure or celebrity in your promotional efforts or advertising; however, all advertising requires our approval.

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 or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in this Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Presented below are data for 74 of the 83 Franchised Businesses (the "**Item 19 Businesses**") that had been open and operating for at least 3 years as of December 31, 2017. The 9 Franchised Businesses whose data is not presented in this Item 19 did not provide us with profit and loss statements validated by the franchisee for accuracy for the respective time period. The businesses included in this Item 19 do not differ materially from the Franchised Business offered under this Disclosure Document. The chart below reflects historic data collected for the 2017 calendar year.

The chart is organized into 4 categories based on the size of the franchisee's Protected Territory. The 4 categories are as follows:

- < 500,000 people
- Between 500,000 and 1,249,999 people
- Between 1,250,000 and 2,499,999 people
- > 2,500,000 people

Please carefully read all of the information in this Item 19, and all of the notes following the chart, in conjunction with your review of the historical data.

Territory Population Size	< 500,000	500,000 - 1,249,999	1,250,001 - 2,499,999	>2,500,000
Number of Agreements	14	27	18	15
Average Revenue/Territory	$940,663	$1,729,913	$2,713,974	$4,156,112
Number Above Average and Percent	6 (42%)	11 (40%)	8 (44%)	4 (26%)
Median Revenue/Territory	$915,601	$1,679,411	$1,694,883	$3,252,255
Highest Revenue in Group	$2,127,636	$3,485,748	$8,381,241	$12,516,791
Lowest Revenue in Group	$217,669	$383,379	$431,362	$1,103,288
Average Revenue/Person	$2.80	$1.89	$1.43	$0.96
Number Above Average and Percent	7 (50%)	15 (55%)	8 (44%)	4 (26%)
Median Revenue/Person	$2.77	$2.04	$1.11	$ 0.86
Average Gross Profit	42.0%	47.9%	47.5%	48.1%
Number Above Average and Percent	6 (42%)	15 (55%)	8 (44%)	9 (60%)
Median Gross Profit	38.9%	49.1%	45.3%	50.5%
Average Marketing Spend/Person	$0.26	$0.20	$0.13	$0.07
Number Above Average and Percent	4 (28%)	12 (44%)	8 (44%)	7 (46%)
Median Marketing Spend/Person	$0.21	$0.19	$0.12	$0.06
Average Marketing Spend as % of Revenue	8.4%	10.3%	9.5%	7.9%
Number Above Average and Percent	5 (35%)	13 (48%)	8 (44%)	6 (40%)
Median Marketing Spend as % of Revenue	8.1%	10.3%	9.0%	7.5%

<u>Notes to the Chart Above</u>:

1. "**Territory Population Size**" means the population of the franchisees' Protected Territories as of January 1, 2017.

2. "**Number of Agreements**" means the number of signed Franchise Agreements for which data is provided in a given category. In some cases, the same franchisee has signed multiple Franchise Agreements. Each Franchise Agreement grants a separate Protected Territory.

3. "**Average**" refers to the sum of all data points in a set, divided by the number of data points in that set.

4. "**Median**" means the data point that is in the center of all data points in a given category, with an equal number above and below the mid-point. If the category contains an even number of data points, the median is reached by taking the 2 numbers in the middle, adding them together, and dividing by two. In the event the number of data points is an odd number, the median is the center number.

5. "**Revenue**" means the income a franchise was permitted to recognize based on completed bathroom renovations during the 2017 calendar year.

6. "**Gross Profit**" includes Revenue minus the material costs, freight, installation labor and sales commissions.

7. "**Marketing Spend**" means expenditures made by the franchisee to develop various marketing collaterals, procure ad space in various forms of media, and the franchisee's contribution to the Advertising Fund.

The operating data in the charts were prepared from internal operating records provided to us by the owners/operators of the Franchised Businesses. The information presented in this Item 19 has not been audited.

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

We cannot estimate or predict the results that you may experience as a franchisee. Your results will be affected by factors such as prevailing economic or market area conditions, demographics, geographic location, interest rates, your capitalization level, the amount and terms of any financing that you may secure, the property values and lease rates, your business and management skills, staff strengths and weaknesses, competition, and the cost and effectiveness of your marketing activities.

You are urged to consult with appropriate financial, business and legal advisors in connection with the information provided.

Written substantiation for the representations contained in the chart will be made available to you upon a reasonable request.

Other than the preceding financial performance representation, ReBath does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Franchise Legal Department,426 N. 44th Street, Suite 410, Phoenix, AZ 85008, (480) 754-8993, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1: System-Wide Outlet Summary for Years 2015 to 2017

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	141	117	-24
	2016	117	114	-3
	2017	114	104	-10
Company Owned	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Total Outlets	**2015**	**141**	**117**	**-24**
	2016	**117**	**114**	**-3**
	2017	**114**	**104**	**-10**

Table No. 2: Transfers of Outlets from Franchisees to New Owners (Other Than the Franchisor) for Years 2015 to 2017

State/Province	Year	Number of Transfers
Alaska	2015	0
	2016	1
	2017	0
Missouri	2015	1
	2016	0
	2017	0
Nevada	2015	0
	2016	1
	2017	0
Pennsylvania	2015	0
	2016	1
	2017	0
Wisconsin	2015	0
	2016	1
	2017	0
TOTALS	**2015**	**1**
	2016	**4**
	2017	**0**

Table No. 3: Status of Franchised Outlets for Years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Open	Termina-tions	Non-renewals	Re-acquired	Ceased Operations-Other Reasons	Outlets at End of Year
Alabama (2), (5)	2015	2	1	0	0	0	1	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Alaska	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	1	1
	2017	1	0	0	0	0	0	1
Arizona (5)	2015	3	0	0	0	0	0	3
	2016	3	1	0	0	0	0	4
	2017	4	0	1	0	0	0	3
Arkansas (5), (5)	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
California (5)	2015	7	0	0	0	0	1	6
	2016	6	0	1	0	0	0	5
	2017	5	0	2	0	0	0	3
Colorado (5)	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
Connecticut	2015	1	1	0	0	0	1	1
	2016	1	0	0	0	0	0	1
	2017	1	2	1	0	0	0	2
Delaware	2015	1	0	0	0	0	1	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Florida (2), (5)	2015	7	0	0	0	0	0	7
	2016	7	0	1	0	0	0	6
	2017	6	4	2	0	0	2	6
Georgia (3), (5)	2015	5	0	0	0	0	2	5
	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
Hawaii	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Idaho (2), (5)	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Open	Termina-tions	Non-renewals	Re-acquired	Ceased Operations-Other Reasons	Outlets at End of Year
Illinois (4), (5)	2015	3	0	0	0	0	0	3
	2016	3	0	1	0	0	0	2
	2017	2	0	0	0	0	0	2
Indiana (5)	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Iowa (3), (5)	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Kansas	2015	3	0	0	0	0	1	2
	2016	2	1	0	0	0	1	2
	2017	2	0	1	0	0	0	1
Kentucky (2), (5)	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Louisiana	2015	6	0	0	0	0	4	2
	2016	2	1	0	0	0	0	3
	2017	3	0	1	0	0	0	2
Maryland (2)	2015	3	0	0	0	0	1	2
	2016	3	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Massachusetts (3), (5)	2015	5	0	0	2	0	0	3
	2016	3	1	1	0	0	0	3
	2017	3	0	0	0	0	0	3
Michigan	2015	5	0	0	0	0	2	3
	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
Minnesota	2015	4	0	0	0	0	2	2
	2016	~~2~~	0	0	0	0	0	2
	2017	~~2~~	0	0	0	0	0	2
Mississippi (4)	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Missouri (4), (5)	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Open	Termina-tions	Non-renewals	Re-acquired	Ceased Operations-Other Reasons	Outlets at End of Year
Montana	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	1	0	0	0	0
Nebraska	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Nevada	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	1	1
	2017	1	0	0	0	0	0	1
New Hampshire	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
New Jersey (3)	2015	2	0	1	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
New Mexico (3), (5)	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
New York	2015	5	0	0	0	0	0	5
	2016	5	1	0	0	0	1	5
	2017	5	0	0	0	0	0	5
North Carolina	2015	5	0	0	0	0	1	4
	2016	4	0	0	0	0	0	4
	2017	4	1	0	0	0	0	5
Ohio	2015	4	1	1	0	0	0	4
	2016	4	1	0	0	0	2	3
	2017	3	0	0	0	0	0	3
Oklahoma (2)	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Oregon (5)	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	0	1	0	0	0	2
Pennsylvania	2015	9	0	0	0	0	1	8
	2016	8	2	0	1	0	1	8
	2017	8	0	0	0	0	0	8

State	Year	Outlets at Start of Year	Outlets Open	Termina-tions	Non-renewals	Re-acquired	Ceased Operations-Other Reasons	Outlets at End of Year
Rhode Island	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
South Carolina (3)	2015	3	0	0	0	0	1	2
	2016	2	0	0	0	0	0	2
	2017	2	0	1	0	0	0	1
Tennessee (2)	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
Texas (2), (5)	2015	16	0	1	0	0	0	15
	2016	15	0	1	0	0	1	13
	2017	13	0	1	1	0	0	11
Utah	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Virginia (2)	2015	5	0	0	0	0	2	3
	2016	3	0	0	0	0	0	3
	2017	3	0	1	0	0	0	2
Washington (2)	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Wisconsin (3)	2015	3	0	0	0	0	0	3
	2016	3	1	0	0	0	1	3
	2017	3	0	0	0	0	0	3
Wyoming	2015	2	0	0	0	0	1	1
	2016	1	0	0	0	0	0	1
	2017	1	0	1	0	0	0	0
TOTALS	2015	**141**	**3**	**3**	**2**	**0**	**22**	**117**
	2016	**117**	**12**	**5**	**1**	**0**	**9**	**114**
	2017	**114**	**7**	**14**	**1**	**0**	**2**	**104**

Notes to Table No. 3:

1. In this table, an outlet is counted as being located in the state in which the franchisee or the majority of the franchisee's Protected Territory is located. If the Protected Territory of a franchisee located in one state overflows into a neighboring state, we have noted in a footnote for such neighboring state that a franchisee located outside of the state has territorial rights in the state.

2. As described in Note 1, the Protected Territory of 1 franchisee that is based in and counted in a neighboring state overflows into this state.

3. As described in Note 1, the Protected Territories of 2 franchisees that are based in and counted in a neighboring state overflow into this state.

4. As described in Note 1, the Protected Territories of 3 franchisees that are based in and counted in a neighboring state overflow into this state.

5. In some instances, an existing franchisee purchased the rights to an additional contiguous Protected Territory, which was added to the territory granted in its existing Franchise Agreement. Because this did not result in the creation of a new Franchise Agreement or a new outlet, the expansion of territory has not been counted as a new outlet opening. One franchisee in Arkansas and 1 franchisee in Missouri amended their existing Franchise Agreements to add additional territorial rights.

Table No. 4: Status of Company Owned Outlets for Years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired by Franchisor	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
All States	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Totals	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0

Table No. 5: Projected New Franchised Outlets as of December 31, 2017

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the 2018 Fiscal Year	Projected New Company-Owned Outlets in the 2018 Fiscal Year
California	0	6	0
TOTALS	**0**	**6**	**0**

A list of names of all Re-Bath® franchisees and the addresses and telephone numbers of their respective businesses are in the list attached as Exhibit F to this Disclosure Document. A list of the name, city, state and current business telephone number of the Re-Bath® franchisees who have had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during ReBath's fiscal year 2017 or who have not communicated with us within the past 10 weeks, is listed on Exhibit F to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the past 3 years, we have signed confidentiality clauses with current and former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Re-Bath® franchise system. You may wish to speak with current and former Re-Bath® franchisees, but be aware that not all such franchisees will be able to communicate with you. Other than in these situations, there are no confidentiality clauses that prevent existing franchisees from talking to prospective franchisees about their franchise relationship. You should be aware that your contact information may be disclosed in future Re-Bath® Franchise Disclosure Documents.

We plan on organizing an advisory council consisting of franchisees elected by other franchisees and representatives of the Franchisor. We have not created, sponsored, or endorsed any franchisee associations. No independent franchisee associations have asked to be included in this Disclosure Document. There is no trademark-specific franchisee organization associated with the franchise system being offered in this Franchise Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

The financial statements listed below are attached to this Franchise Disclosure Document as Exhibit C:

Audited consolidated balance sheet of our parent company, HBG Holdings, as of December 31, 2017 and December 31, 2016, and related consolidated statements of income, member's equity and cash flows for the periods ended December 31, 2017, December 31, 2016, and December 31, 2015. Also attached in Exhibit C is a Guarantee of Performance by HBG Holdings.

ITEM 22
CONTRACTS

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

Franchise Agreement	Exhibit B
Non-Disclosure and Non-Competition Agreement	Exhibit G to the Franchise Agreement
General Release	Exhibit E
Financing Documents	Exhibit H
Promissory Note	Appendix 1
Continuing Personal Guaranty	Appendix 2
Financing Security Agreement	Appendix 3

ITEM 23
RECEIPTS

Two copies of an acknowledgement of your receipt of this Franchise Disclosure Document are attached hereto as the last 2 pages of this Disclosure Document. Please sign both, return 1 copy to us, and retain the other for your records.

LIST OF
STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT A

LIST OF STATE ADMINISTRATORS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight California Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (866) 275-2677	**NEW YORK** Office of the New York State Attorney General Investor Protection Bureau, Franchise Section 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8236 Phone (212) 416-6042 Fax
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** Securities Commissioner North Dakota Securities Department 600 Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Department of Business Regulation Securities Division John O. Pastore Complex–Bldg. 69–1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9585
INDIANA Indiana Securities Commissioner Securities Division 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117	**WASHINGTON** Department of Financial Institutions Securities Division 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760

MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 296-4026	**WISCONSIN** Commissioner of Securities Department of Financial Institutions Division of Securities 201 W. Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 261-9555

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Business Oversight California Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677	**NEW YORK** New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 518-473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Commissioner 600 Boulevard Avenue, State Capitol, Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director, Department of Business Regulation Department of Business Regulation Securities Division John O. Pastore Complex–Bldg. 69–1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9585
INDIANA Indiana Secretary of State 302 West Washington, Room E-018 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117	**WASHINGTON** Department of Financial Institutions Securities Division 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760

MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (612) 296-4026	**WISCONSIN** Commissioner of Securities Department of Financial Institutions Division of Securities 201 W. Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 261-9555

FRANCHISE AGREEMENT

EXHIBIT B

RE-BATH

FRANCHISE AGREEMENT

TABLE OF CONTENTS

RE-BATH
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into on this ______ day of _________________, 20__ (the "**Effective Date**"), by and between ReBath, LLC, a Delaware limited liability company whose principal place of business is 426 N. 44th Street, Suite 410, Phoenix, Arizona 85008 ("**we**," "**us**" or "**our**"); and ____ __________________________ a [resident of] [corporation organized in] [limited liability company organized in] ____________________________ and having offices at ______________________________ __________________________________("**you**" or "**your**").

BACKGROUND:

A. We, as the result of the expenditure of significant time, skill, effort and money, have developed a distinctive and proprietary system (the "**System**") for establishing and operating businesses that offer and sell bathroom remodeling services, and related products and services.

B. The distinguishing characteristics of the System include, among other things: one (1) or more specially-designed buildings or facilities with specially developed equipment, equipment layouts, and signage; distinctive interior and exterior design, décor, color scheme and furnishings, fixtures and other trade dress elements; proprietary products; product standards and specifications, policies and procedures for construction, management and operations; installation and service standards, specifications, and techniques; quality, distinctiveness and uniformity of products and services; standards, specifications, and procedures for customer, lead, inventory, sales and financial management and control; customer service and satisfaction standards, policies, and procedures; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manual and all of which we may change, improve, and further develop at our option from time to time.

C. We identify the System by means of certain licensed trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the service mark "Re-Bath®" and such other trade names, service marks and trademarks as are now designated (and may hereinafter be designated by us in writing) for use in connection with the System (the "**Marks**"). We continue to use such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance, and service.

D. We are in the business of, among other things, franchising others to operate businesses that both (i) offer and sell single-family residential bathroom remodeling services and related products and services under the System, and (ii) are identified by the Marks (each a "**Re-Bath Business**") and you desire to operate a Re-Bath® Business and to receive the training and other assistance provided by us in connection therewith.

E. You understand and acknowledge the importance of our high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with our standards and specifications.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. GRANT

1.1 Grant of Rights. Upon the terms and conditions set forth in this Agreement, we hereby grant to you the right and franchise, and you accept and undertake the obligation, to: (a) operate one (1) Re-Bath Business under the System (the Re-Bath Business to be established and operated hereunder is referred to as the "**Franchised Business**"); (b) to use, only in connection with the Franchised Business, the Marks and the System, as they may be changed, improved, or further developed from time to time by us; and (c) and to do so only at and from the location or locations for the Showroom (as defined in Section 5.8 below) specified in Exhibit A-2 (the "**Showroom Approved Location**"), the Warehouse (as defined in Section 5.8 below) specified in Exhibit A-2 (the "**Warehouse Approved Location**"), and the Office (as defined in Section 5.8) specified in Exhibit A-2 (the "**Office Approved Location**"), (together, and individually, the "**Approved Location**" or "**Approved Locations**"), which shall be located within the Protected Territory (as defined in Section 1.2). The Showroom, Warehouse, and Office may occupy the same, or different, locations. If, at the time of execution of this Agreement, the Approved Locations have not been obtained by you and approved by us, you shall lease, sublease, or acquire a site for the Showroom, the Warehouse, and the Office (which may be one (1) or multiple different sites), subject to our written consent in accordance with the Site Selection Addendum attached as Exhibit B (the "**Site Selection Addendum**") and the Manual, which may be revised from time to time. The Franchised Business shall not advertise, offer, sell, or install products, or provide services, at or to any facilities other than existing single-family residences, without our prior written consent.

1.2 Protected Territory. Except as otherwise described in this Agreement, for so long as you are in full compliance with this Agreement, we will not, during the term of this Agreement: (a) operate or license others to operate a Re-Bath Business from a physical premises located within the protected territory set forth in Exhibit A-2 of this Agreement ("**Protected Territory**"), or (b) install products or provide services, or license others to install products or provide services, that are identified by the Marks at existing bathrooms in single-family residences that are located within the Protected Territory. We retain all other rights not expressly granted in this Agreement. For example, without obligation to you, we and our affiliates may, among other things, and regardless of proximity to or economic impact upon the Franchised Business:

1.2.1 Offer, sell, and install any products, and provide any services, that are identified by any marks except the Marks, including products and services that are the same or similar to products and services offered, sold, and installed by the Franchised Business, within and outside of the Protected Territory; and

1.2.2 Offer, sell, and install any products and provide any services that are identified by any marks, including the Marks, at and to any facilities other than existing single-family residences, within and outside of the Protected Territory;

1.2.3 Offer, sell, and install any products and provide any services that are identified by any marks, including the Marks, to National Accounts (defined below) within and outside of the Protected Territory; and

1.2.4 Advertise and promote the System and the Marks within and outside of the Protected Territory.

1.3 Unassigned Territory. Except as provided in the Manual or elsewhere in writing by us, the Franchised Business is not permitted to engage in any marketing, install any products, or provide any services, at locations outside of the Protected Territory, unless you have obtained our prior written consent.

1.4 Installation of Products and Provision of Services in the Territory of Another Individual or Entity. If the Franchised Business installs any products, or provides any services that are identified by the Marks or otherwise authorized for sale by Re-Bath Businesses, at a location within the geographic area in which we have granted territorial protection or exclusive rights to another franchisee or licensee, or within a twenty-mile (20-mile) radius of a Re-Bath Business that is owned or operated by us or our affiliate, without prior written consent from us or such franchisee, licensee, or affiliate, then the following provisions shall apply:

1.4.1 We may require you to immediately pay to us or, at our option, to the franchisee, licensee, or affiliate, liquidated damages of Five Thousand Dollars ($5,000) per installation, project, or sale. If any such unauthorized installation, project, or sale occurs two (2) or more times within any twelve-month (12-month) period, it shall constitute an event of default under this Agreement and grounds for termination.

1.4.2 You and we agree that the payments called for in Section 1.4.1 are not a penalty. A precise calculation of the full extent of the damages that we will incur due to an unauthorized installation, project, or sale described under this Section 1.4 cannot be reasonably determined. Nevertheless, the parties agree that the lump-sum payment provided under Section 1.4.1 is reasonable in light of the damages that may reasonably be expected to occur in such event, and is in addition to any other rights and remedies available to us, and not an election of remedies.

1.4.3 You shall also pay to us, in addition to any amounts then due and owing, all expenses incurred by us as a result of your unauthorized installation, project, or sale, including reasonable attorneys' fees, costs, and expenses, and interest on such attorneys' fees, costs, and expenses.

1.4.4 If we or another franchisee or licensee consents to the Franchised Business' installation of products or provision of services that are identified by the Marks or otherwise authorized for sale by ReBath Businesses at a location within the geographic area in which we have granted territorial protection or exclusive rights to such other franchisee or licensee, such consent may be withdrawn at any time upon notice to you.

1.5 Your Remedy. If another franchised or licensed Re-Bath Business installs any products, or provides any services, that are identified by the Marks or otherwise authorized for sale by Re-Bath Business, in the Protected Territory and we require such Re-Bath Business to pay liquidated damages to you (or we remit to you liquidated damages paid by such Re-Bath Business to us therefor), such payment shall be your sole remedy against us and the other franchised or licensed Re-Bath Business, for such installation of products or provision of services. You acknowledge and agree that we have no obligation to seek liquidated damages.

1.6 Leads in Another Franchisee or Licensee's Territory. If you receive a request from a customer or prospective customer to install products or provide services that are identified by the Marks or otherwise authorized for sale by Re-Bath Businesses in the geographic area in which we have granted territorial protection or exclusive rights to another franchisee or licensee, or within a twenty-mile (20-mile) radius of a Re-Bath Business that is owned or operated by us or our affiliate, you shall promptly notify the other franchisee or licensee or us, as applicable, and comply with the policies and procedures that we establish in the Manual or otherwise in writing.

1.7 Advertising and Promotional Materials. We and you acknowledge that advertising and promotional materials created, placed, and/or distributed by us, other Re-Bath Businesses, or other entities authorized by us, may appear in media distributed in, or may be directed to prospective customers located within and outside of the Protected Territory, including on our website or any related website.

1.8 Restriction on Sale of Products and Services. You shall not offer or sell products or services authorized under this Agreement through any other means, including through satellite locations, temporary locations, trailers, carts or kiosks, the Internet, or through any electronic media, without our prior written approval, and only in accordance with our policies as they may be developed and/or modified from time to time.

1.9 No Right to Subfranchise. You may not subfranchise, sublicense, or relicense to others any right to use the System or the Marks.

2. TERM AND RENEWAL

2.1 Term. Except as otherwise provided herein and unless sooner terminated in accordance with the provisions hereof, the initial term of this Agreement shall commence on the Effective Date and expire ten (10) years thereafter.

2.2 Renewal. You may, at your option, renew your right to operate the Franchised Business for two (2) additional consecutive terms which shall be five (5) years each, subject to the following conditions, each of which must be met prior to each renewal:

2.2.1 You shall present evidence to us that you have the right to remain in possession of the premises of the Approved Locations, or shall obtain written approval by us of a new Approved Location or Approved Locations;

2.2.2 You shall give us written notice of your election to renew no fewer than six (6) months nor more than twelve (12) months prior to the end of the initial term, or the first renewal term, whichever is applicable;

2.2.3 You shall remodel and refurbish the Franchised Business (including Vehicles, as defined below) to comply with our then-current standards in effect for new Re-Bath Businesses;

2.2.4 From the time of your election to renew through the expiration of the original term, or the first renewal term if applicable, you shall not have been in default of any provision of this Agreement, any amendment to this Agreement, any successor to this Agreement, or any other agreement between you or your affiliates and us or our affiliates; and, in our reasonable judgment, you, and your affiliates, if applicable, shall have, during the term of this Agreement, substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by us;

2.2.5 You shall have satisfied all monetary obligations owed by you to us and our subsidiaries and affiliates, and to the Advertising Fund (defined below), and shall have timely met those obligations throughout the term of this Agreement, or the first renewal term, as applicable;

2.2.6 You shall execute our then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2), and you acknowledge that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including a higher percentage royalty fee and advertising contribution, and a different or modified Protected Territory;

2.2.7 You shall pay, in lieu of an initial franchise fee, a renewal fee equal to twenty-five percent (25%) of our then-current initial franchise fee for a new Re-Bath Business;

2.2.8 You and your Principals shall execute a general release, in a form prescribed by us, of any and all claims against us and our subsidiaries and affiliates, and our respective owners, officers, directors, agents, and employees arising, existing, or resulting from actions or omissions occurring prior to such renewal; and

2.2.9 You and your personnel shall comply with our then-current qualification and training requirements, prior to commencement of operations under the renewal form of franchise agreement.

3. OUR ACTIVITIES

3.1 Initial and Ongoing Assistance. Prior to the opening of the Franchised Business, we shall provide to you, to the Operating Owner (as defined in Section 5.28.4(a) below and designated in Exhibit D), to your Manager (as defined in Section 5.28.4(b) below), and to such of your other employees of which we shall have the right to approve for training, such training programs as we may designate, to be conducted at such time(s) and location(s) designated by us. We shall also provide such ongoing training as we may, from time to time, deem appropriate. Details regarding training are set forth in Section 5.5 below.

3.2 Establishment of the Franchised Business. We may, at our option, make available to you, in the Manual or otherwise in writing, advice on the exterior and interior design and fixtures, furnishings, equipment, and signs. Such specifications are general guidance only and not specific to your Approved Location, and shall not contain the requirements of any federal, state or local law, code or regulation (including those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such specifications contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build or renovate a specific Approved Location premises, compliance with all of which shall be your responsibility and at your expense. You shall adapt, at your expense, the standard specifications to the Approved Locations, subject to our approval, as provided in Section 5.2 below, which will not be unreasonably withheld. We have the right to modify the specifications as we deem appropriate from time to time.

3.3 Opening Assistance. We may, at our option, provide such guidance to you in formulating your initial opening orders for inventory and supplies, and in organizing the Franchised Business as we deem advisable. We may provide on-site pre-opening and opening supervision and assistance as we deem advisable.

3.4 Manual. We shall provide you, on loan, one (1) copy of the confidential operations manuals (the "**Manual**"), as more fully described in Section 7 below.

3.5 Advertising and Promotion. We shall have the right to approve or disapprove all advertising and promotional materials that you propose to use, pursuant to Section 10 below. In addition, during the term of this Agreement, we shall provide you with such other advertising assistance, sales advice, or related materials as we deem advisable.

3.6 System Advertising Fund. We may establish and administer an advertising, marketing, promotional, and advertising fund, which may be referred to as the "**Advertising Fund**," or such other name as we may designate, in the manner set forth in Section 10 below.

3.7 Ongoing Assistance. We shall provide such periodic assistance to you in the marketing, management, and operation of the Franchised Business as we determine, at the time(s) and in the manner that we determine.

3.8 National Accounts. We may establish, administer, and require you to participate in programs for the sale of products and services to retailers, distributors, or networks of retailers or distributors, having two (2) or more locations on a national or regional basis, at least one of which requires the delivery of products or services outside of your Protected Area ("**National Accounts**"). We, our affiliates, other franchisees, and other parties we designate may sell products and services to such National Accounts at locations that are situated within your Protected Territory or the Protected Territory of any other franchisee. We may promulgate and enforce the terms and conditions under which you and any other franchisee must or may participate in any given National Account program. You may be required to execute contracts governing such programs as a condition of your participation. Both we and the National Account customer will have the right to refuse your participation in the program at our option. In the event your participation is refused or terminated for any reason, or in the event you choose not to participate in any given National Account program, we may grant others (including, but not limited to, us, our affiliates, and other franchisees) the right to sell products and services with respect to that particular National Account in your Protected Territory. We may charge you lead referral and/or administrative fees in return for National Account referrals.

3.9 Lead Referral Programs. In addition to National Accounts, we may arrange for other lead referral programs under which you pay fees to us or the referral source in return for sales leads in your Protected Territory. We will give you information about these programs as they are developed and you will have the option to participate. If you participate in any lead referral programs we arrange, you must comply with the terms and conditions of the program, and we may require that you enter into an agreement governing your participation.

3.10 Delegation of Duties. You acknowledge and agree that any of our designees, employees, or agents may perform any duty or obligation imposed on or available to us by this Agreement, as we may direct at our option.

4. INITIAL FRANCHISE FEE; ROYALTY FEES; SALES REPORTING

4.1 Initial Franchise Fee. You shall pay us the initial franchise fee set forth in Exhibit A-1 (the "**Initial Franchise Fee**"), which must be paid in full prior to or upon execution of this Agreement or, with our prior consent, financed with us pursuant to the financing programs and policies, if any, that we may designate from time to time. Notwithstanding the above, we shall have no obligation to offer any financing for the payment of the Initial Franchise Fee. The Initial Franchise Fee shall be non-refundable in consideration of the administrative and other expenses incurred by us in granting this franchise and for our lost or deferred opportunity to franchise others.

4.2 Royalty Fees. During the term of this Agreement, you shall pay a continuing royalty fee in the amount set forth in Exhibit A-1 ("**Royalty Fees**"), at such time, for such periods, and in such manner as specified herein, or as otherwise specified by us; provided, however, that in no event shall the Royalty Fees be less than the minimum royalty set forth in Exhibit A-1 (the "**Minimum Royalty Fees**"). You shall not be required to pay the Minimum Royalty Fees until the date of your Grand Opening or the sixth (6^{th}) month anniversary of the Effective Date, whichever is earlier. You shall pay the Royalty Fees or, if applicable, the Minimum Royalty Fees, on a monthly basis, based on the Gross Revenues of the Franchised Business for the prior month, or for such other period as we may specify in the Manual or otherwise in writing. In addition, you shall accurately report to us in writing (or electronically, as specified by us) your Gross Revenues (a "**Sales Report**") no later than the seventh (7th) day of each month.

4.3 The term "**Gross Revenues**" means all revenue from the sale of products and services offered by the Franchised Business, and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, including proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Gross Revenues" excludes any customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from "Gross Revenues" as circumstances, business practices, and technology change.

4.4 All payments required by Section 4 and Section 10 below based on the Gross Revenues for the preceding month shall be paid and submitted so as to be received by us by the fifteenth (15th) day of each month. You shall deliver to us any and all reports, statements and/or other information required under this Section and Section 9 below, at the time and in the format reasonably requested by us, which may include electronically polled data from your POS System. If requested by us, you shall establish an arrangement for electronic funds transfer or deposit of any payments required under Sections 4 or 10. You shall execute a form of EFT Authorization that we designate, and you shall comply with the payment and reporting procedures specified by us in the Manual. Accordingly, contemporaneously with the execution of this Agreement, you shall execute Exhibit E. To ensure that payments are received by us on a timely basis, such policies and procedures may require that you close your books for the preceding month not later than the date we designate in writing, and have sufficient funds in your account by the fourteenth (14th) day of each month, as the EFT process may sweep such account the day before for payment on the preceding day. If you make any payments to us under this Agreement by check, and such check is returned to you without having made payment to us, or if there are insufficient funds in your account to complete the required electronic funds transfer or deposit, then in addition to all other rights and remedies available to us and not as an election of remedies, we shall have the right to charge you a fee of One Hundred Dollars ($100) plus any amounts charged to us by our bank, for each such returned check and/or each instance of insufficient funds. We also may resubmit EFT payment processing requests, but will not do so until the second business day after the insufficient funds notice received from your bank. Your obligations for the full and timely payment of Royalty Fees and the Advertising Contribution (as defined in Section 10.2 below), and all other amounts provided for in this Agreement, shall be absolute, unconditional, fully earned, and due upon your generation of Gross Revenues. You shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims you may allege against us, the Advertising Fund, or others.

4.5 <u>No Subordination</u>. You shall not subordinate to any other obligation your obligation to pay us the Royalty Fees and/or any other fee or charge payable to us, whether under this Agreement or otherwise.

4.6 <u>Overdue Payments and Reports</u>. Any payment or report not actually received by us (or the appropriate advertising fund) on or before the date such payment or report is due shall be deemed overdue. If any payment or report is overdue, you shall pay us, in addition to the overdue amount, and in addition to all other rights and remedies available to us and not as an election of remedies, (a) a late payment/late report charge of one hundred and fifty dollars ($150) for each week or part thereof that the payment or report is late, and (b) interest on such amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies we may have.

4.7 Payments on Your Behalf. You shall pay to us, within fifteen (15) days of any written request by us which is accompanied by reasonable substantiating material, any monies which we have paid, or have become obligated to pay, on your behalf, by consent or otherwise under this Agreement.

4.8 Other Payments. All other payments and fees owed by you to us shall be paid by you in the manner and within the time periods as provided for in this Agreement or in the Manual. We reserve the right to collect all fees and payments due by you by electronic funds transfer as provided for in Section 4.5 or otherwise in the Manual.

4.9 Withholding of Payments. You shall not, on grounds of any alleged non-performance by us or others, withhold payment of any fee, including Royalty Fees or the Advertising Contribution, nor withhold or delay submission of any reports due hereunder including Sales Reports.

5. YOUR DUTIES; OPERATIONAL STANDARDS

5.1 System Standards and Specifications. You understand and acknowledge that every detail of the System under which your Franchised Business and the ReBath Businesses of other franchisees is operated is important to you, us, and the other franchisees in order to develop and maintain high operating standards, to increase the demand for the products and services sold by all franchisees, and to protect our reputation and goodwill. To ensure that the highest degree of quality and service is maintained, you shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as we may from time to time prescribe in the Manual or otherwise in writing, in whatever manner we prescribe.

5.2 Pre-Opening Obligations. Before commencing any construction or site improvement of the Franchised Business, you, at your expense, shall comply to our satisfaction with all of the following requirements:

5.2.1 You shall comply, at your expense, with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA, regarding the construction and design of the Showroom, Warehouse, and Office.

5.2.2 You shall be responsible for obtaining any necessary zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to the Approved Locations.

5.2.3 You shall obtain all permits and certifications required for the lawful construction of the Showroom, Warehouse, and Office (and the acquisition of all Vehicles (as defined below)), and the operation of the Franchised Business. You shall provide copies of all such permits and certificates to us within ten (10) days of our request for same.

5.2.4 You shall employ a qualified licensed general contractor to construct your Franchised Business and to complete all improvements. You shall obtain and maintain in force during the entire period of construction the insurance required under Section 11 below; and you shall deliver to us such proof of such insurance upon our request.

5.2.5 You shall secure an Approved Location or Approved Locations of which we have approved and execute the lease(s) for such Approved Locations not later than five (5) months after the Effective Date. Upon our request, you shall provide to us copies of (i) the leases for the premises and executed Lease Riders and (ii) the landlord's(s') and property management company's notice address and contact information.

5.3 Franchised Business Opening; Commencement of Operations from Showroom. Prior to your Soft Opening (defined below), you shall comply with all pre-opening requirements set forth in this Agreement, the Manual, and/or elsewhere in writing by us. Time is of the essence. You must commence operations of the Franchised Business at the Approved Locations according to the following timeline:

5.3.1 Before you have completed the construction, furnishing, and equipping of the Showroom Approved Location according to our standards and specifications, as described in Section 5.3.2 below, you may begin contacting potential customers to offer and sell residential bathroom remodeling services and related products ("**Soft Opening**" or **"Open"**). You must provide us with written notice of the anticipated date of your Soft Opening at least thirty (30) days in advance. You may not conduct your Soft Opening until you have first: (i) completed System Training, (ii) secured and outfitted an operational Warehouse at the Warehouse Approved Location and Office at the Office Approved Location, (iii) commenced and made substantial progress on construction or renovation of your Showroom, and (iv) obtained our written approval for your Soft Opening.

5.3.2 Within five (5) months after the Effective Date, you must complete the construction, furnishing, and equipping of the Showroom Approved Location according to our standards and specifications, as set forth in the Manual or otherwise in writing (which may require certain fixtures, furnishings, equipment, décor, color schemes, signage, vignettes, products, displays, marketing collateral, and other items, and which may prohibit certain other products or other items, all at our option), and within six (6) months after the Effective Date you must commence operating the Franchised Business from the Showroom Approved Location (the **"Grand Opening"**). Notwithstanding the foregoing, you may not commence operating the Franchised Business from the Showroom Approved Location until you have obtained our written approval to do so.

5.4 Additional Franchised Business Opening Requirements. In connection with the opening of the Franchised Business:

5.4.1 You shall provide at least fourteen (14) days' prior notice to us of the date on which you propose to first Open the Franchised Business.

5.4.2 You shall not operate the Franchised Business from any of the Approved Location(s) without our prior written approval. You shall provide us with such evidence as we may request to determine whether an Approved Location meets our standards and specifications to commence operations, including photos, copies of permits or licenses, and copies of other documents.

5.4.3 You shall not Open the Franchised Business until the Operating Owner and Manager (defined in Section 5.28.4(b) below) have successfully completed all training required by us, and you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's customers.

5.4.4 You shall not Open the Franchised Business until all amounts then due to us under this Agreement or any other related agreements have been paid.

5.4.5 You must conduct the Soft Opening Campaign and Grand Opening Campaign described in Sections 10.4.1 and 10.4.2 below; however, you may not conduct the Soft Opening until you have secured an operational Warehouse and Office and you may not conduct the Grand Opening campaign until you have opened an approved Showroom, in each instance in accordance with the requirements of Section 5.8.

5.5 Training. You acknowledge that your owners and managers must be knowledgeable regarding the System and the operation of the Franchised Business, including the types of products offered by the Franchised Business and the provision of customer service in accordance with the brand standards for the System, as set forth in the Manual or otherwise in writing, which may be modified by us from time to time. You acknowledge that successful completion of our initial and ongoing training programs by your owners and managers is critical to operate and manage the Franchised Business. The following individuals must attend and successfully complete our training programs: your Operating Owner, one (1) full-time Manager (as defined in Section 5.28.4(b) below) (collectively, the "**Highly Trained Personnel**"), and such other of your employees that we designate from time to time. Our training may require the Highly Trained Personnel to successfully complete all examinations and tests administered by us. Our current training programs and the manner in which each program must be completed shall be set forth in the Manual or otherwise in writing.

5.5.1 Prior to the opening of the Franchised Business, the Highly Trained Personnel and any additional employees whom we shall have the right to designate for attendance at our training, shall attend and successfully complete, to our satisfaction, the system operations training program offered by us ("**System Training**"), at our corporate headquarters or such other place as we designate at our option, and shall be of such duration as we may designate.

5.5.2 Prior to the Opening of the Franchised Business, the Highly Trained Personnel and any additional employees whom we designate shall attend and successfully complete, to our satisfaction, the training program offered by us regarding business planning, marketing, and the opening timeline for your Franchised Business ("**Business Plan Training**"). The Business Plan Training shall be conducted at our corporate headquarters or such other place as we designate at our option, and shall be of such duration as we may designate.

5.5.3 Prior to the opening of the Franchised Business, the Highly Trained Personnel and any additional employees whom we designate for attendance at our training, shall attend and successfully complete, to our satisfaction, the initial product installation training program offered by us ("**Installation Training**"), at our corporate headquarters or such other place as we designate at our option, and shall be of such duration as we may designate.

5.5.4 Each calendar year, at least one of your Highly Trained Personnel and any additional employees whom we shall have the right to designate shall attend and successfully complete, to our satisfaction, the annual certification program offered by us ("**Annual Certification Program**"), at our corporate headquarters or such other place as we designate at our option, and shall be of such duration as we may designate.

5.5.5 Each calendar year, your Operating Owner shall attend our annual retreat ("**Annual Retreat**").

5.5.6 In addition, we may, from time to time, at our option, hold seminars, classes, conferences and additional training for Highly Trained Personnel and any additional employees whom we have the right to designate for attendance at our training, which may be mandatory or optional at such place as we designate.

5.5.7 You shall be responsible for training all of your other employees in accordance with our System, standards, specifications and training. All of your installers and salespersons must successfully complete our certification process by successfully completing the training programs we have developed for those roles. If, in our reasonable judgment, you fail to properly train your employees in accordance with this Section 5.5.6, we may prohibit you from training additional employees and either require them to attend training at our headquarters or such other location as we may designate for a fee, or pay a fee in addition to our costs and expenses to send one of our trainers to your location to train the employees.

5.6 Training Fees and Expenses. For all training programs, we may require you to pay our then-current fee for each of your representatives that attends training, except that we will not charge you a fee for: (a) Business Planning Training, (b) up to two (2) of your staff to attend the Installation Training, and (c) up to four (4) of your staff to attend the System Training. Training Fees may vary from program to program. For any training programs that take place at your location, we may require you to pay a fee for each of the trainers that are sent to conduct training. In addition, you shall pay for all out-of-pockets expenses, including all expenses for food, lodging, travel and living expenses, for all employees sent to training programs or to the Annual Retreat, and for all trainers that travel to your location to conduct training. If you request that we provide training in addition to that described in Section 5.5 above, whether on-site or at our facilities, and we opt to do so, then you shall pay our then-current charges and out-of-pocket expenses, which shall be as set forth in the Manual or otherwise in writing.

5.7 Supervision of the Franchised Business and Replacement Training. All aspects of the Franchised Business shall be conducted under the management and supervision of the Operating Owner. In addition, the daily operations of the Franchised Business shall be supervised under the active full-time management of one or more of the Highly Trained Personnel who has successfully completed (to our satisfaction) our initial training program. If any of the Highly Trained Personnel cease active management of or employment at the Franchised Business, you shall enroll a qualified replacement (who shall be reasonably acceptable to us) in our initial training program (including our System Training and our Installation Training) not more than thirty (30) days after the cessation of the former person's full-time employment and/or management responsibilities. The replacement shall attend and successfully complete the basic management training program, to our reasonable satisfaction prior to such person's first day of work at the Franchised Business. You shall pay our then-current charges to train the qualified replacement.

5.8 Showroom and Warehouse Premises. You shall maintain a showroom to display the Re-Bath products and services for sale (the "**Showroom**"), a warehouse to store products and materials (the "**Warehouse**"), and an office (the "**Office**"). The Franchised Business may be operated from a single retail or warehouse space combining the showroom, warehouse, and office operations or in different locations separating such operations; provided that the Showroom has a separate entrance and that the layout of the Showroom premises facilitates a customer experience that is consistent with our brand standards and guidelines set forth in the Manual or elsewhere in writing. You shall use the Showroom, Office and Warehouse premises solely for the operation of the Franchised Business, and shall refrain from using or permitting the use of the Showroom, Office and the Warehouse premises for any other purpose or activity at any time. You agree to purchase and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we shall specify from time to time; and to refrain from installing or permitting to be installed on or about the premises of the Approved Locations, without our prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting our standards and specifications. For the avoidance of doubt, you shall not display or in any way promote products or services that have not been approved by us for promotion and display in the Showroom or otherwise in connection with the Franchised Business. You shall keep the Franchised Business open and in normal operation for such hours and days as we may from time to time specify in the Manual or as we may otherwise approve in writing. During customary business hours, you shall not use a telephone answering service or an answering machine. After customary business hours, you shall use a telephone answering service acceptable to us. As used in this Section 5.8, the term "**premises**" shall include the grounds surrounding the Approved Locations. You shall comply with all terms and conditions of the leases for the Franchised Business, and shall promptly provide us with copies of all notices of default or breach of the leases, notices regarding the renewal or extension of the leases, and all other notices or correspondence related to your compliance with the leases and your right to remain in possession of the premises. You shall not operate the Franchised Business from any location other than the Approved Locations and the Vehicles, including a trailer or other mobile showroom, without our prior written consent. You shall not relocate any of the Approved Locations without our prior written consent. We shall have the right to grant or withhold consent of the Approved Locations. In connection with our consent to the Approved Locations, you shall execute, and cause the landlord to execute, the Lease Riders appended hereto as Exhibit F for each of the Approved Locations. You acknowledge and agree that our consent to your proposed locations does not constitute any assurance, representation, or warranty of any kind, as further described in Paragraph 5 of the Site Selection Addendum.

5.9 Franchised Business Maintenance. You shall at all times properly maintain the Franchised Business (including all Vehicles (as defined below)), and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without our prior written consent) as may be required for that purpose, including installation of, or modification to, displays of new or modified products and such periodic painting or replacement of obsolete signs, furnishings, equipment, and decor as we may reasonably direct. To protect and promote the goodwill associated with the Marks and the System, the Showroom must be maintained in a manner that is clean, orderly, and professional.

5.10 Vehicles. You shall acquire (by purchase or lease) and use in connection with the operation of the Franchised Business such number of vehicles as reasonably anticipated to meet customer demand (the "**Vehicles**"). The Vehicles (i) shall be of such make and model, (ii) shall be equipped in such manner, and (iii) shall bear such signage and Marks as we may prescribe, in such manner as we may prescribe, as indicated by us in the Manual or otherwise in writing. You shall at all times maintain all Vehicles used in connection with the Franchised Business in a clean and safe condition and repair, and in no event less than the manufacturer's recommended maintenance. You shall ensure that all Vehicles used in connection with the Franchised Business are fully licensed and operated by a driver validly licensed to operate such Vehicles. You shall use the Vehicles solely for the operation of the Franchised Business and refrain from permitting the use of the Vehicles for any other purpose or activity at any time.

5.11 Remodeling. In addition to the maintenance obligations set forth in Sections 5.9 and 5.10 you shall undertake such periodic and ongoing remodeling and upgrading of the Showroom Approved Location and the Vehicles, including furniture, fixtures, equipment, décor, signage and trade dress, as required by us in the Manual or otherwise in writing. Without limiting the foregoing, not sooner than three (3) years nor later than five (5) years after the date upon which the Franchised Business opens for business, and again as a pre-condition to renewal pursuant to Section 2.2.3 above, you shall refurbish the Franchised Business, (including the Showroom Approved Location, and the Vehicles) at your expense to conform to the interior design, trade dress, signage, furnishings, decor, color schemes, and presentation of the Marks in a manner consistent with the image then in effect for new Re-Bath Businesses, including remodeling, redecoration, and modifications to existing improvements, as we may require in writing (collectively, "**Facilities Remodeling**").

5.11.1 You shall not be required to engage in Facilities Remodeling more than once every three (3) years during the term of this Agreement, and you shall not be required to spend more than Twenty Five Thousand Dollars ($25,000) for all such Facilities Remodeling during any consecutive three-year (3-year period); provided, however, that such dollar limitation shall be increased during the initial term of this Agreement by an amount equal to any increase in the Consumer Price Index over the same period, as measured by the Consumer Price Index (1982-84=100: all items; CPI-U; all urban consumers) published by the U.S. Bureau of Labor Statistics (or if the Index is no longer published, a successor index that we may reasonably specify in the Manual or otherwise in writing), with any such adjustment to be calculated by multiplying the fixed dollar amount by a fraction the numerator of which is the CPI for the year and month of the adjustment, and the denominator of which is the CPI as of January 1 of the year this Agreement is signed. In addition, we may require Facilities Remodeling more often if such Facilities Remodeling is required as a pre-condition to renewal as described in Section 2.2.3 above.

5.11.2 The limitation on the frequency, scope or expense of Facilities Remodeling shall not include repair to, or the normal upkeep of, the Showroom, the Warehouse, and the Office premises or the Vehicles (as set forth in Sections 5.9 and 5.10 above), or the costs to display new or modified products including modifications to the colors, textures, and finishes of products.

5.11.3 In addition to the specific requirements for the timing of remodeling set forth above, you shall have six (6) months after receipt of our written notice, along with the specifications for such Facilities Remodeling, within which to complete any other Facilities Remodeling.

5.12 Personnel. You agree to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including a full-time Manager, and to take such steps as are necessary to ensure that your employees preserve good customer relations and comply with such dress code as we may prescribe. To ensure compliance with brand standards for the System, any individual who provides products or services to customers of the Franchised Business, or who otherwise interacts with customers of the Franchised Business, must be your employee (or an employee of the Franchised Business) and must not be an independent contractor. You shall comply with all applicable employment and wage and hour laws and regulations. You are solely responsible for all employment decisions and functions of the Franchised Business including those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether you receive advice from us on these subjects. You acknowledge and agree that all personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by you and such decisions and actions shall not be, nor be deemed to be, our decision or action. Further, it is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason. If we incur any cost, loss, or damage as a result of any of your actions or omissions, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for such loss.

5.13 Products and Services. With regard to the products and services offered by the Franchised Business, you agree:

5.13.1 To maintain in sufficient supply, and to use and/or sell at all times only such products, materials, supplies, and services as have been formally approved by us and that have been supplied to you by vendors approved by us, as set forth in the Manual or otherwise in writing, any of which we may change from time to time at our option.

5.13.2 To sell or offer for sale only, and all, such products and services as have been expressly approved for sale in writing by us. You agree and acknowledge that our approval may include, among other things, designation of brands and models; to refrain from any deviation from our standards and specifications, including the manner of preparation of products, without our prior written consent; and to discontinue selling and offering for sale any products which we disapprove, in writing, at our option at any time. You must obtain any materials that display our Marks only from us or from suppliers we designate, unless we authorize you in writing to utilize an alternative supplier in accordance with Section 5.14 below.

5.13.3 To fully and faithfully comply with all applicable governing authorities, laws and regulations. You shall immediately close the Franchised Business and terminate operations in the event that: (i) any products sold at the Franchised Business evidence deviation from the standards set for products by us; (ii) any products sold at the Franchised Business fail to comply with applicable laws or regulations; or (iii) you fail to maintain the products, the premises of the Approved Locations, equipment, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you shall immediately notify us in writing and you shall destroy immediately in accordance with procedures set forth in the Manual, or otherwise in writing by us, all products which you know, or should know through the exercise of reasonable care, to be unsafe, or otherwise unfit and eliminate the source thereof, and remedy any unsafe, or other condition or other violation of the applicable law or regulation. You shall not reopen the Franchised Business until after we have inspected, or we have notified you of our decision not to inspect, the premises of each of the Approved Locations, and we have determined that you have corrected the condition and that all products sold at the Franchised Business comply with our standards.

5.14 Suppliers. You shall purchase all products, supplies, materials, and services used or offered for sale at the Franchised Business solely from suppliers that we have approved in the Manual or otherwise in writing, which we may modify from time to time at our option. In determining whether we will approve any particular supplier, we shall consider various factors, including a supplier who can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply your needs promptly and reliably; who would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and who has been approved in writing by us prior to any purchases by you from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term "**supplier**" shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Notwithstanding anything to the contrary contained in this Agreement, we shall have the right to appoint only one (1) manufacturer, distributor, reseller, and/or other vendor for any particular items, and we may so designate our self or our affiliates, who may earn a profit on the sale of any such items.

5.14.1 If you wish to purchase or install any products, services or any items from an unapproved supplier, you shall first submit to us a written request for such approval. You shall not purchase or install any products or services from any supplier until, and unless, such supplier has been approved in writing by us.

5.14.2 Nothing in the foregoing shall be construed to require us to approve any particular supplier.

5.14.3 We may, at our option, negotiate on behalf of the entire Re-Bath Business network for the purchase of products and services and you acknowledge and agree that we and our affiliates may earn revenue or rebates from the purchase of such products and services. Further, you acknowledge and agree that, at our sole option, we may establish one (1) or more strategic alliances or preferred vendor programs with one (1) or more nationally or regionally-known suppliers who are willing to supply all or some Re-Bath Businesses with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Re-Bath Businesses. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all products and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the franchised network of Re-Bath Businesses. We shall have unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell products to you and the customer.

5.14.4 You shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by us or third parties as part of a network or multiple-franchise or multiple-Re-Bath Business supply and distribution arrangement, and your contracts with and obligations to suppliers. You shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event you fail to promptly pay one (1) or more suppliers as required, we may, but are not required to, pay such supplier(s) on your behalf, and you shall promptly reimburse us for such payment following notice from us, or we may obtain payment through the EFT process described in Section 4 above and the Manual.

5.15 Reselling of Products. You shall neither sell nor resell products to other franchisees or any other individuals or entities other than the end consumer.

5.16 Warranties. You must comply with the policies relating to warranties that we designate from time to time in the Manual or otherwise in writing. Our current warranty requirements include:

5.16.1 *Product Warranties.* We or our affiliates will provide a Product Warranty to your customers on all products that we and they manufacture that is reasonably competitive with the warranties offered on similar products by third parties. At the time of installation of any product that is covered by the Product Warranty, you shall deliver a copy of the then-current Product Warranty to the customer. The warranties provided by us or our affiliates are subject to change, upon written notification to you by us.

5.16.2 *Workmanship Warranties.* You must provide a full workmanship warranty to your customers with respect to all workmanship and installation services provided by you, which you shall be solely responsible for servicing and fulfilling at your own expense ("**Workmanship Warranty**"). You must include in your customer agreement a provision stating that the Workmanship Warranty is provided solely by you, that you are an independently owned and operated company separate from us, and that the Workmanship Warranty is not offered or provided by us or any other third party. You must comply with the policies and procedures relating to the Workmanship Warranty that we may specify in the Manual or otherwise in writing including our specifications regarding the duration of such warranty. You must offer such other warranties as we may designate from time to time.

5.16.3 *Servicing Warranty Claims*. You must service and successfully resolve all Product Warranty and Workmanship Warranty claims from (a) customers within your Protected Territory, regardless of who provided the original installation services, and (b) customers for whom you provided the original installation services, regardless of whether the customer is located inside or outside of your Protected Territory. Such claims will be serviced in accordance with our then-current Warranty Credit Policy whereby you may receive certain product discounts and labor credits for the work you conduct on the claims. You must comply with the policies and procedures set forth in the Manual or otherwise in writing for servicing warranty claims and calls.

5.16.4 *Resolution.* Except as provided in Sections 5.16.5 and 5.18, you shall promptly, fully, and courteously respond to and resolve all customer complaints and warranty claims regarding installation and workmanship to our reasonable satisfaction. In addition, you will provide all customers with the Product Warranty, as well as the Workmanship Warranty. You will disclose to all customers any and all product warranty information provided by suppliers and manufacturers of all products sold and/or installed by you.

5.16.5 *Our Rights.* We shall have the right, but not the obligation, to respond to and settle or otherwise resolve any warranty claims directly or through our designee, to manage all disputes and to control all arbitration and litigation (including any settlement or other resolution) relating thereto as we deem appropriate, however, you shall reimburse us for all fees, costs, and expenses that we incur in connection with such warranty claims, disputes, arbitration and litigation within thirty (30) days of your receipt of our invoice.

5.17 Inspections. You grant us and our agents the right to enter upon the premises of the Approved Locations, and all Vehicles, at any time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Manual or otherwise in writing. We shall also have the right to take and maintain, or request that you take and deliver to us, photographs and videos, in any medium, of the Franchised Business and the operations at the Franchised Business. You shall cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or our agents and without limiting our other rights under this Agreement, you shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection.

5.18 Standards of Operation and Customer Service. You agree that quality of workmanship, customer service, customer relations, warranty service, the appearance and demeanor of you and your employees, and materials utilized by you are important to us and the System. To promote a consistent brand experience, all of your interactions with customers, vendors, suppliers and the public shall adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct, and you shall pay all vendors, suppliers and other creditors promptly when due. You shall respond to any dissatisfied customers within twenty-four (24) hours after the complaint is received. If you are unable to resolve such customer's complaint within fourteen (14) days after receipt of such complaint, you shall contact us for assistance in handling the complaint. In no event shall our assistance be construed to make us liable to you or to such customer in connection with a complaint. We shall also have the right, but not the obligation, to respond to and settle or otherwise resolve any complaints, to manage all disputes and to control all arbitration and litigation (including any settlement or other resolution) relating thereto as we deem appropriate. You shall reimburse us for all fees, costs, and expenses that we incur in connection with such complaints, disputes, arbitration and litigation within thirty (30) days of your receipt of our invoice, including the cost of any judgments, settlements, refund or other payments to a customer and the costs of services performed by us or any franchisee that performs services for a complaining customer after being authorized by us to perform such services. We may at any time contact customers of the Franchised Business concerning the quality of services, the level of customer satisfaction, or other aspects of the Franchised Business that we deem relevant.

5.19 Customer Satisfaction Program. You agree to comply with our customer satisfaction program or programs, as described in the Manual, and such related programs and future changes and additions to such programs as we may require from time to time, which may include, customer surveys or secret shopper programs. The customer satisfaction program may involve the implementation of a reasonable scoring system. Your failure to achieve a customer satisfaction score that meets our standards and specifications, as stated in the Manual and as may be modified by us from time to time, shall be a default under this Agreement.

5.20 Technology and Computer System. We may require you to send and receive emails and transmit periodic communications, transactions, and reports through such computer systems as we may designate. We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, hardware and software be used by, between, or among Re-Bath Businesses and us including but not limited to: (a) back office and point of sale systems, customer relationship management systems, accounting systems, reporting and data exchange systems, data, audio, video, and voice storage, retrieval, and transmission systems for use by the Franchised Business, between or among Re-Bath Businesses, and between and among the Franchised Business and us and/or you; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the "**Computer System**"). We have the right to collect any fees or charges relating to the Computer System directly from you, for payment to the third party supplier(s) of the Computer System, or components thereof, on a consolidated basis or otherwise.

5.20.1 You shall purchase or lease, and thereafter install, use and maintain, a Computer System that complies with our requirements, specifications and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manual or otherwise in writing. You agree that your Computer System may only be used for the Franchised Business and may not be used for any other purpose. You also agree that we may require you to sign a separate service provider or license agreement in a form we designate in order to use the Computer System. Once the Franchised Business is open, you must install, use, and maintain the Computer System at the times and in the manner that we designate.

5.20.2 We shall have the right at any time to retrieve and use such data and information from your Computer System that we deem necessary or desirable, including the uses identified in Section 9.5 below. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, you agree that you shall strictly comply with our standards and specifications for all item(s) associated with your Computer System, and will otherwise operate your Computer System in accordance with our standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and computer systems installed by you, us, and other franchisees operating under the System, you agree, at your expense, that you shall keep your Computer System in good maintenance and repair, and, at your expense, you shall promptly install such additions, changes, modifications, substitutions and/or replacement to your computer hardware, software, telephone and power lines, and other related facilities, as we direct periodically in writing. You shall provide to us, upon our request, all customer leads, e-mail lists and customer lists used or maintained by you on the Computer System or elsewhere. You agree to pay for, implement and periodically upgrade and make other changes to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**").

5.20.3 We shall have the right to develop or have developed for you, or designate as required, any or all of the following: (a) pre-loaded or standalone computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which we or you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which we or you must install; (c) the tangible media upon which such you must record or receive data; (d) the database file structure of your Computer System; and (e) an Extranet for informational assistance, which may include the Manual, training other assistance materials, and management reporting solutions. We have the right, but not the obligation, to host an operating system for the network of Re-Bath Businesses, and to charge you a reasonable fee therefor.

5.20.4 Because changes to technology are dynamic and not predictable during the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree: (a) that we will have the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manual or otherwise in writing, and that we have the right to implement those changes in technology into the System; and (b) to abide by our reasonable new standards as if this Section 5.20, and other technology provisions in this Agreement, were periodically revised for that purpose.

5.20.5 You agree to record all sales, customer leads, and customer service visits in the Computer System or other computer-based point of sale systems or cash register systems that we designate or approve in the Manual or otherwise in writing ("**POS System**") and in such manner as we may designate. The Computer System is deemed to include the POS System.

5.21 Data. You agree that all data that you collect from customers and potential customers in connection with the Franchised Business ("**Customer Data**") is deemed to be owned exclusively by us, and you also agree to provide the Customer Data to us at any time that we request. You have the right to use Customer Data while this Agreement or a successor or renewal Franchise Agreement is in effect, but only in connection with operating the Franchised Business and only in accordance with the policies that we establish from time to time. You may not sell, transfer, or use Customer Data for any purpose other than operating the Franchised Business and marketing our designated products and services. However, if you transfer the Franchised Business (as provided in Section 13 below), as part of the transfer, you must also transfer use of the Customer Data to the buyer as part of the total purchase price paid for the Franchised Business.

5.22 Privacy Laws. You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").

5.22.1 You agree to comply with the standards and policies pertaining to Privacy Laws that we may designate or approve in the Manual or otherwise in writing. If there is a conflict between our standards and policies pertaining to Privacy Laws and applicable law, you shall: (i) comply with the requirements of applicable law; (ii) immediately give us written notice of the conflict; and (iii) promptly and fully cooperate with us and our counsel in determining the most effective way, if possible, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law.

5.22.2 You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.

5.23 Credit Cards and Other Methods of Payment. You must comply with all applicable laws, regulations and standards governing credit-card and debit-card processing including the Payment Card Industry Data Security Standards ("**PCI DSS**") as they may be revised and modified and/or in accordance with other standards as we may specify, and the Fair and Accurate Credit Transactions Act ("**FACTA**"). You shall accept such credit cards and other methods of payment that we may designate from time to time in the Manual or otherwise in writing. You shall also upgrade periodically your POS System and related software, at your expense, to maintain compliance with PCI DSS, FACTA, and all related laws and regulations.

5.24 Uniforms. To promote a uniform System image, you shall require all of your Franchised Business personnel to dress during business hours in the attire specified in the Manual. You shall purchase such attire only from approved suppliers.

5.25 Prices. With respect to the sale of all products or services, you shall have sole discretion as to the prices to be charged to customers; provided, however, that we may establish, advertise, and promote maximum prices on such products and services, subject to compliance with applicable laws. If we have imposed such a maximum price on a particular product or service, subject to applicable law, you may not charge a price for such products or service in excess of the maximum price set by us.

5.26 Measurements. You are solely responsible for taking and submitting the proper and correct measurements and photograph(s) requested by us for the identification of all product orders submitted by you to us.

5.27 Compliance with Laws and Good Business Practices. You shall operate the Franchised Business in full compliance, subject to your right to contest, with all applicable laws, ordinances and regulations including all government regulations relating to occupational hazards and health, workers' compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. All advertising and promotion by you shall be completely factual and shall conform to the highest standards of ethical advertising. You shall in all dealings with your customers, suppliers and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. You agree to refrain from any business or advertising practice which may be injurious to the business and the goodwill associated with the Marks and other Re-Bath Businesses.

5.28 Franchisee Structure; Managing Owner, Operating Owner, and Principals.

5.28.1 Except as otherwise approved in writing by us, if you are a corporation, you shall: (i) be newly organized, and confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Franchised Business; (ii) furnish us with a copy of your articles or certificates of incorporation and bylaws, as well as such other documents as we may reasonably request, and any amendment thereto; (iii) maintain stop transfer instructions on your records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; and (iv) maintain a current list of all owners of record and all beneficial owners of any class of your voting stock and furnish the list to us upon request, which list shall be amended to reflect changes in ownership, as permitted under this Agreement.

5.28.2 If you are a partnership or limited liability partnership you shall: (i) be newly organized, and confine your activities, and your governing documents shall at all times provide that your activities are confined exclusively to operating the Franchised Business; (ii) furnish us with your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; (iii) prepare and furnish to us, upon request, a current list of all general and limited partners in you, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on your records and in your partnership agreement against the transfer of partnership interests and equity securities, and shall only issue securities or partnership interests with documentation which bears a notice or legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

5.28.3 If a you are a limited liability company, you shall: (i) be newly organized, and confine your activities, and your governing documents shall at all times provide that your activities are confined, exclusively to operating the Franchised Business; (ii) furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; (iii) prepare and furnish to us, upon request, a current list of all members and managers in you, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on your records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

5.28.4 You shall designate, subject to the review and approval or disapproval by us, individuals to serve in the following positions:

(a) Operating Owner: The "**Operating Owner**" shall be a person who has not less than twenty percent (20%) of the outstanding equity interests in you and who will be responsible for the direct operation and management of the Franchised Business or for supervision of a Manager that is responsible for the operation and management of the Franchised Business. (If you are a sole proprietorship, the sole owner shall be Operating Owner.) You must provide us with written notice of the individual who will be responsible for all communications between us and you, as the person to whom, and from whom all contractually required notices must be sent, and as the principal spokesperson for you in all communications with us and other franchisees and operators in the network of Re-Bath Businesses. Such individual must be either the Operating Owner or a Manager that you designate to serve in such capacity. The written notice shall contain such information pertaining to the designated individual as we may prescribe in the Manual, or otherwise in writing. You must also provide us with written notice of any changes to such designation. The Operating Owner will be the person who has the right to contractually bind you. The Operating Owner or Manager must successfully complete all Re-Bath Business training programs, and shall be responsible for communications with us and your staff regarding all operational matters, including compliance with all Franchise Agreement and Manual requirements that pertain, in any way, to the Franchised Business. The Operating Owner, as the owner of twenty percent (20%) or more of your outstanding equity interests, must execute the Guarantee in the form set forth in Exhibit C. The Operating Owner shall comply with all of our standards and requirements as they may be modified from time to time in the Manual or otherwise in writing. You may designate a new Operating Owner, subject to our prior written approval, subject to the satisfaction of all of our requirements for Operating Owners in this Agreement or in the Manual, and a revision of Exhibit D.

(b) Manager: The Manager shall be responsible for the direct oversight, management, and supervision of the Franchised Business personnel on a day-to-day basis (the "**Manager**"). The Manager and the Operating Owner may be, but is not required to be, the same person, if he/she is qualified to perform both roles and duties, and is approved by us.

(c) Principals: A "**Principal**" is any person that has any direct or indirect interest in you, or in any entity that has any direct or indirect ownership interest in you. All Principals, along with their ownership interest, shall be identified in Exhibit D hereto, and any change in ownership or Principals, whether subject to Section 13 or not, shall be provided to us, in advance and in writing, and Exhibit D shall be amended to reflect all changes in Principals.

5.29 Guarantee of Performance. Each present and future: (i) shareholder of a corporate franchisee; (ii) member of a limited liability company franchisee; (iii) partner of a partnership franchisee; or (iv) partner of a limited liability partnership franchisee; shall jointly and severally guarantee your performance of each and every provision of this Agreement by executing the Guarantee, Indemnification and Acknowledgement in the form attached to this Agreement as Exhibit C, provided, however, that no guarantee shall be required from a person who owns, directly or indirectly, less than a fifteen percent (15%) equity interest in you or who acquires your securities (other than a controlling interest) if and after you become registered under the Securities Exchange Act of 1934. In addition, we may require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification and Acknowledgment.

5.30 System Modifications. From time to time we may change or modify the System as we deem appropriate, including to reflect the changing market and/or to meet new and changing consumer demands, and variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Re-Bath Businesses. Our changes to the System may include the adoption and use of new or modified, and/or the discontinuance of existing, products, services, equipment and furnishings, and the adoption of new, and the discontinuance of existing, techniques and methods relating to the sale, promotion and marketing of products and services and new or discontinued trademarks, service marks and copyrighted materials. Notwithstanding the provisions and limitations of Section 5, upon written notice to you, whether in a revision or addition to the Manual or otherwise in writing, you shall, upon reasonable notice, accept, implement, use and display in the operation of the Franchised Business any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at your sole expense.

6. PROPRIETARY MARKS

6.1 Ownership of the Marks. We represent with respect to the Marks that:

6.1.1 We are the owner of all right, title, and interest in and to the Marks.

6.1.2 We have taken and will take all steps reasonably necessary to preserve and protect our ownership of, and validity in, the Marks.

6.2 Use of the Marks. With respect to your use of the Marks, you agree that:

6.2.1 You shall use only the Marks designated by us, and shall use them only in the manner authorized and permitted by us.

6.2.2 You shall use the Marks only for the operation of the Franchised Business and only at the location(s) authorized hereunder, or in franchisor-approved advertising for the Franchised Business.

6.2.3 Unless we otherwise direct you in writing to do so, you shall operate and advertise the Franchised Business only under the name "Re-Bath," without prefix or suffix. Unless we otherwise direct you in writing to do so, you shall not use the Marks or any variant thereof as part of your corporate or other legal name, or as part of any e-mail address, domain name, websites or other identification in any electronic medium (including e-mail addresses, account names in a social media site, and the like). You shall execute all documents and do such things as we may prescribe to effectuate our ownership of such domain name or account. You shall comply with all instructions, procedures, standards, and specifications that we may establish in the Manual or otherwise in writing pertaining to your use of a "d/b/a" designation and such electronic medium identification.

6.2.4 During the term of this Agreement and any renewal of this Agreement, you shall identify yourself (in a manner designated by us in the Manual or otherwise in writing) as the independent owner of the Franchised Business in conjunction with any use of the Marks, including uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Approved Locations and the Vehicles as we may designate in writing.

6.2.5 Your right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

6.2.6 You shall not use the Marks to incur any obligation or indebtedness on our behalf.

6.2.7 You shall execute any documents deemed necessary by us to obtain protection for the Marks or to maintain their continued validity and enforceability.

6.2.8 With respect to litigation, arbitration or a dispute, involving the Marks, the parties agree that:

6.2.8.1 You shall promptly notify us of any suspected infringement of the Marks, any known challenge to the validity of the Marks, or any known challenge to our ownership of, or your right to use, the Marks licensed hereunder. You acknowledge that we shall have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. We shall also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks.

6.2.8.2 Except to the extent that any litigation involving the Marks is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement or involving any other claim against us, we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things, except that you shall bear the salary costs of your employees, and we shall bear the costs of any judgment or settlement but only if the claim on which the judgment or settlement is made is only related to the validity or ownership of the mark. To the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, you shall reimburse us for the cost of such litigation, arbitration, or a dispute (or, upon our written request, pay our legal fees directly), including attorney's fees, as well as the cost of any judgment or settlement.

6.2.8.3 If we undertake the defense or prosecution of any litigation, arbitration, or a dispute relating to the Marks, you shall execute any and all documents and do such acts and things as may, in the opinion of our counsel, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action.

6.3 Your Acknowledgements. You understand and acknowledge that:

6.3.1 The Marks are valid, owned by us, and serve to identify the System and those who are authorized to operate under the System.

6.3.2 Neither you nor any of your Principals shall directly or indirectly contest the validity or our ownership of the Marks, nor shall you, directly or indirectly, seek to register the Marks with any government agency, except with our express prior written consent.

6.3.3 Your use of the Marks does not give you any ownership interest or other interest in or to the Marks, except the license granted by this Agreement.

6.3.4 Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the System or the Marks.

6.3.5 The right and license of the Marks granted hereunder to you are non-exclusive, and we thus have and retain the rights, among others:

6.3.5.1 To use the Marks ourselves in connection with selling products and services;

6.3.5.2 To grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees or other licensees authorized to operate using the Marks;

6.3.5.3 To develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to you.

6.3.6 We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder if the Marks no longer can be used, or if we, exercising our right to do so, determine that substitution of different proprietary marks will be beneficial to the System. In such circumstances, you shall implement at your expense such substituted proprietary marks in such ways as we may direct, and the use of the substituted proprietary marks shall be governed by the terms of this Agreement.

6.4 Promotional Materials. You shall require all advertising and promotional materials, signs, decorations, any and all replacement trade dress products, and other items which may be designated by us to bear our then-current Marks and logos and trade dress in the form, color, location, and manner then-prescribed by us.

7. CONFIDENTIAL OPERATING MANUALS

7.1 Manual. In order to protect our reputation and goodwill and to maintain high standards of operation under the Marks, you shall conduct the Franchised Business in accordance with the Manual, one (1) copy of which you acknowledge having received on loan from us for the term of this Agreement. The Manual may consist of multiple volumes of printed or electronic text (including in MP3, DVD or PDF format) and other electronically stored data, and various and periodic or episodic operational and/or management bulletins, in any format. We may provide a portion or all of the Manual (including updates and amendments), and other instructional information and materials in, or via, electronic media, including through the Internet.

7.2 Confidentiality of the Manual. You shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential. You shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.3 Protection of the Manual. The Manual shall at all times remain our sole property and shall at all times be kept in a secure place on the premises of the Showroom Approved Location. You shall ensure that the Manual is kept current and up to date; and, in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by us at our home office shall be controlling.

7.4 Revisions to the Manual. We may from time to time revise the contents of the Manual, and you agree to make corresponding revisions to your copy of the Manual and to comply with each new or changed standard immediately upon receipt of such revision or within such other time frame that may be prescribed by us.

8. CONFIDENTIAL INFORMATION

8.1 Confidential Information. You shall not communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised hereunder which may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement ("**Confidential Information**"); provided that, to the extent required under applicable law, Confidential Information which is not legally protected may be communicated, divulged, or used two (2) years after the date of termination or expiration of this Agreement. For the purpose of clarity, the Manual contains our Confidential Information. You shall divulge Confidential Information only to such of your employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, and techniques which we designate as confidential shall be deemed confidential for purposes of this Agreement, except information that you can demonstrate by written or other documentary records: (a) was rightfully known to you without restriction on use or disclosure prior to such information's being disclosed or made available to you in connection with this Agreement; (b) was or becomes generally known by the public other than by you or any of your representatives' noncompliance with this Agreement; (c) was or is received by you on a non-confidential basis from a third party that was not or is not, at the time of such receipt, under any obligation to maintain its confidentiality; or (d) was or is independently developed by you without reference to or use of our Confidential Information. In addition, you and your officers, directors, shareholders, agents and representatives, may, in accordance with any applicable law including the federal Defend Trade Secrets Act, disclose confidential information, including our trade secrets, (a) in confidence, to federal, state, or local government officials, or to your attorney, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law. Any employee who may have access to any Confidential Information regarding the Franchised Business shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants shall, among other things, designate us as a third party beneficiary of such covenants with the independent right (but not the obligation) to enforce them, and such covenants may be required to be on a form provided by us.

8.2 Irreparable Injury. You acknowledge that any failure to comply with the requirements of this Section 8 will cause us irreparable injury, and you agree to pay all court costs and reasonable attorney's fees incurred by us in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 8.

8.3 Information Exchange. You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners, agents, or employees during the term of this Agreement relating to the development and/or operation of the Franchised Business. You hereby agree that we own any such ideas, concepts, methods, techniques and products and shall execute and obtain the execution of such documents as we may prescribe to affect such ownership. We shall have no obligation to make any payments to you with respect to any such ideas, concepts, methods, techniques or products. You agree that you will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

9. ACCOUNTING AND RECORDS

9.1 Records. With respect to the operation and financial condition of the Franchised Business, you shall adopt, until otherwise specified by us, a fiscal year consisting of four (4) accounting periods of three (3) months each, which coincides with our then-current fiscal year, as specified by us. You shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the transfer, termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles, as required by law, and in the form and manner prescribed by us from time to time in the Manual or otherwise in writing. You shall prepare and maintain all books and records required under this Agreement and as prescribed by us during each fiscal year during the Term of this Agreement and for the three (3) years prior to each fiscal year. Such books and records shall relate solely to the Franchised Business and shall not be combined with the books and records for any other business, including through the preparation of consolidated books and records. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by us or our designee without special hardware or software.

9.2 Periodic Reports. You shall, at your expense, provide to us, in a format specified by us, a complete annual financial statement (prepared according to generally accepted accounting principles, that includes a fiscal year-end balance sheet, an income statement of the Franchised Business for such fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow), prepared by an independent certified public accountant satisfactory to us, showing the results of operations of the Franchised Business during the most recently completed fiscal year. The information regarding the Franchised Business contained in such financial statement shall relate solely to the Franchised Business and shall not be combined with information for any other business, including through the preparation of consolidated financial statements. In addition, no later than the twenty-fifth (25^{th}) day of each accounting period or month during the term of this Agreement after the opening of the Franchised Business, you shall submit to us, in a format acceptable to (or, at our election, specified by) us, as amended from time to time: (i) a monthly profit and loss statement (which may be unaudited) for the Franchised Business; (ii) a quarterly balance sheet (which shall be submitted by the fifteenth (15^{th}) day following the end of each calendar or fiscal quarter); (iii) reports of those income and expense items of the Franchised Business which we specify from time to time for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees, provided that we will not identify to prospective franchisees any specific financial results of the Franchised Business; and (iv) copies of all state sales tax returns for the Franchised Business.

9.3 Reporting Requirements. In addition to the Sales Reports required pursuant to Section 4.2, the periodic reports pursuant to Section 9.2, and any other specific reports expressly required herein, you shall submit to us for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places reasonably required by us, upon request and as specified from time to time in the Manual or otherwise in writing. The reporting requirements of this Section 9.3 shall be in addition to, and not in lieu of, the electronic reporting that may be required in connection with the use of the required Computer System under Section 5.20 above.

9.4 Audit. We or our designated agents shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at our expense, all of your books, records, and sales and income tax returns. We shall also have the right, at any time, to have an independent audit made of your books. If an inspection should reveal that any payments have been understated in any report to us, then you shall immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. If an inspection is necessitated because you fail to timely provide Sales Reports or if an inspection discloses an understatement in any report by you of two percent (2%) or more, you shall, in addition, pay us a fee of Ten Thousand Dollars ($10,000) as compensation to us for all costs and expenses connected with the inspection. The foregoing remedies shall be in addition to any other remedies we may have.

9.5 Data. All data provided by you in any form, and whether required by this Section 9 or any other requirement under the System or in the Manual, including data uploaded to our computer system from your Computer System, and/or downloaded from your Computer System to our computer system, is and will be owned exclusively by us, including Customer Data (described in Section 5.21 above), customer lists and e-mail lists, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. In addition, all other data created or collected by you in connection with the System, or in connection with your operation of the business (including consumer and transaction data), is and will be owned exclusively by us during the term of, and following termination or expiration of, this Agreement. We hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and solely for your use in connection with the business franchised under this Agreement.

10. ADVERTISING

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

10.1 Establishment of Advertising Fund or Cooperative. We shall have the right but not the obligation to establish, at any time, an advertising, marketing, and promotional fund, which may be referred to as the "**Advertising Fund**," or such other name as we may designate and/or an Advertising Cooperative, as described in this Section 10.

10.2 Advertising Fund. Commencing in the month in which you have your Grand Opening, but in no event later than six (6) months after the Effective Date, you shall contribute the amount set forth in Exhibit A-1 (the "**Advertising Contribution**") to the Advertising Fund each month. The Advertising Contribution shall be paid by you as provided in the Manual or otherwise stated by us in writing. The Advertising Fund shall be maintained and administered by us or our designee, as follows:

10.2.1 We or our designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. The Advertising Fund is intended to maximize general public recognition, acceptance, perception of, and use of the System; and we and our designee are not obligated, in administering the Advertising Fund, to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Advertising Fund.

10.2.2 The Advertising Fund, all contributions thereto, and any earnings thereon, shall be used exclusively (except as otherwise provided in this Section 10.2) to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including the costs of preparing and/or conducting: media advertising campaigns; social media campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; developing new or modified trade dress and marks; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one (1) or more websites devoted to the System, the Marks and/or the "Re-Bath" brand; and providing promotional and other marketing materials and services to the Franchised Businesses operated under the System. The Advertising Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we shall have the right to determine will promote general public awareness and favorable support for the System. You acknowledge and agree that we shall own all advertising, marketing, public relations and/or promotional programs and materials, and any other intellectual property, that is generated by the Advertising Fund.

10.2.3 You shall contribute to the Advertising Fund in the manner specified by us in the Manual or otherwise in writing. All sums paid by you to the Advertising Fund shall be maintained in an account separate from our other monies. We shall have the right to charge the Advertising Fund for such reasonable administrative costs and overhead as we may incur in activities reasonably related to the direction and implementation of the Advertising Fund and advertising programs for franchisees and the System, including costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs and accounting services reasonably related to the operation and functions of the Advertising Fund. The Advertising Fund and its earnings shall not otherwise inure to our benefit. We or our designee shall maintain separate bookkeeping accounts for the Advertising Fund.

10.2.4 The Advertising Fund is not intended to be, and will not be used for, our ordinary operating expenses, nor is it a trust, and we do not assume any fiduciary obligation to you for maintaining, directing or administering the Advertising Fund or for any other reason. A statement of the operations of the Advertising Fund as shown on our books shall be prepared annually and shall be made available to you on an annual basis.

10.2.5 The Advertising Contribution is a separate requirement from the Minimum Local Advertising Requirement set forth in Section 10.4 and Exhibit A-1, and defined in Section 10.5 below. The Advertising Contribution is not credited toward the Minimum Local Advertising Requirement.

10.2.6 Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and/or promotional purposes.

10.3 Advertising Cooperative. We shall have the right to designate any geographic area for purposes of establishing a market advertising and promotional cooperative fund ("**Advertising Cooperative**"). We shall have the right to form, change, dissolve, or merge any Advertising Cooperative. You shall pay to the Advertising Cooperative the contribution required by the Advertising Cooperative, which shall not exceed the amount set forth in Exhibit A-1 ("**Cooperative Contribution**"). If an Advertising Cooperative for the geographic area in which the Franchised Business is located has been established at the time you commence operations hereunder, you shall immediately become a member of such Advertising Cooperative, unless otherwise permitted by us. If an Advertising Cooperative for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you shall become a member of such Advertising Cooperative within thirty (30) days after the date on which the Advertising Cooperative commences operation, unless otherwise permitted by us. In no event shall you be required to be a member of more than one (1) Advertising Cooperative relating to the Franchised Business. The following provisions shall apply to each such Advertising Cooperative:

10.3.1 Each Advertising Cooperative shall be organized (including bylaws and other formation documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by us in writing. Unless otherwise specified by us, the activities carried on by each Advertising Cooperative shall be decided by a majority vote of its members. Any Re-Bath Businesses that we operate in the region shall have the same voting rights as those owned by our franchisees. Unless otherwise specified by us in writing, each Re-Bath Business "**unit**" (defined as an individual protected territory that is the subject of a single franchise agreement) shall be entitled to cast one (1) vote. In the event of a tie vote, we shall cast the deciding vote.

10.3.2 Each Advertising Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, promotional materials for use by the members in local advertising and promotion.

10.3.3 No advertising or promotional plans or materials may be used by an Advertising Cooperative or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 10.7 below.

10.3.4 You shall submit the Cooperative Contribution to the Advertising Cooperative at the time required by us in the Manual or otherwise in writing together with such statements or reports as may be required by us or by the Advertising Cooperative with our prior written approval. If so requested by us in writing, you shall submit your payments and reports to the Advertising Cooperative directly to us for distribution to the Advertising Cooperative.

10.3.5 Amounts that you contribute to the Advertising Cooperative through the Cooperative Contribution shall be credited toward your Minimum Local Advertising Requirement.

10.3.6 Although once established, each Advertising Cooperative is intended to be of perpetual duration, we maintain the right to terminate any Advertising Cooperative. An Advertising Cooperative shall not be terminated, however, until all monies in that Advertising Cooperative have been expended for advertising and/or promotional purposes.

10.4 Minimum Local Advertising Requirement; Local Advertising and Promotion. You shall spend the Minimum Local Advertising Requirement (as defined in Exhibit A-1 and Section 10.5 below). The Minimum Local Advertising Requirement shall be spent in such media, and be of such type and format as we may approve; shall be conducted in a dignified manner; shall conform to such standards and requirements as we may specify; and shall comply with all applicable laws. You shall not use any advertising or promotional plans or materials unless those materials were provided to you by us, or, for those materials that we have not provided, until you have received written approval from us, pursuant to the procedures and terms set forth in Section 10.7 below. You shall comply with all of our written instructions, policies, procedures, and restrictions regarding advertising and marketing within your Protected Territory, outside of your Protected Territory, and in areas that may be territories assigned to other Re-Bath Businesses or franchisees (including rules regarding honoring of gift certificates and promotions).

10.4.1 You must conduct a "**Soft Opening Campaign**" within a time period that has been prescribed or approved by us preceding the date of your Soft Opening. The Soft Opening Campaign must have a minimum budget that we determine, up to Ten Thousand Dollars ($10,000). We will determine the minimum budget for your Soft Opening Campaign and notify you of the amount in writing. The required amount must be spent by you on marketing, advertising, and public relations activities in connection with the opening of your Franchised Business, as we approve or as we specify in writing.

10.4.2 In addition to the Soft Opening Campaign requirement, you must conduct a "**Grand Opening Campaign**" within a period of fifteen (15) to thirty (30) days before the date of your Grand Opening, but only after you have obtained our approval to do so. The Grand Opening Campaign must have a minimum budget that we determine, up to Fifteen Thousand Dollars ($15,000). We will determine the minimum budget for your Grand Opening Campaign and notify you of the amount in writing. This amount must be spent by you on marketing and public relations activities in connection with the opening of your Franchised Business, as we approve or as we specify in writing.

10.4.3 If you fail to spend the required minimum amounts on the Soft Opening Campaign or the Grand Opening Campaign, we have the right, but not the obligation, to collect and administer these funds for advertising conducted on your behalf.

10.5 Expenses Included in "Minimum Local Advertising Requirement". As used in this Agreement, the term "**Minimum Local Advertising Requirement**" shall consist only of the direct costs of placing, purchasing and producing advertising materials (including camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that the Minimum Local Advertising Requirement shall not include costs or expenses incurred by or on your behalf in connection with any of the following:

10.5.1 Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

10.5.2 Charitable, political, or other contributions or donations, whether in cash, food, or services;

10.5.3 The value of discounts provided to customers;

10.5.4 Approved Soft Opening Campaign and Grand Opening Campaign expenditures, with respect to Year 1 (as defined in Exhibit A-1);

10.5.5 Any other costs or expenses that are not otherwise approved by us in writing.

10.6 Participation in Campaigns. Subject to Section 5.25, you shall participate in all marketing and public relations programs and campaigns designated by us as mandatory.

10.7 Approval for Advertising Plans and Materials Not Supplied By Us. For all proposed advertising, marketing, and promotional plans, you must follow and comply with our policies, procedures, guidelines and standards as set out in the Manual or otherwise in writing, which may be modified from time to time. Unless permitted by us otherwise in writing, you must submit samples of such plans and materials to us (by means described in the Manual) together with an outline of their proposed use, for our review and prior written approval (except with respect to prices to be charged by you). If written approval is not received by you from us within fourteen (14) days of the date of receipt by us of such samples or materials, we shall be deemed to have approved them. We have the right to approve or reject advertising, marketing, and promotional plans that you propose, at our option. We reserve the right to withdraw our approval for any previously-approved plans or materials upon (i) thirty

(30) day's written notice to you for any plans or materials that were deemed to be automatically approved, or (ii) six (6) months' written notice to you for any plans or materials that we approved in writing. You acknowledge and agree that all advertising and promotional materials developed by or on your behalf, and any copyrights thereto, shall be our sole property, and you agree to execute such documents (and, if necessary, require your independent contractors to execute such documents) as may be deemed reasonably necessary by us to give effect to this provision.

10.8 Digital Marketing. We or our affiliates or designees may, at our option, establish and operate social media accounts (e.g., Facebook, Twitter, Instagram, etc.), applications, domain names, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, websites or any other means of digital advertising on the Internet or any electronic communications network (collectively, "**Digital Marketing**") that are intended to promote the Marks, the System, your Franchised Business and/or the entire network of ReBath Businesses. We have the sole right to control all aspects of any Digital Marketing, including those related to the Franchised Business. Unless we consent otherwise in writing, you and your affiliates and their Principals and employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or that relates to the Franchised Business or the network of ReBath Businesses. If we permit you or your Principals, affiliates or employees to conduct any Digital Marketing, you and they must use any materials that we require and must comply with our policies, standards, and guidelines as set out in the Manual or otherwise in writing. We may withdraw our approval for any Digital Marketing at any time.

10.9 Website. We may maintain a Website for our benefit and that of franchisees. You shall not establish a Website or permit any other party to establish a Website that relates in any manner to your Franchised Business or referring to the Marks without our prior written consent. We have the right, but not the obligation, to provide one (1) or more references or webpage(s) to your Franchised Business, as we may periodically designate, within our Website. (The term "**Website**" as used in this Agreement means one (1) or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, social networking sites (including Facebook, Twitter, LinkedIn, Instagram, YouTube, etc.), blogs, vlogs, and other applications, etc.). You agree, if we so require, to establish, maintain, and update a Website for the Franchised Business. If we approve in writing a request for you to use a separate Website, or if we instruct you to establish and maintain a Website for the Franchised Business, then we have the right to require that you meet any or all of the following requirements (but this provision is not meant to imply that we are obligated to permit you to have your own Website):

10.9.1 You agree that any Website that you own or that is maintained for your benefit will be deemed "**advertising**" under this Agreement, and will be subject to (among other things) our prior written approval pursuant to Section 10.7 above.

10.9.2 You agree not to establish or use any Website without our prior written approval.

10.9.3 You agree that before establishing any Website, you will submit to us, for our prior written approval, a sample of the proposed Website domain name, format, visible content (including proposed screen shots), and non-visible content (including meta data and meta tags) in the form and manner we may reasonably require.

10.9.4 You agree that we will own the domain name or account of any Website we permit you to establish.

10.9.5 You agree not to use or modify any such Website without our prior written approval as to such proposed use or modification.

10.9.6 You agree, in addition to any other applicable requirements, to comply with our written standards and specifications for Websites, whether set forth in the Manual or otherwise.

10.9.7 You agree that, upon our written request, you will promptly establish and maintain links from your Website to our Website (and such other Websites as we may request).

10.10 E-Mail, Internet and Other Media; E-Mail and Fax Communications. You must comply with our requirements and policies (as described in the Manual or otherwise in writing) with respect to the transmission of all e-mails in connection with the Franchised Business, and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Franchised Business. Such activities include participation in any Internet "blogs" or social networking sites. Any such activities which are not expressly permitted in the Manual or otherwise in writing, or for which you have not previously received approval from us, shall be subject to our approval as described in Section 10.7 above.

10.10.1 You agree not to transmit or cause any other party to transmit advertisements or solicitations by telephone, text, or e-mail or other electronic media without our prior written consent as to: (a) the content of such advertisements or solicitations; and (b) your plan for transmitting such advertisements or solicitations. Our review of your advertisements or solicitations, or of your plan for transmitting such advertisements or solicitations, is only for our benefit and our review will pertain to whether the proposed advertisements or solicitations comply with our specifications. You agree that you will be solely responsible for complying with any laws pertaining to sending such advertisements and solicitations, including the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the "**CAN-SPAM Act of 2003**") and the Telephone Consumer Protection Act of 1991.

10.11 Telephone Numbers. You shall comply with all instructions, procedures, standards, and specifications that we may establish in the Manual or otherwise in writing pertaining to your use of telephone numbers used in connection with the Franchised Business.

11. PRODUCTS

11.1 Product Purchase Price. We will offer to you, or arrange for our affiliate to offer to you, those approved products that we or our affiliates manufacture and sell, at reasonably competitive wholesale prices. The prices for those products will be set forth in a confidential price list for ReBath Businesses. The sale price for certain of those products may, at our option, be discounted to you up to thirty-five percent (35%) from the standard price set forth in that list. You acknowledge that the prices for these products may include a mark-up for us and/or our affiliates. We may, at our option, change the prices for these products for any reason and at any time. As for products not purchased from us or our affiliates, we may at our option negotiate for the purchase of such products on behalf of the Re-Bath Business network, and you acknowledge and agree that we and our affiliates may earn revenue or rebates from your purchase of those products.

11.2 Product Warranty. We or our affiliates will provide to the customers on all products that we or our affiliates manufacture that is reasonably competitive with the warranties offered on similar products by third parties (the "**Product Warranty**"). At the time of installation of any product that is covered by the Product Warranty, you shall deliver a copy of the then-current Product Warranty to the customer. The Product Warranty is subject to change upon written notification to you by us, at any time.

11.3 Product Alterations. You shall be solely responsible for any alterations made to any product by you or your employees, agents or representatives after delivery to you.

11.4 Defective Products. In the event any products that we or our affiliates manufacture is defective, you will notify us of the defect, in writing, prior to installation. Our sole responsibility to you, and your sole remedy, with respect to such defective product shall be to replace the product as soon as practicable. You shall, at our request and expense, return any defective product to us. In the event you elect to negotiate a credit with the customer in lieu of or in addition to replacing any defective product, such credit shall be your sole responsibility.

12. INSURANCE

12.1 Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement, you shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the Term of this Agreement), at your expense, the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies shall be written by an insurance company or companies approved by us, having a rating of at least "A" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Franchised Business is located. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by us in the Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

12.1.1 Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of not less than One Million Dollars ($1,000,000) per occurrence.

12.1.2 Business automobile liability insurance, including a combined single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability not less than One Million Dollars ($1,000,000) per occurrence for both bodily injury and property damage.

12.1.3 Statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars ($1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Franchised Business is located. You shall have and maintain such insurance for all of your employees prior to any employee commencing any training with us. You agree to obtain a waiver of subrogation endorsement on your workers' compensation policy, and upon our request, shall provide to us proof of both (i) the effective workers' compensation policy, and (ii) the endorsement to such policy waiving the insurer's right of subrogation.

12.1.4 Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages to not less than Three Million Dollars ($3,000,000) total limit of liability.

12.1.5 Property insurance providing coverage for direct physical loss or damage to real and personal property for all-risk perils, including the perils of flood and earthquake.

12.1.6 Products liability insurance in an amount not less than One Million Dollars ($1,000,000), which policy shall be considered primary.

12.1.7 Any other insurance coverage that is required by federal, state, or municipal law.

12.2 Referenced in Manual. All policies listed in Section 12.1 above (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manual.

12.3 Policy Cancellation. In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to us in the manner provided in Section 20 below or as otherwise set forth in the Manual. You shall arrange for a copy of such notification to be sent to us by the insurance company.

12.4 Construction and Remodeling Insurance. In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manual, all written by insurance or bonding companies having a rating as set forth in Section 12.1 above.

12.5 No Waiver of Obligations. Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 18.4 below.

12.6 Franchisor to be Additional Named Insured. All insurance policies shall list us and our affiliates, and our respective officers, directors, employees, partners, members, subsidiaries, employees and agents as additional named insureds, and shall also contain a provision that we, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of your servants, agents, or employees. Additional insured status shall include coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-26 or any such form that we approve in writing that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) our negligent acts, errors or omissions or other additional insureds. You shall maintain such additional insured status for us on your general liability policies continuously during the term of the Franchise Agreement.

12.7 Evidence of Insurance. At the earlier of, within thirty (30) days after your receipt of our written request, or as prescribed in the Manual, you shall deliver to us, certificates of insurance, endorsements, insurance declarations and/or other documents requested by us (collectively "**certificates**"), evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than sixty (60) days' prior written notice shall be given to us in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 12.1 above shall name us, and each of our affiliates, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

12.8 Our Insurance. You acknowledge and agree that any insurance policies maintained by us for our benefit shall have no effect upon your obligation to obtain any insurance required by this Section 12.

13. TRANSFER OF INTEREST

13.1 Franchisor Transfers. We have the right to transfer or assign this Agreement, the System, Confidential Information, and all or any part of our rights or obligations under this Agreement or our interest in the System and Confidential Information to any person or legal entity without your consent. Any transferee or assignee of this Agreement from us will become solely responsible for all of our obligations under this Agreement from the date of the transfer or assignment. Without limiting the foregoing, we may sell our assets (including our rights in the Marks and the System) to a third party; may offer our securities privately or publicly; may merge with or acquire other legal entities, or be acquired by another legal entity; and may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring. With regard to any or all of the above transfers, sales, assignments, and dispositions, you waive any claims, demands, or damages against us or our affiliates arising from or related to our transfer of our rights in this Agreement, the System, or Confidential Information to any other party. Nothing contained in this Agreement will require us to remain in the business of operating or licensing the operation of Re-Bath Businesses or other businesses or to offer any services or products to you, whether or not bearing the Marks, if we transfer or assign our rights in or obligations under this Agreement and the System.

13.2 Principals. If you are a business entity ("**Business Entity**"), each Principal, and the interest of each Principal in you, is identified in Exhibit D hereto. You represent and warrant that your Principals are as set forth on Exhibit D attached to this Agreement, and covenant that you will not permit the identity of such owners, or their respective interests in you, to change without complying with this Agreement. We shall have the right to designate any person or entity which owns a direct or indirect interest in you as a Principal, and Exhibit D shall be so amended automatically upon notice thereof to you. Throughout the term of this Agreement, we shall have a continuing right to designate as a "Principal" any person or entity that owns a direct or indirect interest in you.

13.3 Franchisee Transfers. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your or your Principals' business skill, financial capacity, and personal character. Accordingly:

13.3.1 You shall not, without our prior written consent, transfer, pledge or otherwise encumber: (a) this Agreement or any of your rights and obligations under this Agreement; (b) all or substantially all of the assets of the Franchised Business; (c) the leases or any other interest in the Approved Locations; or (d) any direct or indirect ownership interests in you.

13.3.2 If you are a corporation or limited liability company, you shall not, without the our prior written consent, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by us.

13.3.3 If you are a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent our, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall be deemed your Principal.

13.3.4 A Principal shall not, without our prior written consent, transfer, pledge or otherwise encumber any interest of a Principal in you as shown in Exhibit D.

13.3.5 You shall not transfer or assign your leases for the Approved Locations to, or permit a default or surrender of the leases that will or may cause the Approval Locations to be owned, leased, or operated by, any person or entity that will not operate a Re-Bath Business at the Approved Locations, without our prior written consent.

13.4 Conditions for Approval. We shall not unreasonably withhold any consent required by Section 13.3 above; provided, that if you propose to transfer your obligations hereunder or any interest in all or substantially all of the assets of the Franchised Business, or if you or a Principal proposes to transfer any direct or indirect interest in you, or if you or any Principal proposes to undertake any transfer that is subject to Section 13.3, we shall have the right to require, among other things, any or all of the following as conditions of our approval:

13.4.1 You shall comply with our then-current transfer policies. You and the proposed transferee shall provide us with all information and documents requested by us for our evaluation of the proposed transfer, transaction, and transferee, including the business and financial terms of the proposed transaction including the leases and/or any assignments, renewal or extension of the leases and any necessary landlord consents, financial and operational information regarding the proposed transferee, and evidence of any financing that may be required to complete the transaction and/or fund the transferee's operation after the transfer.

13.4.2 The transferor shall have executed a general release (which shall include a release from the transferor, you, your owners, Principals, and guarantors), in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between us and you or our affiliates, and federal, state, and local laws and rules.

13.4.3 The transferee of a Principal shall be designated as a Principal and each transferee who is designated as a Principal shall enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to us.

13.4.4 Prior to, and after the transfer, your new Principals shall meet our educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; your Operating Owner, and such other Principals and employees as specified by us, shall satisfactorily complete our initial training program; and have adequate financial resources and capital to operate the Franchised Business. The price, consideration, and other proposed terms of the proposed transfer must not, in our reasonable business judgment, have the effect of negatively impacting the future viability of the Franchised Business.

13.4.5 If a proposed transfer would result in a change in you, at our option, you (or transferee) shall execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by us for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including a higher royalty and advertising fee, and a different or modified Protected Territory, provided however that the term of such franchise agreement shall be equal to the then unexpired term of this Agreement.

13.4.6 If a proposed transfer would result in a change in your control, and if so requested by us, you, at your expense, shall upgrade the Franchised Business to conform to the then-current standards and specifications of new Re-Bath Businesses then being established in the

System, and shall complete the upgrading and other requirements set forth in Section 5.11 above within the time specified by us.

13.4.7 All of your monetary obligations hereunder shall be paid in full on a current basis, and you must not be otherwise in default of any of your obligations hereunder including your reporting obligations.

13.4.8 The transferor shall remain liable for all of the obligations to us in connection with the Franchised Business that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by us to evidence such liability.

13.4.9 At your expense, one (1) Principal designated by us to be a new Operating Owner and one (1) Manager shall successfully complete (to our satisfaction) all training programs required by us upon such terms and conditions as we may reasonably require. You or the transferee shall pay our then-current charges for such training The transferee shall be responsible for all travel-related and other expenditures for its trainees, including all fees, costs, and expenses associated with transportation, lodging, meals, wages, benefits, and other out-of-pocket expenses.

13.4.10 For a continuous period of at least thirty (30) days, you must provide such daily hands-on training as we may require to the transferee and the transferee's employees. Such training must take place any time during the ninety-day (90-day) period prior to the transfer through the end of the first thirty (30) days after the transfer.

13.4.11 If a proposed transfer would result in a change in your control, and to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer, you shall pay us a non-refundable transfer fee equal to fifty percent (50%) of our then-current initial franchise fee, as set forth in our then-current Franchise Agreement. The transfer fee shall be paid at the earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training. The transfer fee is non-refundable. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by us, you or the proposed transferee shall reimburse us for all of our costs and expenses incurred in connection with our evaluation of the proposed transfer, including attorneys' and accountants' fees, background checks, site evaluation, and training, if applicable, to the extent the portion of the transfer fee paid does not cover those costs and expenses.

13.4.12 The transferor and/or the transferring franchisee must certify to us that the transferring franchisee has provided to the transferee true, complete and accurate copies of your financial information and documents regarding the operation of the Franchised Business, including the trailing two (2) years of financial statements and monthly cash reports, the leases for the Showroom, Warehouse, and Office premises, material contracts, customer data and such other information as may be specified by us.

13.4.13 Transferee must agree to be liable for all customer complaints and warranties issued by the transferor, or for which the transferor was otherwise directly or indirectly liable, and all fees, costs, and expenses (and interest on such fees, costs, and expenses) associated with such, and a provision providing for this obligation shall be included in any transfer agreement that is executed by you and the transferee. Prior to completing the transfer, you must provide to us with a copy of such transfer agreement, which includes this provision, for our review and approval.

13.4.14 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Sections 16.2 and 16.3 below.

13.5 Transfers to Entities for the Convenience of Ownership. If you desire to transfer all of your interest in this Agreement, or if all of your Principals desire to transfer all of their ownership interests in you, to a corporation, limited liability company, or other entity, solely for the convenience of ownership and/or for tax or estate planning reasons, we shall not unreasonably withhold our consent to such transfer, and we shall not require that you comply with the provisions and conditions of Section 13.4 or Section 13.6, if you comply with all of the following conditions:

13.5.1 You shall provide written notice to us not less than sixty (60) days prior to the date of the proposed transfer, and shall provide us with such documents and information as we may request in support of your request, which may include, among other things, entity formation and good standing certifications, evidence of insurance in the name of the new franchisee entity, and bank information for the new franchisee entity.

13.5.2 You and your Principal(s) shall own all of the outstanding equity interests in the new franchisee entity, and shall own the same percentage ownership interests in the new franchisee entity as they own in you, and if you are an individual, you shall own one hundred percent (100%) of the outstanding voting equity interests in the new franchisee entity.

13.5.3 Each Principal who owns at least fifteen percent (15%) of the outstanding equity interests in the new franchisee entity shall execute a Guarantee in the form attached as Exhibit C hereto.

13.5.4 You and your Principals shall comply with the provisions of Sections 13.4.1, 13.4.2, 13.4.6, 13.4.7, and 13.4.11 of this Agreement, and the new entity and its Principal(s) shall comply with Section 5.29 of this Agreement.

13.5.5 You and your Principal(s) shall execute such transfer documents, agreements and other materials as we may require.

13.6 Right of First Refusal.

13.6.1 If you or any Principal desires to accept any *bona fide* offer from a third party to purchase you, all or substantially all of the assets of the Franchised Business, or any direct or indirect interest in you, you or such Principal shall promptly notify us of such offer and shall provide such information and documentation relating to the offer as we may require. We shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that we intend to purchase the seller's interest on the same terms and conditions offered by the third party. If we elect to purchase the seller's interest, the closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by us.

13.6.2 Any material change in the terms of the *bona fide* offer prior to closing shall constitute a new offer subject to the same rights of first refusal by us as in the case of the third party's initial offer. Our failure to exercise the option afforded by this Section 13.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 13, with respect to a proposed transfer, or a waiver of any subsequent offer.

13.6.3 In the event the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by us and another independent appraiser shall be promptly designated by you, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon us and you. The cost of any such appraisal shall be shared equally by us and you. If we elect to exercise our right under this Section 13.6, we shall have the right to set off all amounts due from you, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

13.7 Transfer Upon Death. Within six (6) months after your death (if a natural person) or the death of a Principal, the executor, administrator, or other personal representative of the deceased will transfer the interest of the deceased in this Agreement or you to a third party approved by us. If no personal representative is designated or appointed and no probate proceedings are instituted with respect to the estate of the deceased, the distributee of the interest of the deceased must be approved by us. If the distributee is not approved by us, the distributee will transfer the interest of the deceased to a third party approved by us within six (6) months after the date of death of the deceased.

13.8 Transfer Upon Permanent Disability. Upon your permanent disability or the permanent disability of any Principal with a controlling interest in you, we may require your or the Principal's interest to be transferred to a third party approved by us within six (6) months after notice to you. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. If we disagree as to whether a person has a permanent disability, the existence of the permanent disability shall be determined by a licensed practicing physician selected by us upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 13.8 as of the date of refusal. We shall pay the cost of the required examination.

13.9 Notification Upon Death or Permanent Disability. Within ten (10) days after the death or permanent disability of you (if a natural person) or a Principal, you or your representative shall notify us of the death or permanent disability in writing. Any transfer upon death or permanent disability will be subject to the same terms and conditions set out in this Section 13 for any *inter vivos* transfer.

13.10 No Waiver of Claims. Our consent to a transfer which is the subject of this Section 12 shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

13.11 Insolvency. If you or any person holding any interest (direct or indirect) in you becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer in you, your obligations and/or rights hereunder, all or substantially all of the assets of the Franchised Business, or any indirect or direct interest in you shall be subject to all of the terms of this Section 12, including the terms of Sections 13.3, 13.4, and 13.6 above.

14. DEFAULT AND TERMINATION

14.1 Automatic Termination. You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, if you shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if suit to foreclose any lien or mortgage against the premises of any of the Approved Locations or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

14.2 Termination Upon Notice Without Opportunity to Cure. You shall be deemed to be in default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon the delivery of written notice to you by us (in the manner set forth under Section 20 below), upon the occurrence of any of the following events:

14.2.1 If you fail to construct and open the Franchised Business within the time limits as provided in Section 5.3 above, and within the requirements set forth in Section 5.4 above;

14.2.2 If you or your Highly Trained Personnel fail to complete the initial training program pursuant to Sections 3.1 and 5.5 of this Agreement;

14.2.3 If you state an intention to abandon your Franchised Business or you at any time cease to open the Showroom to the public during the hours required by us for three (3) consecutive business days after having commenced operations from the Showroom or lose the right to possession of the premises of any of the Approved Locations, or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that if, through no fault of you, the premises of any of the Approved Locations are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then you shall have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct such premises, which approval shall not be unreasonably withheld;

14.2.4 If you are in default under any lease or sublease for the Showroom, the Warehouse, and/or the Office premises (each a "**Lease**") and fail to cure the default within the time period specified in the Lease or otherwise specified by the landlord, or if the Lease is terminated, for any reason, or expires;

14.2.5 If you or any Principal is convicted of a felony, a crime involving moral turpitude, a civil or criminal offense of consumer fraud, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interest therein;

14.2.6 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business;

14.2.7 If you or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 13 above;

14.2.8 If you fail to permit an inspection pursuant to Section 5.17 above or an audit pursuant to Section 9.4 above.

14.2.9 If you fail to comply with the covenants in Section 16.2 below or fail to timely obtain execution of the covenants required under Section 16.5 below;

14.2.10 If, contrary to the terms of Sections 7 or 8 above, you disclose or divulge the contents of the Manual or other Confidential Information provided to you by us;

14.2.11 If you knowingly maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;

14.2.12 If you fail to pay us the Royalty Fees, Advertising Contribution, or any other amount due to us when due, and fail to cure within ten (10) days;

14.2.13 If you fail to pay any supplier or vendor when due, and fail to cure such default within the time period specified by the supplier or vendor, or in the applicable supply contract;

14.2.14 If you fail to pay us or any third party, including a lender, seller or lessor of products, services or equipment, any amount due by you to such parties on any note, financing obligation, or financial instrument when due, and such failure to pay the full amount owed is not cured after any notice required by the contract or under applicable law;

14.2.15 If you commit three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice and whether or not such defaults involve the same or different requirements of this Agreement;

14.2.16 If, during any twelve (12) month period of this Agreement, three (3) checks are returned to you for payments to us as described in Section 4 above, or if there are insufficient funds in your account to complete the required electronic funds transfer or deposit;

14.2.17 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

14.2.18 If you make any unauthorized or improper use of the Marks, or if you or your Principal fail to utilize the Marks solely in the manner and for the purposes directed by us, or directly or indirectly contest the validity of our ownership of the Marks or our right to use and to license others to use the Marks;

14.2.19 If you fail to implement any customer satisfaction program that we implement, or fail to achieve a score on any customer satisfaction assessment that meets our standards and specifications, as described in Section 5.19;

14.2.20 If you engage in four (4) or more unauthorized installations, projects, or sales described in Section 1.3 in any twelve-month (12-month) period;

14.2.21 If you engage in two (2) or more unauthorized installations, projects, or sales described in Section 1.4 in any twelve-month (12-month) period;

14.2.22 If you operate the Franchised Business without maintaining all required permits or licenses, or otherwise in violation of applicable law;

14.2.23 If you purchase a product or service for use in the Franchised Business from an unapproved supplier two (2) or more times within any twelve-month (12-month) period;

14.2.24 If you offer for sale any products or services that have not been approved by us and fail to cure to our satisfaction within ten (10) days;

14.2.25 If you use advertising materials in connection with the Franchised Business that were neither provided by us nor approved by us;

14.2.26 If, during any twelve-month (12-month) period, you fail to submit any report or document to us that is required under this Agreement on three (3) or more separate occasions, regardless of whether such defaults are cured;

14.2.27 If you fail to spend the Minimum Local Advertising Requirement in a fiscal year;

14.2.28 If you default under any other agreement with us or our affiliate, including any financing agreement.

14.3 Termination With Opportunity to Cure. Except as otherwise provided in Sections 14.1 and 14.2 above, upon any other default by you of your obligations hereunder, we may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 20 below) setting forth the nature of such default to you at least thirty (30) days prior to the effective date of termination (or, with respect to monetary defaults, five (5) days); provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof satisfactory to us, all within the thirty (30) (or five (5)) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) (or five (5)) day period or such longer period as applicable law may require.

14.4 Extended Notice of Termination. If any law applicable to this Section 14, or Section 2 above, requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal franchise, than is required hereunder, a different standard of “good cause”, or the taking of some other action not required hereunder, the prior notice, “good cause” standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

14.5 Assignment Upon Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 14, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to us within twenty (20) days after receipt of such proposed assignee’s offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and we shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to us upon the same terms and conditions and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of this Agreement. In the event we do not elect to exercise the options described in this Section 14.5, any transfer or assignment pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other transfer or assignment set forth in Section 13.

14.6 Other Remedies. We have the right, but not the obligation, to undertake any one (1) or more of the following actions instead of terminating this Agreement:

14.6.1 We may terminate or modify any rights that you may have with respect to protection, "exclusivity," or quasi-exclusivity in the Protected Territory, as granted under Section 1.2 above, effective ten (10) days after delivery of written notice thereof to you;

14.6.2 We may modify or reduce the size of the Protected Territory described in Section 1.2 above;

14.6.3 We may disable access to or remove all or any references to the Franchised Business or webpage(s) of the Franchised Business from the Website, until such time as the default is fully cured;

14.6.4 We may withhold from you certain benefits, plans, promotions or products that might be available to other franchisees (including any discounts that we may offer or arrange for products manufactured by us and our affiliates, as well as other product sources), and/or we may not authorize you to engage in certain activities, or participate in certain meetings or events, unless and until you cure your default(s) and operate in compliance with this Agreement and our rules, policies and standards;

14.6.5 We may require you to provide us with a detailed business plan and/or plan for corrective action to cure the default(s) in such form and containing such content as we may specify;

14.6.6 We may require you and/or your Operating Owner to attend and successfully complete up to four (4) days of training and meetings conducted at our headquarters or any other location we may designate; and/or

14.6.7 We may increase the Royalty by no more than one percent (1%) of Gross Revenues.

Our exercise of our rights under Section 14.6 will not (i) be a defense for you to our enforcement of any other provision of this Agreement, or waive or release you from any of your other obligations under this Agreement, (ii) constitute an actual or constructive termination of this Agreement, or (iii) be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement following our exercise of any of these rights. If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 14.6, such action shall be without prejudice to our right to terminate this Agreement in accordance with Sections 14.2 or 14.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

15. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to you shall forthwith terminate, and:

15.1 Cease Operations. You shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee.

15.2 Cease Use of Marks. You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the mark "Re-Bath" and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, you shall cease to use all signs, advertising materials, displays, stationery, forms, and any other articles that display the Marks. You must de-identify and remove any Marks from the Vehicles.

15.3 Cancellation of Assumed Names. You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Re-Bath," and all other Marks, and/or any other service mark or trademark, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

15.4 Lease(s). We, or any affiliates of ours, shall have the right and option, but not the obligation to acquire any or all of the Leases for the Franchised Business, or otherwise acquire the right to occupy the premises of the Approved Locations. We may assign or delegate this right or option to any of our affiliates, without notice to, or request for approval from, the landlord(s) or lessor(s) of the premises. If we or our assignee or delegatee does not elect or are unable to exercise any option we may have to acquire the leases or subleases for the premises of the Approved Locations, or otherwise acquire the right to occupy the premises, you shall make such modifications or alterations to the premises operated hereunder (including the changing of the telephone number(s)) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Re-Bath Businesses, and shall make such specific additional changes thereto as we may reasonably request for that purpose.

15.5 No Confusion. You agree, if you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Marks, and further agree not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with us, the System, or the Marks.

15.6 Pay Monies Owed. You shall promptly pay all sums owing to us and our subsidiaries and affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any default, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), incurred by us as a result of the default.

15.7 Damages and Costs. You shall pay us all damages, costs, interests, and expenses, including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), incurred by us subsequent to the termination or expiration of this Agreement, including those amounts incurred in obtaining injunctive or other relief for the enforcement of any provisions of this Section 15. For the avoidance of doubt, such damages, costs, interests, and expenses include amounts we or our designee incur to service warranty claims and customer complaints in your Protected Territory.

15.8 Return of Manual. You shall immediately deliver to us the Manual and all other manuals, records, and instructions containing Confidential Information (including any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

15.9 Option to Purchase Furnishings and Equipment. We shall have the option, but not the obligation, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from you any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of the fair market value or your book value. The book value shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase herein provided, we shall have the right to set off all amounts due from you.

15.10 Customer Contracts. You shall provide us with copies of all unfulfilled or incomplete customer contracts within three (3) days after termination or expiration of this Agreement, together with a description of the status of each contract, and any other information related to such contracts as we may reasonably request. You shall provide us with all reasonable assistance that we request to complete any such unfulfilled or incomplete contracts. Upon our request, you shall assign the contracts to us for One Dollar ($1), and you shall remit any amount you have received from the customer for any such contract to us. We will reimburse you a portion of the amount received from the customer for any work that you performed toward such customer's contract in an amount determined by us to be reasonably reflective of the work that you performed.

15.11 Assignment or Cancellation of Identifiers. Upon termination or expiration of this Agreement you shall immediately take all action required by us to cancel or assign to us or our designee, at our direction, all authorized and unauthorized "Identifiers," post office boxes, directory listings, and telephone numbers used in connection with the Franchised Business. "**Identifiers**" means anything you used to identify the Franchised Business or the products and services provided by the Franchised Business, in any electronic medium, and includes e-mail addresses, domain names, and social media titles, accounts, and handles.

15.12 Entry on Premises. Upon termination or expiration of this Agreement and for a period of thirty (30) days thereafter, we may enter the Franchised Business's premises and any Vehicles used in connection with the Franchised Business for the purpose of recovering all Confidential Information of ours (including the Manual) as well as unpaid product we shipped to you, product displays, and signage and other documents that display the Marks. You shall include a provision in your lease with the landlord that expressly permits us this limited right of entry, and you shall provide all other reasonable assistance necessary to allow us such access.

16. COVENANTS

16.1 Full Time and Best Efforts. During the term of this Agreement, except as otherwise approved in writing by us, you (or one (1) of the Highly Trained Personnel who will assume primary responsibility for the franchise operations and shall have been previously approved in writing by us) shall devote full time, energy, and best efforts to the management and operation of the Franchised Business.

16.2 In-Term Covenants. You specifically acknowledge that, pursuant to this Agreement, you will receive valuable specialized training and Confidential Information, including information regarding our operational, sales, promotional, and marketing methods and techniques and the System. During the term of this Agreement, except as otherwise approved in writing by us, you shall not either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

16.2.1 Divert or attempt to divert any business or customer of the Franchised Business or of any Re-Bath Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

16.2.2 Unless released in writing by the employer, (a) employ or seek to employ any person who (i) is at that time employed by us or by any other franchisee or licensee, or (ii) or who was, within six (6) months prior to his/her employment by you or any person acting for you, on behalf of you, or at your direction, employed by us or by another franchisee or licensee or (b) otherwise directly or indirectly induce such person to leave his or her employment; provided, however, that in the event you breach this Section 16.2.2, you shall pay to such person's employer or prior employer the sum of ten thousand dollars ($10,000) plus fifty percent (50%) of the first year's salary of such employee; and provided further, that the employer or former employer of such person who you have employed, or sought to employ, or induced to leave his/her employment, shall have the independent right to enforce this Section 16.2.2 against you as a third party beneficiary of this Section 16.2.2.

16.2.3 Own, maintain, operate, engage in, have any interest in or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, lessor, or otherwise) any "**Competitive Business**," which shall mean a business that offers products and/or services in connection with the replacement, remodeling, and/or updating of bathrooms, or that otherwise offers products or services that are the same as or similar to those offered by the Franchised Business, including bathroom design and other services relating to the sale and/or installation of the following products: (i) bathtub and shower base liners, (ii) bathtubs and shower bases, (iii) walk-in bathtubs, (iv) wall systems, (v) bath accessories (such as grab bars, soap dishes, medicine cabinets, towel bars, etc.), (vi) vanity cabinets, (vii) vanity tops, (viii) toilets, (ix) flooring, (x) lighting fixtures, (xi) plumbing fixtures (shower heads and bath and sink faucets) and valves, (xii) shower doors, and (xiii) Thermal Expansion Sealant (TES), Finish Expansion Sealant (FES), butyl tape, other adhesives and other products necessary for installation of such products.

16.3 Post-Term Covenants. Except as otherwise approved in writing by us, you shall not, for a continuous uninterrupted period equal to the greater of the following, as is then-enforceable under applicable law: (i) two (2) years, (ii) eighteen (18) months, or (iii) one (1) year from the date of: (a) a transfer permitted under Section 14 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to the enforcement of this Section 16.3:

16.3.1 Divert or attempt to divert any business or customer of the Franchised Business or of any Re-Bath Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

16.3.2 Unless released in writing by the employer, (a) employ or seek to employ any person who (i) is at that time employed by us or by any other franchisee or licensee, or (ii) or who was, within six (6) months prior to his/her employment by you or any person acting for you, on behalf of you, or at your direction, employed by us or by another franchisee or licensee or (b) otherwise directly or indirectly induce such person to leave his or her employment; provided, however, that in the event you breach this Section 16.3.2, you shall pay to such person's employer or prior employer the sum of ten thousand dollars ($10,000) plus fifty percent (50%) of the first year's salary of such employee; and provided further, that the employer or former employer of such person who you have employed, or sought to employ, or induced to leave his/her employment, shall have the independent right to enforce this Section 16.3.2 against you as a third party beneficiary of this Section 16.3.2.

16.3.3 either directly or indirectly own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, lessor or otherwise) any Competitive Business which is, or is intended to be, located: (a) at the Approved Locations, (b) within the Protected Territory, (c) within ten (10) miles of the boundary defining the outer limits of the Protected Territory, (d) within a ten (10) mile radius of the Approved Locations, or (e) within the Protected Territory of another ReBath Business.

16.4 Publicly-Held Corporations. Sections 16.2 and 16.3 above shall not apply to ownership by you of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "**publicly-held corporation**" shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

16.5 Individual Covenants. You shall require and obtain execution of covenants similar to those set forth in Sections 6.3, 8, 13, 15, and this Section 16 (as modified to apply to an individual) from any or all of your Principals and Highly Trained Personnel. The covenants required by this Section 16.5 shall be in the form provided in Exhibit G to this Agreement. You shall deliver to us copies of such executed covenants immediately upon our request. Failure by you to obtain execution of a covenant required by this Section 16.5 shall constitute a default under Section 14.2.9 above.

16.6 Severability. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 16 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 16. It is the intent of the parties that a court shall enforce the broadest of the above covenants that is geographically and temporally reasonable under the circumstances.

16.7 Scope of Covenants. You and we acknowledge and agree that the foregoing covenants are reasonable and necessary to protect the System, the Confidential Information, and the goodwill associated with the Marks. However, we shall have the right to reduce the scope of any covenant set forth in Sections 16.2 and 16.3 in this Agreement, or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof; and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 22 below.

16.8 Enforcement of Claims. The existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section 15. You agree to pay all costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses)) incurred by us in connection with the enforcement of this Section 15.

16.9 Irreparable Injury. You acknowledge that your violation of the terms of this Section 16 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 16 without the requirement of posting a bond.

16.10 Additional Remedies. The remedies in this Section 16 are in addition to the other rights and remedies available to us and shall not serve as an election of remedies or a waiver of any other rights.

17. TAXES, PERMITS, AND INDEBTEDNESS

17.1 Taxes. You shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by you in the conduct of the Franchised Business. If you are required to deduct any sales tax, gross receipts tax, income tax, withholding tax or similar tax from any payment to us, then, to the extent that we are not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by you shall be increased by such amount as is necessary to make the actual amount received (after such withholding tax and after any additional taxes on account of such additional payment) equal to the amount that we would have received had no tax payment been required, provided that such shortfall is not caused by our negligence in filing the claims, or for reasons that can be solely attributable to us.

17.2 Tax Disputes. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Approved Locations, or any improvements thereon.

17.3 Compliance With Laws. You shall comply with all federal, state, and local laws, rules, and regulations, including employment, labor, and wage and hour laws, tax laws, and local operating regulations. You shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manual, or our other instructions, you shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to us. You acknowledge that laws, rules, regulations and permitting and license requirements vary by jurisdiction. For the avoidance of doubt, you are solely responsible for determining and complying with all laws, rules, regulations, and permitting and licensing requirements applicable to the operation of your Franchised Business under this Agreement.

17.4 Notification of Claims. You shall notify us in writing within three (3) days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within three (3) days of the occurrence of any accident or injury which may adversely affect the operation of the Franchised Business, or the financial condition of you or the Franchised Business, or give rise to liability or a claim against you or us.

18. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

18.1 Independent Contractors. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that you shall be an independent contractor; and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever.

18.2 Identification as Independent Contractor. At all times during the term of this Agreement and any extensions hereof, you shall hold yourself out to the public as an independent contractor operating the business pursuant to a franchise from us.

18.3 No Agency. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall we be liable by reason of any act or omission by you in your conduct of the Franchised Business or for any claim or judgment arising therefrom against you or us.

18.4 Indemnification. You shall, to the fullest extent permissible under applicable law, indemnify and hold us and our affiliates, and each of our respective officers, directors, employees, and agents harmless against any and all claims, obligations, and damages arising directly or indirectly from, as a result of, or in connection with this Agreement, the Franchised Business, your operation of the Franchised Business, your and your employees' actions and inaction, or your breach of this Agreement, including those alleged to be caused by our negligence, as well as the costs, including attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), of defending against them, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by our gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. In the event we incur any costs or expenses, including legal fees (including attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses)), travel expenses, and other charges, in connection with any proceeding involving you in which we are not a party, you shall reimburse us for all such costs and expenses promptly upon presentation of invoices. You acknowledge and agree that your indemnification and hold harmless obligations under this Section 18.4 shall survive the termination or expiration of this Agreement. For the purpose of clarity, your indemnification obligations also include any claims, obligations and damages that arise out of (i) your workmanship or your workmanship warranty (except to the extent arising out of or relating to defective product provided by us), and (ii) any allegation that we are a joint employer or otherwise responsible for your acts or omissions relating to your employees.

19. FORCE MAJEURE

Except as otherwise provided in this Agreement, neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform our or your obligations results from: transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state, or municipal government or any department or agency thereof; compliance with any law; or acts of God. Any delay resulting from any of such causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that such causes shall not excuse payments of amounts owed at the time of such occurrence or payment of fees and all other amounts due to us and our affiliates thereafter. The party whose performance is affected by any of such causes shall give prompt written notice of the circumstances of such event to the other party, but in no event more than five (5) days after the commencement of such event. The notice shall describe the nature of the event and an estimate as to its duration.

20. APPROVALS AND WAIVERS

20.1 Approvals. Whenever this Agreement requires the prior approval or our consent, you shall make a timely written request to us therefor, and such approval or consent must be obtained in writing.

20.2 No Warranties. You acknowledge and agree that we make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

20.3 Waivers. No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by us to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. Subsequent acceptance by us of any payments due to us hereunder shall not be deemed to be a waiver by us of any preceding or succeeding breach by you of any terms, provisions, covenants, or conditions of this Agreement.

21. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid; a recognized overnight delivery service (e.g., UPS, FedEx, etc.); facsimile transmission; e-mail transmission; or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on Exhibit A-1, unless and until a different address has been designated by written notice to the other party. We shall direct all notices under this Section to your Operating Owner, and notices from you to us under this Section shall be sent by your Operating Owner. Notices sent in accordance with this Section shall be deemed effectively given: (i) on the day received if personally delivered; (ii) on the day received if sent by a recognized overnight delivery service, according to the courier's record of delivery; (iii) on the day sent if by facsimile or e-mail, if sent during the party's regular business hours, and on the next business day if sent after the party's regular business hours, provided no error reports or other messages of non-delivery are returned; and (iv) on the 5th (fifth) calendar day after the date mailed by certified or registered mail.

22. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to herein constitute the entire, full, and complete Agreement between us and you concerning the subject matter hereof, and supersede any and all prior or contemporaneous negotiations, discussions, understandings and agreements, no other representations having induced you to execute this Agreement. There are no other oral or written understandings or agreements between us and you, or oral representations by us, or written representations by us (other than those set forth in the Franchise Disclosure Document that we provided to you), relating to the subject matter of this Agreement, the franchise relationship, or the Franchised Business (and any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). However, and notwithstanding the foregoing, nothing in this Franchise Agreement is intended to disclaim any representations made by us in the Franchise Disclosure Document that we furnished to you. Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

23. SEVERABILITY AND CONSTRUCTION

23.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the agreement unless in our reasonable opinion the effect of such determination has the effect of frustrating the purpose of this Agreement, whereupon we shall have the right by notice in writing to the other party to immediately terminate this Agreement.

23.2 No Other Rights. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, us, and such of your and our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 13 above, any rights or remedies under or by reason of this Agreement.

23.3 Enforceability of Covenants. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

23.4 Construction. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. The section headings in this Agreement are for convenient reference only and will be given no substantive or interpretive effect. The words “include” and “including” will be construed to include the words “without limitation.”

23.5 Counterparts. This Agreement may be executed in any number of counterparts each of which when so executed will be an original, but all of which together will constitute one (1) and the same instrument.

23.6 Survival of Provisions. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

24. APPLICABLE LAW AND DISPUTE RESOLUTION

24.1 Governing Law. This Agreement takes effect upon its acceptance and execution by us, and shall be interpreted and construed exclusively under the laws of the State of Arizona, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Arizona choice-of-law rules); provided, however, that if the covenants in Section 16 of this Agreement would not be enforceable under the laws of Arizona, and the Franchised Business is located outside of Arizona, then such covenants shall be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 24.1 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or any other law, rule, or regulation of the State of Arizona to which this Agreement would not otherwise be subject.

24.2 Mediation. Except as otherwise provided in this Section 24.2, before any party may refer any matter to arbitration, the parties must first meet to mediate the dispute. The parties may agree on any mediator and/or mediation service to administer and conduct the mediation. In the event the parties cannot agree on a mediator within thirty (30) days of one (1) party's written request to the other party to mediate a dispute, the party requesting mediation shall submit the dispute to, and any such mediation shall be conducted by, JAMS in accordance with its then-current rules for mediation of commercial disputes. The mediation shall take place in the city and state of our principal place of business at the time the mediation is commenced. Notwithstanding anything to the contrary, this Section 24.2 shall not bar either party from obtaining injunctive relief from a court against threatened conduct under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; this exception includes claims involving the Marks.

24.2.1 The mediation provided for hereunder shall be commenced by the party requesting mediation (the "**complainant**") providing written notice of the request for mediation (the "**request**") to the party with whom mediation is sought (the "**respondent**"). The request shall specify with reasonable particularity the matter or matters on which mediation is sought.

24.2.2 The mediation commenced hereunder shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. Except as required by law, all aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service.

24.3 Arbitration. Except as otherwise provided in this Agreement, any claim, controversy or dispute arising out of or relating to this Agreement, the Franchised Business, or the relationship created by this Agreement, including any claim by you or any of the Principals, concerning the entry into, the performance under, or the termination of this Agreement, or any other Agreement between us, or our affiliates, and you or the Principals, that cannot be amicably settled among the parties or through mediation, shall be referred to arbitration. The parties may agree on any arbitrator experienced in the arbitration of disputes between franchisors and franchisees to administer and conduct the arbitration. In the event the parties cannot agree on an arbitrator within fifteen (15) days of one (1) party's written request to the other party to arbitrate a dispute, the party requesting arbitration shall submit the dispute to, and any such arbitration shall be conducted by the American Arbitration Association ("**AAA**") in accordance with its then-current commercial arbitration rules.

24.3.1 The arbitration provided for hereunder shall be commenced by the party requesting arbitration (the "**claimant**") providing written notice of the demand for arbitration (the "**demand**") to the party with whom arbitration is sought (the "**respondent**"). The demand shall specify with reasonable particularity the matter or matters on which arbitration is sought.

24.3.2 The arbitration shall take place in the city and state of our principal place of business at the time the arbitration is commenced. The award of the arbitrator(s) shall be final, and judgment upon the award rendered in arbitration may be entered in any court having jurisdiction thereof. The arbitrators shall be required to submit written findings of fact and conclusions of law within thirty (30) business days following the final hearing session of the arbitration. The costs and expenses of arbitration including compensation and expenses of the arbitrators, shall be borne equally by the parties or as the arbitrator(s) otherwise determines. Only claims, controversies or disputes involving you or the Principals, and no claims for or on behalf of any individual, entity, class or association may be brought hereunder. A demand for arbitration shall not stay, postpone, or rescind the effectiveness of any termination of this Agreement.

24.3.3 Notwithstanding anything to the contrary contained in this Section 24, either party may file suit in a court of competent jurisdiction for the entry of temporary or preliminary injunctive relief, restraining orders and orders of specific performance, including injunctive relief pertaining to your use of the ReBath System, including our trademarks and service marks.

24.4 Venue. The parties agree that any action brought by you against us in any court, whether federal or state, shall be brought only within such state and exclusively in the judicial district in which we have our principal place of business at the time the action is commenced. Any action brought by us against you in any court, whether federal or state, may be brought within the state and judicial district in which we or you have a principal place of business at the time the action is commenced. The parties agree that this Section 24.4 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. You and your Principals hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. **ANY SUCH ACTION SHALL BE CONDUCTED ON AN INDIVIDUAL BASIS, AND NOT AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION, AND YOU AND YOUR PRINCIPALS WAIVE ANY AND ALL RIGHTS TO PROCEED ON A CONSOLIDATED, COMMON, OR CLASS BASIS.**

24.5 No Exclusive Remedies. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

24.6 Injunctive Relief. Nothing herein contained shall bar our right to obtain injunctive relief against threatened conduct that will cause us harm, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunction.

24.7 **Waiver of Jury Trial. WE AND YOU AND THE PRINCIPALS IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

24.8 **Limitation of Actions. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 24.8, ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE FRANCHISE RELATIONSHIP, OR YOUR OPERATION OF THE FRANCHISED BUSINESS (INCLUDING ANY DEFENSES AND ANY CLAIMS OF SET-OFF OR RECOUPMENT) SHALL BE IRREVOCABLY BARRED UNLESS BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM. CLAIMS ATTRIBUTABLE TO UNDERREPORTING OF SALES, AND CLAIMS OF THE PARTIES FOR FAILURE TO PAY MONIES OWED AND/OR INDEMNIFICATION SHALL BE SUBJECT ONLY TO THE APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS.**

24.9 **Waiver of Damages. WE AND YOU HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY LOST FUTURE PROFITS OR PUNITIVE, EXEMPLARY, CONSEQUENTIAL, OR MULTIPLE DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN US**

EACH SHALL BE LIMITED TO THE RECOVERY ONLY OF DIRECT DAMAGES SUSTAINED BY US OR YOU. NOTWITHSTANDING THIS SECTION 24.9, NOTHING IN THIS AGREEMENT SHALL PREVENT US FROM ENFORCING SECTIONS 1.4 AND 16.2.3.

24.10 Costs and Attorneys' Fees. If either we or you seek to enforce this Agreement in any arbitration, judicial or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel or living expenses) incurred in connection with such judicial or other proceeding.

25. ACKNOWLEDGMENTS

25.1 Acknowledgments. You acknowledge that you have conducted an independent investigation of the business franchised hereunder, recognize that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon your ability, and if you are a corporation or a partnership or other business organization, your owners as independent businesspersons. We expressly disclaim the making of, and you acknowledge that you have not received from us or any employee, representative or other party purporting to act on our behalf, any warranty, promise or guarantee, express or implied, as to the potential sales volume, profits, or success of the business venture contemplated by this Agreement.

25.2 Receipt of Documents. You acknowledge that you received a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days prior to the date on which this Agreement was executed, and with sufficient time within which to review the Agreement, with advisors of your choosing. You further acknowledge that you received the franchise disclosure document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

25.3 Representations and Warranties. You and your Principals represent and warrant to us that: (a) neither you nor any of your Principals have made any untrue statement of any material fact nor omitted to state any material fact in your and their franchise application and other documents and information submitted to us, or in obtaining the rights granted herein; (b) neither you nor any of your Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in your franchise application materials; (c) you and your Principals have a legal right to own and operate the Franchised Business, and the Principal or officer that executes this Franchise Agreement on your behalf has all legal right and authority to execute on your behalf and to legally and contractually bind you; and (d) neither you nor your Principals (i) have been designated as suspected terrorists under U.S. Executive Order 13244; (ii) is identified, either by name or an alias, pseudonym or nickname, on the lists of "**Specially Designated Nationals**" or "**Blocked Persons**" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at www.treas.gov/offices/enforcement/ofac/); (iii) have not violated and will not violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text available at http://www.epic.org/privacy/terrorism/hr3162.html), U.S. Executive Order 13244 (text available at http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html), the Foreign Corrupt Practices Act, or any similar law. You recognize that we approved you in reliance on all of the statements you and your Principals have made in connection therewith, and that you have a continuing obligation to advise us of any material changes in these statements and representations made to us in this Agreement or in the franchise application.

25.4 No Other Obligations. Each party represents and warrants to the others that his/her/its execution of this Agreement and all exhibits and addenda hereto do not violate or breach any other agreement, contract or covenant to which such party is bound, and further represents and warrants to the other parties that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

25.5 No Other Representations. You acknowledge that you shall have sole and complete responsibility for the choice of the Approved Locations; that we have not (and shall not be deemed to have, even by our approval of the sites that are the Approved Locations) given any representation, promise, or guarantee of your success at the Approved Locations; and that you shall be solely responsible for your own success at the Approved Locations.

25.6 Modification of Offers. You acknowledge and agree that we may modify the offer of our franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

25.7 Business Judgment. You understand and agree that we may operate and change the System in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interests of the franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; (2) our decision or the action taken promotes our financial or other individual interest; (3) our decision or the action it takes applies differently to you and one (1) or more other franchisees or our company-owned or affiliate-owned operations; or (4) our decision or the exercise of its right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, us and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

25.8 Consultation. You acknowledge that you have read and understood this Agreement, the exhibits hereto, and agreements relating thereto, if any, and that we have accorded you ample time and opportunity to consult with advisors (including attorneys) of your own choosing about the potential benefits and risks of entering into this Agreement.

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

ReBath, LLC	______________________
Franchisor	Franchisee
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________

RE-BATH
FRANCHISE AGREEMENT
EXHIBIT A-1

Initial Franchise Fee, Royalty, and Other Key Terms

Effective Date: ______________________________

Term: 10 years from the Effective Date

Franchisee Legal Name and DBA (if any): ______________________________

Business Address: ______________________________

Phone Number: __________________________ Fax Number: ______________________________

E-Mail Address: ______________________________

Operating Owner: ______________________________

Population of the Protected Territory ("**Population**"): ______________________________

Initial Franchise Fee: $60,000

Royalty Fees:

Previous Month's Gross Revenues	Royalty Fees
Less than $0.15/Person	5% of Gross Revenues
Greater than or equal to $0.15/Person	4% of Gross Revenues

Minimum Royalty Fees:

Year*	Minimum Royalty Fees Per Month
1*	$575 per month
2	$1,300 per month
3	$2,600 per month
4 and beyond	$3,000 per month

Minimum Local Advertising Requirement:

Year*	Minimum Local Advertising Requirement Per Year*
1*	$.10 per person
2	$.15 per person
3	$.20 per person
4 and beyond	12% of your previous Year's Gross Revenues

The Minimum Local Advertising Requirement set forth above is an annual requirement for Year*.

Advertising Fund Contribution:

Year*	Advertising Contribution Per Month
1*	$275 per month
2	$650 per month
3	$1,300 per month
4 and beyond	$1,500 per month

The Advertising Fund Contribution is a separate requirement from the Minimum Local Advertising Requirement and is not credited toward those expenditures.

Cooperative Contribution (if applicable): Up to 40% of the Minimum Local Advertising Requirement, which amount shall be credited toward the Minimum Local Advertising Requirement.

* As used in the tables above, "**Person**" means an individual in the Population. Following Year 1, "**Year**" refers to our fiscal year, which is currently the same as the calendar year. The duration of "Year 1" will vary depending on when the Grand Opening of your Franchised Business occurs. If your Grand Opening occurs during the first six (6) months of our fiscal year (currently between January 1st and June 30th), "Year 1" for purposes of the tables above will commence on the date of your Grand Opening and will expire at the end of that same fiscal year (currently, the ensuing December 31st). However, if your Grand Opening occurs during the second six (6) months of our fiscal year (currently between July 1st and December 31st), "Year 1" will commence on the date of your Grand Opening and will expire at the end of our subsequent fiscal year. As a result, "Year 1" may be as short as six months (which would occur if the date of your Grand Opening was June 30th), or as long as one year and six months (which would occur if the date of your Grand Opening was July 1st).

Addresses for Notices:

Company: ReBath, LLC
426 N. 44th Street, Suite 410
Phoenix, Arizona 85008
Attention: Legal Department
Facsimile: (480) 833-7199
E-mail: __________________

Franchisee: ___________________________________
____
____
Phone: ___________________________________
Fax: ___________________________________
Attn.: [Operating Owner]

[*Signature Page Follows*]

Our Acknowledgement:	Your Acknowledgement:
Re-Bath, LLC	
Us	You
By:	By:
Name:	Name:
Title:	Title:
Date:	Date:

RE-BATH
FRANCHISE AGREEMENT
EXHIBIT A-2

Protected Territory and Approved Locations

1. The Protected Territory is: ____
____
____
____.

2. The Approved Locations are:

____
____
____
______________________________(Showroom Approved Location).

Initial ________________ Date ________________

____
____
____
______________________________(Warehouse Approved Location).

Initial ________________ Date ________________

____
____
____
______________________________(Office Approved Location).

Initial ________________ Date ________________

[Note: To be completed, updated and executed when Protected Territory and Approved Locations are approved.]

Our Acknowledgement:	Your Acknowledgement:
Re-Bath, LLC________________________	________________________________
Us	You
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title: ____________________________	Title: ____________________________
Date: ____________________________	Date: ____________________________

RE-BATH
FRANCHISE AGREEMENT
EXHIBIT B
SITE SELECTION ADDENDUM

ReBath, LLC "**we**," "**us**" or "**our**") and ___________________________________("**you**" or "**your**") have this ____ day of _____________, 20___ (the "**Effective Date**") entered into a Re-Bath Franchise Agreement ("**Franchise Agreement**") and desire to supplement its terms as set out below in this Site Selection Addendum (the "**Addendum**"). The parties hereto agree as follows:

AGREEMENT

1. **<u>Time to Locate Site</u>**: Within five (5) months after the Effective Date (the "**Search Period**"), You shall acquire or lease, at your expense, commercial real estate that is properly zoned for the use of the business to be conducted by you under the Franchise Agreement (the "**Franchised Business**") at a site consented to us as hereinafter provided. Such location shall be within the following area: _________ ____ ____ (the "**Site Selection Area**"). The Site Selection Area is described solely for the purpose of selecting a site for the Franchised Business. We shall not establish, nor franchise another to establish, a Re-Bath Business operating under the System within the Site Selection Area until we consent to a location for the Franchised Business, or until the expiration of the Search Period, whichever event first occurs. You acknowledge and agree that we shall have no responsibility for, or liability to you for, any site review, analysis, evaluation, or recommendation undertaken by or on behalf of any real estate broker or advisor used or retained by you, even if such broker or advisor is approved or recommended by us. Failure by you to acquire or lease a site for the Franchised Business within the Search Period shall constitute a default under Section 14.2 of the Franchise Agreement and under this Addendum, and either (a) we may terminate the Franchise Agreement and this Addendum, pursuant to the terms of Section 14.2 of the Franchise Agreement, or (b) you may terminate the Franchise Agreement and this Addendum upon thirty (30) days prior written notice to us; provided, however, that the Initial Franchise Fee shall be refunded to you, less the amount of Five Thousand Dollars ($5,000) in consideration for our costs and expenses in providing site selection and other initial services to you.

2. **<u>Site Selection Criteria</u>**: We shall furnish to you suggested site selection criteria and will include our minimum standards for a location for the Franchised Business.

3. **<u>Site Selection Package Submission and Approval</u>**: You shall submit to us, in the form specified by us in the Manual or otherwise in writing, such site approval forms and data that we may specify, which may include a copy of the site plan, financial information, and such other information or materials as we may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We shall have ten (10) days after receipt of a complete site selection package and request for approval and such information and materials as we may request to approve or disapprove the proposed site in writing as the location for the Franchised Business, in our sole discretion. In the event we do not disapprove a proposed site by written notice to you within said thirty (30) days, such site shall be deemed approved by us, provided such site meets our minimum standards as described in Section 3 of this Addendum.

4. **Lease Responsibilities**: Within sixty (60) days of site approval by us, you shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the Lease Riders attached to the Franchise Agreement as Exhibit F. However, we shall not be responsible for review of the Lease for any terms other than those contained in the Lease Riders.

5. **Approved Locations**: After the locations for the Franchised Business are consented to by us pursuant to Section 4 hereof and leased or acquired by you pursuant to Section 5 hereof, the locations shall constitute the Approved Locations described in Section 5.8 of the Franchise Agreement. The Approved Locations shall be specified on Exhibit A-2 to the Franchise Agreement, and shall become a part of the Franchise Agreement. The Protected Territory, as defined under Section 1.2 of the Franchise Agreement, shall be the geographic area thereafter described in Exhibit A-2 to the Franchise Agreement, and shall become a part of the Franchise Agreement. You hereby acknowledge and agree that consent by us of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Consent by us of the site indicates only that we believe the site complies with acceptable minimum criteria established by us solely for its purposes as of the time of the evaluation. Both you and we acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by us of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by us could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of a site approved by us to meet your expectations as to revenue or operational criteria. You further acknowledge and agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on your own independent investigation of the suitability of the site.

6. **Entire Agreement**: This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

ReBath, LLC_____________________________	____
Us	You
By:_____________________________________	By:_____________________________________
Name:___________________________________	Name:___________________________________
Title:___________________________________	Title:___________________________________

RE-BATH
FRANCHISE AGREEMENT
EXHIBIT C
GUARANTEE, INDEMNIFICATION, AND INDIVIDUAL COVENANTS

As an inducement to ReBath, LLC ("**we**," "**us**" or "**our**") to execute the Re-Bath Franchise Agreement between us and _______________ ("**Franchisee**"), dated _________, 20_ (the "**Agreement**"), the undersigned ("**undersigned**," "**you**" or "**your**"), jointly and severally, hereby unconditionally guarantee to us and our successors and assigns that all of your monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by us, the undersigned each hereby jointly and severally agree to immediately make each payment required under the Agreement and waive any right to require us to: (a) proceed against you for any payment required under the Agreement; (b) proceed against or exhaust any security from you; (c) pursue or exhaust any remedy, including any legal or equitable relief, against you; or (d) give notice of demand for payment by you. Without affecting the obligations of the undersigned under this Guarantee, we may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation, or settle, adjust, or compromise any claims against you, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold us harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by you to perform any of your obligations under the Agreement, any amendment thereto, or any other agreement executed by you referred to therein.

The undersigned each hereby jointly and severally acknowledge and agree to be individually bound by all of the covenants contained in Sections 6.3.2, 8, 13, 15, and 16 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Re-Bath" marks or system licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If we are required to enforce this Guarantee in a judicial or arbitration proceeding, and prevail in such proceeding, we shall be entitled to reimbursement of our costs and expenses, including reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs, and expenses, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and interest, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur.

Subject to the obligations and provisions below, each of the undersigned agree that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between us and the undersigned, shall be governed by the provisions of Section 24 of the Agreement. Nonetheless, each of the undersigned agree that we may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Sections 23 and 24 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Arizona. In the event of any conflict of law, the laws of the State of Arizona shall prevail (without regard to, and without giving effect to, the application of Arizona conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed:______________________________________
(In his/her individual capacity)

Name:_______________________________________

Address:_____________________________________
____

(Seal)

Signed:______________________________________
(In his/her individual capacity)

Name:_______________________________________

Address:_____________________________________
____

(Seal)

Signed:______________________________________
(In his/her individual capacity)

Name:_______________________________________

Address:_____________________________________
____

RE-BATH
FRANCHISE AGREEMENT
EXHIBIT D
LIST OF PRINCIPALS AND OWNERSHIP INTERESTS

Effective Date: This Exhibit D is current and complete
as of ________________, 20___

You and Your Principals and Owners

1. Form of your Entity.

(a) Sole Proprietorship. Your owner (is) as follows:

____

(b) Corporation, Limited Liability Company, or Partnership. Your entity was incorporated or formed on ___________________, under the laws of the State of _____________. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and ______________________ __________________________. The following is a list, as applicable, of your partners, directors, officers and/or members as of the effective date shown above:

Name of Each Director/Officer/Member/Manager	Position(s) Held
____	_________________________________
____	_________________________________
____	_________________________________
____	_________________________________
____	_________________________________
____	_________________________________

2. Principals. The following list includes the full name of each person who is one (1) of your owners, or an owner of one (1) of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	Principal's Name/Address/Tax Identification No.	Percentage/Description of Interest
(a)	_________________________________ _________________________________ _________________________________ _________________________________	____________________________________ ____________________________________

(b) ________________________________ ________________________________

(c) ________________________________ ________________________________

(d) ________________________________ ________________________________

3. Operating Owner. Your Operating Owner as of the Effective Date is ____ (must be one (1) of the individuals listed in paragraph 2 above). You may not change the Operating Owner without our prior written approval.

[*Signature Page Follows*]

ReBath, LLC
Us

By:____________________________________

Name:

Title:____________________________________

Dated:____________________________________

You

(If you are taking the franchise as a corporation, limited liability company, or partnership):

____
[Name]

By:____________________________________

Title:____________________________________

Dated**:**____________________________________

(If you are taking the franchise individually and not as a legal entity):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

Operating Owner:

____
[Signature]

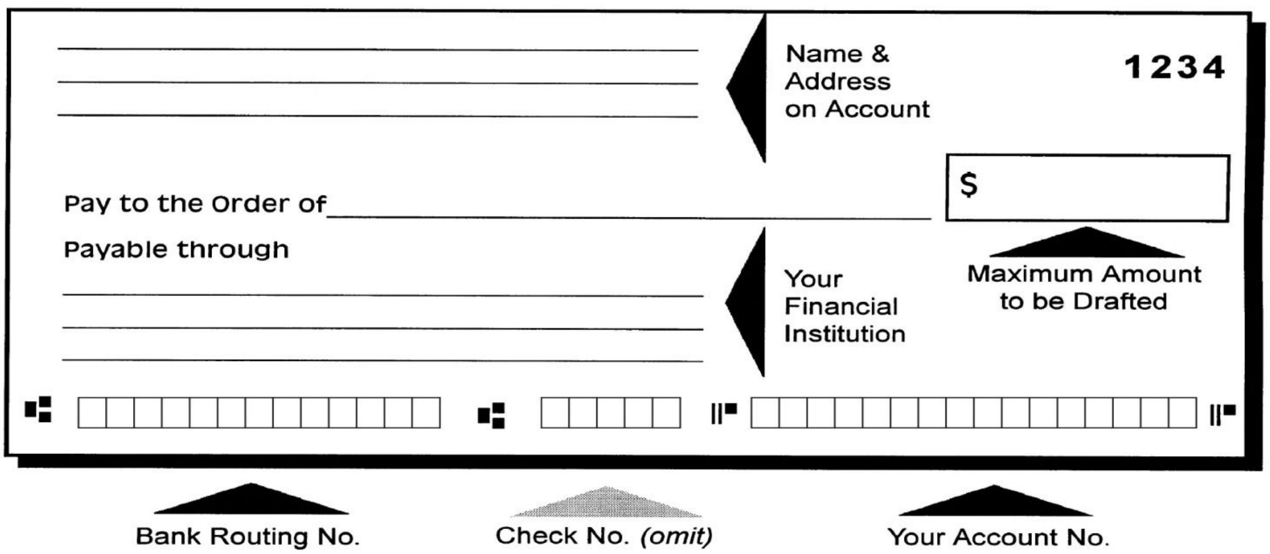
____
[Print Name]

RE-BATH
FRANCHISE AGREEMENT
EXHIBIT E
ACH ORIGINATION AUTHORIZATION

ACH Origination services will not be considered until this application is FILLED OUT COMPLETELY.

Date of Application:_____________________ Business Phone:_______________________
Name of the Company: _____________________________
Contact Person: _____________________________ Title:_____________________________
Full Address: ____

Please complete check with your banking information



I hereby authorize ReBath, LLC, its affiliates and the financial institution named above to initiate entries to my checking/savings account identified above debit my checking/savings account identified above monthly on a day specified from time to time by ReBath, LLC to pay all fees, charges and any other amounts owed pursuant to the terms of the Franchise Agreement, as it may be amended from time to time, entered into with ReBath, LLC (including Royalty Dees, the Advertising Contribution, late fees, interest charges and any other amounts owed) with Royalty Fees and the Advertising Contribution to be in accordance with the monthly sales analysis submitted by me; and, if necessary, to initiate adjustments for any transactions credited in error. These debits are related to the operation of the Franchised Business and the amount of each debit will vary from month to month, to a maximum amount (if any) as set forth in the Franchise Agreement. This authority will remain in effect until I notify you in writing to cancel it in such time as to afford the financial institution a reasonable opportunity to act on such instructions.

FRANCHISEE

By: ___________________________________
Title: _________________________________

This Rider is for the:
☐ Showroom Location
☐ Warehouse Location
☐ Office Location

A separate Lease Rider should be completed for each location.

RE-BATH
FRANCHISE AGREEMENT
EXHIBIT F
LEASE RIDER

THIS LEASE RIDER is made and entered into ________________________, 20__ by and among _________________________ (the "**Landlord**"), ____________________ (the "**Tenant**"), and ReBath, LLC, 426 N. 44th Street, Suite 410, Phoenix, Arizona 85008 ("**Re-Bath**," "**we**," "**us**" or **our**).

RECITALS:

A. This Lease Rider supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated ____________________________________ (the "**Lease**") for the premises situated at the building (the "**Building**") know by street address as ________________________ ____ (the "**Premises**") to be used by the Tenant as part of a Re-Bath Business.

B. This Lease Rider is entered into in connection with Re-Bath's approval of the location of the Premises as a Re-Bath Business and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated _________________, 20__ (the "**Franchise Agreement**").

C. This Lease Rider is intended to make Re-Bath or any party we designate have rights as third party beneficiaries to the Lease and to provide Re-Bath the opportunity to reserve the Premises as a Re-Bath Business under the circumstances set out below.

D. The Landlord agrees that our affiliates shall have the right but not the obligation to 1) cure defaults of Tenant and 2) to assume the Lease of the Premises on the terms, covenants and conditions contained in this Lease Rider.

THE PARTIES HEREBY AGREE:

1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to us copies of any notices of default that are given to the Tenant concurrently with the giving of such notices to the Tenant. If the Tenant fails to cure any defaults within the period specified within the notices, the Landlord shall promptly give to us further written notice ("**second notice**") specifying the defaults that the Tenant has failed to cure. For forty-five (45) days following receipt of the second written notice, we shall have the right, but not the obligation, to a) cure the default, or b) to exercise our right to enter a new Lease on the same terms as apply to the Lease or Deed of Lease by written notice to the Landlord and the Tenant. In the event that we do exercise the right to enter into a new Lease, then the circumstances described in clause 1.2 below shall apply.

1.2 The provisions of this clause 1.2 shall take effect if and when we exercise our rights pursuant to clause 1.1(a) above. We shall begin paying rent upon the Landlord delivering possession of the Premises to us as the case may be.

2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension or renewal of the Lease, and if we shall desire to assume the Lease, we shall promptly give the Landlord written notice to this effect.

3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give us written notice to this effect and we shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If we elect to exercise such right(s) we shall notify the Landlord in writing whereupon we and the Landlord shall promptly execute and exchange an agreement whereby we assume the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease, the Tenant shall, within ten (10) days after written demand by us (at our option), assign all of its right, title and interest in and to the Lease to us. If the Tenant fails to do so within ten (10) days, the Tenant hereby designates us as its agent to execute any and all documents and agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to us executing an assignment of the Lease. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at our written request. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to us. We acknowledge that where we enter into an assignment or sub-letting as referred to in clause 4.4 below we will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guarantee in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to us. We shall have no obligation, as a condition to assume the Lease, to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment. We shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and our reasonable collection costs.

4.3 After we assume the Tenant's interest under the Lease, we may, at any time, sublet the Premises without having to obtain the prior written consent of the Landlord.

4.4 After we assume the Tenant's interest under the Lease, we may, at any time, assign our interest under the Lease to a third party, which may or may not be an operator of a Re-Bath Business, but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, we shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.5 If the Lease or Franchise Agreement is terminated and we fail to exercise our option as described above, the Tenant agrees, upon written demand by us, to de-identify the Premises as a Re-Bath Business and to promptly remove signs, decor and other items which we reasonably request be removed as being distinctive and indicative of a Re-Bath Business. We may enter upon the Premises without being guilty of trespass or tort to effect de-identification and to take possession of any items that are owned by us or our affiliates if the Tenant fails to do so within ten (10) days after receipt of written demand from us, following termination of the Franchise Agreement or Lease. The Tenant shall pay us for our reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to us for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to us pursuant to this clause.

4.6 BY EXECUTING THIS LEASE RIDER TO THE LEASE, WE DO NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL WE EXPRESSLY ASSUME SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE BY EXECUTING A NEW LEASE.

4.7 All notices pursuant to this Lease Rider shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses below or to such other address as any party to this Lease Rider may, either by written notice, instruct that notices be given.

EXECUTED by the parties as follows:

SIGNED by ____________________) as Landlord by its _______________) in the presence of:)	____________________________________ (Name of Signatory) Title: ________________________________
SIGNED by _____________________) as Tenant by its __________________) in the presence of:)	____________________________________ (Name of Signatory) Title: ________________________________
SIGNED by Re-Bath, LLC) by its duly authorized officer in the) presence of:)	____________________________________ (Name of Signatory) Title: ________________________________

Addresses for Notices:

Landlord:

____
____
____

Tenant:

____
____
____
____

RE-BATH
FRANCHISE AGREEMENT
EXHIBIT G
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made this _____ day of _________, 20___, by and between ___________________________ (the "**Franchisee**"), and ___________________________, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the "**Obligee**").

BACKGROUND:

A. ReBath, LLC ("**ReBath**") as the result of the expenditure of significant time, skill, effort and money, has developed a distinctive and proprietary system (the "**System**") for establishing and operating businesses that offer and sell Residential bathroom remodeling services and related products. A "**Residence**" or "**Residential**" refers to a single-family dwelling. The distinguishing characteristics of the System include, among other things: one (1) or more specially-designed buildings or facilities with specially developed equipment, equipment layouts, and signage; distinctive interior and exterior design, décor, color scheme and furnishings, fixtures and other trade dress elements; proprietary products; standards, specifications, policies and procedures for construction, management and operations; product and installation standards, specifications, and techniques; quality, distinctiveness and uniformity of products and services; standards, specifications, and procedures for customer, lead, inventory, sales and financial management and control; customer service and satisfaction standards, policies, and procedures; training and assistance; and advertising and promotional programs all as more particularly described and designated in ReBath's confidential operating manuals and all of which ReBath may change, improve, and further develop at ReBath's option from time to time.

B. ReBath and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate one (1) Re-Bath Business (the "**Re-Bath Business**") and to offer and sell products and services approved by ReBath from vendors approved by ReBath and to use the Marks in connection therewith under the terms and conditions of the Franchise Agreement.

C. The Obligee, by virtue of his or her position with Franchisee, will gain access to certain of ReBath's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. <u>Confidential Information</u>. Obligee shall not, during the term of the Franchise Agreement or thereafter, communicate or divulge to, or use for the benefit of, any other person, persons, partnership, entity, association, or corporation any Confidential Information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Obligee or of which Obligee may be apprised by virtue of the Franchised Business's operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which ReBath designates as confidential shall be deemed confidential for purposes of this Agreement, except information that you can demonstrate by written or other documentary records: (a) was rightfully known to you without restriction on use or disclosure prior to such information's being disclosed or made

available to you in connection with this Agreement; (b) was or becomes generally known by the public other than by you or any of your representatives' noncompliance with this Agreement; (c) was or is received by you on a non-confidential basis from a third party that was not or is not, at the time of such receipt, under any obligation to maintain its confidentiality; or (d) was or is independently developed by you without reference to or use of our Confidential Information.

2. Covenants Not to Compete.

(a) Obligee specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Obligee will receive valuable specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of ReBath and the System.

(b) Obligee covenants and agrees that during the term of Obligee's employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by ReBath, Obligee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Re-Bath Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with ReBath's Marks and the System;

(ii) Employ or seek to employ any person who is at that time employed by ReBath, Franchisee, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Own, maintain, operate, engage in, be employed by, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Obligee covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by ReBath, Obligee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located: (a) at the Approved Locations, (b) within the Protected Territory, (c) within ten (10) miles of the boundary defining the outer limits of the Protected Territory, (d) within a ten (10) mile radius of the Approved Locations, or (e) within the Protected Territory of another authorized ReBath Business. The "**Approved Locations**" are set forth in Exhibit A-2 of the Franchise Agreement.

(d) As used in this Agreement, the term "**Post-Term Period**" shall mean a continuous uninterrupted period equal to the greater of the following, as is then-enforceable under applicable law: (i) two (2) years, (ii) eighteen (18) months, or (iii) one (1) year from the date of: (a) a transfer permitted by ReBath with respect to Obligee; and/or (b) termination of Obligee's employment with, and/or ownership interest in, Franchisee.

3. Injunctive Relief. Obligee acknowledges that any failure to comply with the requirements of this Agreement will cause ReBath irreparable injury, and Obligee agrees to pay all court costs and reasonable attorney's fees incurred by ReBath in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Obligee agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect ReBath's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Obligee agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid. It is the intent of the parties that a court shall enforce the broadest of the above covenants that is geographically and temporally reasonable under the circumstances.

5. Delay. No delay or failure by ReBath or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Jurisdiction, Venue and Choice of Law. This agreement shall be interpreted in accordance with the laws of the state of Arizona. Jurisdiction and venue shall be in the courts of Maricopa County, Arizona or the United States District Court for the District of Arizona, southern division, or the state and county of the residence of the guarantee or the location of the franchise, at our election.

7. Third-Party Beneficiary. Obligee hereby acknowledges and agrees that ReBath is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, Franchisee and the Obligee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this _________ day of _________________, 20___.

FRANCHISEE	OBLIGEE
______________________________	______________________________
By:___________________________	By:___________________________
Name:_________________________	Name:_________________________
Title:__________________________	Title:__________________________

FINANCIAL STATEMENTS AND GUARANTY

EXHIBIT C

Home Brands Group Holdings, Inc.

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditor's Report Thereon)

MAGGART
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Stephen M. Maggart, CPA, ABV, CFF
J. Mark Allen, CPA
Michael T. Holland, CPA, ABV, CFF
M. Todd Maggart, CPA, ABV, CFF
Michael F. Murphy, CPA
P. Jason Ricciardi, CPA, CGMA
David B. von Dohlen, CPA
T. Keith Wilson, CPA, CITP

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Home Brands Group Holdings, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Home Brands Group Holdings, Inc. (a Delaware Corporation) and Subsidiaries ("the Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, consolidated changes in shareholders' equity (deficit), and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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www.maggartpc.com

Auditor's Responsibility, Continued

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home Brands Group Holdings, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nashville, Tennessee
April 5, 2018

Maggart & Associates, P.C.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Balance Sheets

December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,764,597	1,592,907
Trade accounts receivable, net of allowance	3,072,074	3,513,241
Other receivables	521,583	611,655
Inventory	3,409,740	3,855,817
Prepaid expenses and other assets	516,281	539,345
Notes receivable - trade, current	126,560	307,180
Total current assets	10,410,835	10,420,145
Property and equipment, net	1,338,926	774,831
Notes receivable trade, non-current, net of allowance	319,219	437,176
Intangible assets, net	407,215	463,234
Total assets	$ 12,476,195	12,095,386
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,140,483	1,532,091
Accrued expenses	6,529,918	6,477,204
Other liabilities	488,467	360,247
Deferred tax liability	982,941	982,941
Notes payable, current	862,500	1,616,789
Other liabilities held for sale	-	21,554
Total current liabilities	10,004,309	10,990,826
Non-current liabilities:		
Notes payable, non-current, net of origination fees	26,684,054	27,070,746
Preferred stock repurchase note payable	400,000	-
Total liabilities	37,088,363	38,061,572
Shareholders' equity (deficit):		
Series A Convertible Preferred stock, par value $0.001 per share, 51,935,000 shares authorized, 45,661,514 and 51,933,369 issued and outstanding, respectively, (issued and outstanding shares include 3,402,900 and 5,107,260 shares of unvested restricted shares, respectively)	45,662	51,933
Common stock, par value $0.001 per share, 51,935,002 shares authorized, no shares issued or outstanding	-	-
Additional paid-in capital	37,657,436	37,651,165
Accumulated deficit	(62,315,266)	(63,669,284)
Total shareholders' equity (deficit)	(24,612,168)	(25,966,186)
Total liabilities and shareholders' equity (deficit)	$ 12,476,195	12,095,386

See accompanying notes to consolidated financial statements.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Statements of Income

For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues:		
Commercial revenue	$ 27,558,776	24,805,058
Franchise fees	229,903	202,300
Royalties	5,739,758	5,590,939
Rebates	1,693,501	1,187,093
Other revenue	175,254	241,520
Total revenue	35,397,192	32,026,910
Cost of goods sold:		
Material cost	14,684,370	13,183,000
Manufacturing cost	5,362,460	4,870,717
Depreciation and amortization of property, plant and equipment	99,912	1,050,401
Total cost of goods sold	20,146,742	19,104,118
Gross profit from operations	15,250,450	12,922,792
General and administrative expense	7,766,125	6,907,156
Depreciation and amortization	310,313	360,902
Operating profit	7,174,012	5,654,734
Other income (expense):		
Interest expense, including amortization of loan fees	(4,402,870)	(4,088,796)
Management fees	(500,000)	(500,000)
Interest income	35,147	39,181
Miscellaneous	(509,217)	(308,335)
Net earnings from continuing operations	1,797,072	796,784
Discontinued operations:		
Gain (loss) from operations of discontinued component	(16,809)	12,172
Gain on disposal of discontinued component	273,755	-
Net earnings	$ 2,054,018	808,956

See accompanying notes to consolidated financial statements.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the Years Ended December 31, 2017 and 2016

	Series A Convertible Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance December 31, 2015	$ 47,188	-	37,655,910	(64,478,240)	(26,775,142)
Issuance of restricted stock	4,745	-	(4,745)	-	-
Net income	-	-	-	808,956	808,956
Balance December 31, 2016	51,933	-	37,651,165	(63,669,284)	(25,966,186)
Forfeiture of restricted stock	(1,147)	-	1,147	-	-
Repurchase of Series A Convertible Preferred Stock	(5,124)	-	5,124	(700,000)	(700,000)
Net income	-	-	-	2,054,018	2,054,018
Balance December 31, 2017	$ 45,662	-	37,657,436	(62,315,266)	(24,612,168)

See accompanying notes to consolidated financial statements.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash collected on sales, franchise fees and royalties	$ 37,073,057	31,619,740
Cash paid to vendors and employees	(28,907,222)	(25,545,414)
Interest received	35,147	39,181
Interest paid	(3,538,217)	(2,954,918)
Net cash provided by operating activities - continuing operations	4,662,765	3,158,589
Net cash used in operating activities - discontinued operations	(38,363)	(24,639)
Net cash provided by operating activities	4,624,402	3,133,950
Cash flows from investing activities:		
Purchase of property and equipment	(974,320)	(298,349)
Purchase of manufacturing and distribution rights	(25,729)	(288,234)
Net cash used in investing activities	(1,000,049)	(586,583)
Cash flows from financing activities:		
Repayment of notes payable, net of advances	(2,000,000)	(2,000,000)
Loan fees incurred with refinance of debt	(252,663)	(746,921)
Repurchase of restricted stock	(200,000)	-
Net cash used in financing activities	(2,452,663)	(2,746,921)
Net increase (decrease) in cash	1,171,690	(199,554)
Cash and cash equivalents, beginning of period	1,592,907	1,792,461
Cash and cash equivalents, end of year	$ 2,764,597	1,592,907

See accompanying notes to consolidated financial statements.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Statements of Cash Flows, Continued

For the Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of net loss to net cash provided by operating activities:		
Net earnings	$ 2,054,018	808,956
Loss (gain) from discontinued operations	16,809	(12,172)
Adjustments to reconcile net loss to net cash provided by operating activities - continuing operations:		
Depreciation and amortization	1,021,463	1,569,538
Interest paid in kind	582,192	620,927
Increase (decrease) in allowance for doubtful accounts	(846,049)	266,260
Decrease (increase) in accounts receivable	1,015,384	(76,608)
Decrease (increase) in other receivables	90,072	(474,340)
Decrease in notes receivable - trade	570,409	143,778
Decrease (increase) in prepaids and other assets	23,064	(41,789)
Decrease in inventory	397,391	258,763
Decrease (increase) in inventory reserve	48,686	(158,219)
Increase (decrease) in accounts payable and accrued expenses	(438,894)	569,669
Increase (decrease) in other liabilities	128,220	(316,174)
Cash provided by operating activities - continuing operations	4,662,765	3,158,589
Cash used in operating activities - discontinued operations	(38,363)	(24,639)
Net cash provided by operating activities	$ 4,624,402	3,133,950

See accompanying notes to consolidated financial statements.

(1) ***Organization***

Effective December 30, 2009 ("date of inception"), Home Brands Group Holdings, Inc. (formerly named AmBath/ReBath Holdings, Inc.) acquired a 100% interest in AmBath/ReBath, LLC through a series of transactions. AmBath/ReBath, LLC owned 100% of AmBath, LLC and ReBath, LLC. Effective January 1, 2011, AmBath, LLC and ReBath, LLC were combined into a single reporting entity, ReBath, LLC (AmBath, LLC remained open but inactive). Effective January 1, 2011 AmBath/ReBath, LLC was merged into ReBath, LLC. The Company acquired a 100% ownership in 5 Day Kitchens, LLC during the year ended December 31, 2011. During 2012 the Company opened a 100% owned subsidiary, Home Brands Group, LLC.

Effective January 1, 2014, the Company executed a corporate reorganization to align with its expansion of franchise services. Under the terms of the reorganization AmBath/ReBath Holdings, Inc. was renamed to Home Brands Group Holdings, Inc. (HBG). Home Brands Group, LLC and AmBath, LLC were 100% owned subsidiaries of HBG. The two franchise companies, ReBath, LLC and 5 Day Kitchen, LLC became 100% owned subsidiaries of Home Brands Group, LLC. In addition, the manufacturing business previously conducted within ReBath, LLC was transferred to AmBath, LLC. The transactions were accounted for as reorganizations under generally accepted accounting principles. As part of the transaction, AmBath, LLC was renamed to Agile Building Solutions, LLC.

In 2016, the Company committed to terminate the operations of 5 Day Kitchens, LLC (see Note 12). Management completed the termination process in 2017 at which time 5 Day Kitchens, LLC was no longer operated by the Company.

(2) ***Overview of Business***

(a) ***Nature of Operations***

ReBath, LLC is a franchising company which services a network of franchised dealerships specializing in the sale and installation of bathroom remodeling products to primarily residential customers. The franchised dealerships operate throughout the United States. ReBath, LLC also is the sole supplier of certain bathtub, shower liner wall systems and other bathroom related retrofit products to ReBath, LLC's franchised dealerships.

Agile Building Solutions, LLC manufactures and purchases products related to the redesign of bathrooms and kitchens. These products are sold to a commercial installer and to ReBath, LLC and 5 Day Kitchen, LLC for distribution to their franchise dealerships. Agile Building Solutions, LLC also sells products to builders and certain distributors.

(2) *Overview of Business, Continued*

(b) *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

(3) *Summary of Significant Accounting Policies*

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the industry. The following is a brief summary of the more significant policies.

(a) *Cash and Cash Equivalents*

The Company considers all highly liquid temporary cash investments with low investment risk to be cash equivalents. The Company does periodically maintain cash balances with a Bank in excess of the Federally insured limit. As of December 31, 2017, the Company had cash balance of $2,558,891 in excess of Federally insured limits.

(b) *Receivables and Allowance for Doubtful Accounts*

The Company recognizes receivables in accordance with generally accepted accounting principles. Management periodically reviews receivables for impairment and will write-off or provide adequate allowance for the doubtful accounts identified. Generally accounts are charged off when management believes all collection efforts have been exhausted. Accounts are considered past due after 30 days and once past due 90 days, all orders will be held for cash payment only.

The provision for doubtful accounts represents a charge to earnings necessary, after charge-offs of specifically identified accounts and recoveries of previously charged-off accounts, to maintain an allowance for doubtful accounts at an appropriate level which is adequate to absorb estimated losses inherent in the recorded receivable balances.

Trade accounts receivable are composed of the following accounts:

	2017	2016
Trade receivables	$ 3,312,883	4,328,268
Allowance for doubtful accounts	(240,809)	(815,027)
Net trade accounts receivable	$ 3,072,074	3,513,241

(3) Summary of Significant Accounting Policies, Continued

(c) Inventories

Inventories consist primarily of raw materials, work-in-process, and finished goods and are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out weighted average method, and market represents the lower of replacement cost or estimated net realizable value.

(d) Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation and amortization for financial reporting purposes is computed on the straight-line method over the estimated useful lives of the depreciable assets. Depreciation and amortization is computed on improvements for the benefit of leases over a period not exceeding the remaining life of the related lease. Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts.

(e) Intangible Assets and Amortization

FASB ASC 350, "Intangibles - Goodwill and Other" requires that management determine the allocation of intangible assets into identifiable groups at the date of acquisition and appropriate amortization periods be established. In accordance with GAAP management has identified the following groups of intangible assets and assigned the following amortization periods on a straight-line basis.

	Amortization Period
Intellectual and trade property	10 years
Bank fees	3-5 years

Also, the Company accounts for goodwill in accordance with ASU 2014-02, Accounting for Goodwill (Topic 350) and goodwill is being amortized on a straight-line basis over 10 years. An annual impairment evaluation is not necessary unless a triggering event has occurred to warrant the need to assess qualitative factors based on the relevant facts and circumstances. No triggering events were identified by the Company for the year ended December 31, 2017.

(f) Income Taxes

The Company accounts for Income Taxes in accordance with Income Tax Accounting Guidance ("FASB ASC 740"). The Company adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

(3) Summary of Significant Accounting Policies, Continued

(f) Income Taxes, Continued

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is "more likely than not", based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more likely than not" means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the "more-likely-than-not" recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the "more-likely-than-not" recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is "more likely than not" that some portion or all of a deferred tax asset will not be realized.

It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

(g) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, including accounts receivable and inventory valuations, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term relate to determination of allowance for doubtful accounts, the valuation allowance related to deferred taxes, allowance for excess and obsolete inventory and estimated earnings on uncompleted contracts. Estimates related to the intangible assets are also subject to significant change.

(h) Advertising Expense

The Company primarily expenses advertising and marketing costs as incurred with the exception of promotional items, which are capitalized and expensed as utilized. For the years ended December 31, 2017 and 2016, advertising and marketing expense totaled $497,348 and $695,199, respectively.

(3) Summary of Significant Accounting Policies, Continued

(i) Restriction of Cash Balances

The Company entered into a compensating balance agreement with a financial institution which restricts the withdrawal of pledged collateral. The Company maintained a compensating balance of $210,000 and $92,000 at December 31, 2017 and 2016, respectively.

(j) Revenue Recognition

Initial franchise fees are considered fully earned when received by the Company or, if applicable, when a promissory note is signed, which is when the Company has performed substantially all initial services required by the franchise agreement. Generally, franchise fees are nonrefundable unless specifically addressed in the individual franchise agreement. All franchisees pay the same initial franchise fee unless one or more applicable discounts are applied. The initial fee is a combination of a fixed fee plus a population charge.

Renewal franchise fees are recognized as revenue when the agreements are signed and the fee is paid since there are no material services and conditions related to the renewal franchise fee.

Franchisees are required to pay monthly royalty fees. Royalty fees are equal to the greater of the royalty fee or the minimum royalty fee. Royalty fees are calculated by multiplying the applicable royalty fee percentage by the total monthly gross sales, as reported by each franchisee. Minimum royalty fees are calculated by multiplying the population in the territory by the applicable amounts per person per month.

The change in ReBath, LLC's franchised and company-owned outlets were as follows:

	2017	2016
System-wide outlets:		
Franchised outlets - beginning of year	114	117
Franchises opened	7	12
Franchises closed	(17)	(13)
Net consolidation of franchised outlets	-	(2)
Franchised outlets - end of year	104	114
Company-owned outlets - end of year	-	-
Total system-wide outlets	104	114

As discussed at Note 1, 5 Day Kitchens, LLC terminated all franchise agreements during 2016 and 2017.

(3) Summary of Significant Accounting Policies, Continued

(k) Subsequent Events

The Company adopted the provisions of FASB ASC 855, "Subsequent Events". FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of FASB ASC 855 did not impact our financial statements. We evaluated all events or transactions that occurred after December 31, 2017, through April 5, 2018, the date we issued these financial statements. On March 30, 2018, the Company refinanced its outstanding debt obligations (see Note 8).

(4) Notes Receivable - Trade

In the normal course of business the Company extends credit to new franchises to fund franchise fees. The Company may terminate its dealer agreement with the franchisee in the event of default.

Trade notes are composed of the following:

	2017	2016
Notes receivable - trade	$ 525,266	1,095,674
Allowance for notes receivable	(79,487)	(351,318)
	445,779	744,356
Current portion	126,560	307,180
Non-current portion	$ 319,219	437,176

(5) Inventories

A summary of inventory at December 31, 2017 and 2016 is as follows:

	2017	2016
Raw materials	$ 1,082,721	1,005,535
Finished goods	2,327,019	2,850,282
	$ 3,409,740	3,855,817

(5) *Inventories, Continued*

Due to the nature of the operations there is minimal work in process. As of December 31, 2017 and 2016 finished goods inventory consisted of the following:

		2017	2016
Raw materials	$	1,899,182	2,315,278
Labor and overhead		427,837	535,004
	$	2,327,019	2,850,282

(6) *Property and Equipment*

A summary of property and equipment at December 31, 2017 and 2016 is as follows:

		2017	2016
Molds	$	7,503,094	7,484,166
Leasehold improvements		914,164	561,498
Machinery and equipment		2,068,515	1,660,177
Furniture, fixtures and office equipment		2,957,512	2,763,125
Automobiles and delivery equipment		129,181	129,181
		13,572,466	12,598,147
Less accumulated depreciation and amortization		(12,233,540)	(11,823,316)
	$	1,338,926	774,831

Depreciation expense totaled $410,225 and $1,411,303 for the years ended December 31, 2017 and 2016, respectively.

(7) *Intangible Assets and Goodwill*

During 2016, the Company wrote off the remaining intangible assets related to the 5 Day Kitchens, LLC acquisition in conjunction with the decision to discontinue operations (see Note 12). The total write off and amortization totaled $514,222 for the year ended December 31, 2016.

In conjunction with the Forzastone acquisition (see Note 13) the Company recognized $288,234 of goodwill. During the year ended December 31, 2017, the Company added additional net costs of $25,730 related to the final settlement of the acquisition. As permitted under generally accepted accounting principles, the Company has elected to amortize the goodwill on a straight line basis over 10 years.

(7) Intangible Assets and Goodwill, Continued

The following is a summary of intangible assets at December 31, 2017 and 2016:

Intangible Assets:

	Gross Carrying Amount	Accumulated Amortization	Net
2017:			
Intangible asset subject to amortization:			
Goodwill related to Forzastone acquisition (see Note 13)	$ 313,964	(31,749)	282,215
Private label manufacturing and supply agreement (see Note 21)	250,000	(125,000)	125,000
Loan origination fees (1)	999,584	(637,725)	361,859
	$ 1,563,548	(794,474)	769,074

(1) In accordance with ASU 2015-03, debt issuance costs are to be netted against the related notes for presentation in the financial statements. Debt issuance net costs as of December 31, 2017 and 2016 are netted against the related outstanding debt in the accompanying balance sheet.

	Gross Carrying Amount	Accumulated Amortization	Net
2016:			
Intangible asset subject to amortization:			
Goodwill related to Forzastone acquisition (see Note 13)	$ 288,234	-	288,234
Private label manufacturing and supply agreement (see Note 21)	250,000	(75,000)	175,000
Loan origination fees	3,803,129	(3,164,444)	638,685
	$ 4,341,363	(3,239,444)	1,101,919

Amortization of intangibles will be as follows: 2018 - $440,085, 2019 - $81,749, 2020 - $56,749 and 2021 - $31,749, and 2022 and thereafter $158,742.

(8) *Long-Term Notes Payable*

As part of the original acquisition, Home Brands Group Holdings, Inc. incurred certain indebtedness. The indebtedness is comprised of the following:

	2017	2016
Term Loan B - Interest payable monthly plus a portion to be added to principal. Matures August 31, 2018, secured by all assets of the Company.	$ 21,736,662	23,516,328
Term Loan C - Bearing interest at LIBOR + 3.5% payable monthly. Matures August 31, 2018, secured by all assets of the Company and shareholder escrow funds and letters of credit.	5,809,892	5,809,892
	27,546,554	29,326,220
Current portion	862,500	2,000,000
Non-current portion	$ 26,684,054	27,326,220

Non-current debt is reflected net of debt issuance costs of $361,859 associated with the refinance of debt for financial statement purposes.

Restructuring and Amendments:

The Company restructured its debt under an Amended and Restated Credit Agreement dated May 1, 2012 (as amended on September 25, 2013) ("the Credit Agreement"). Under the Credit Agreement the terms of the notes are amended as follows:

Term Loan B

As of the closing of the Credit Agreement total outstanding principal on Term Loan B totaled $23,428,458. Interest accrues at 15% of which 12.5% is paid in cash and 2.5% is added to the principal balance of the loan through maturity with any accrued interest not paid added to the principal balance of the loan. The Company is permitted to pay the excess interest. No additional borrowings are available under this loan. This loan was paid in full subsequent to year end as discussed below.

Restructuring and Amendments:

The Company restructured its debt under an Amended and Restated Credit Agreement dated May 1, 2012 (as amended on September 25, 2013) ("the Credit Agreement"). Under the Credit Agreement the terms of the notes are amended as follows:

(8) Long-Term Notes Payable, Continued

Term Loan C

As of the closing date of the Credit Agreement total outstanding principal on Term Loan C totaled \$5,809,892. Interest on Term Loan C accrues at LIBOR plus 3.5%. Interest and principal are not payable until the maturity at which time they are due in full. Interest not paid will not be added to the principal balance; however, interest does not accrue on capitalized interest. Term Loan C is subordinate to Term Loan B. Interest accrued but not paid as of December 31, 2017 totaled \$1,362,923. This loan was paid in full subsequent to year end as discussed below.

In conjunction with the refinancing the Company has agreed to pay the lender \$1,500,000 in fees that are due when the notes are repaid in full or certain events of default occur. These fees were amortized over the original life of the loan. This fee was paid in conjunction with the refinancing discussed below. In addition, the Company issued 4,668,788 shares of Series A Convertible Preferred Stock to the lender in connection with the refinancing. The shares were determined to have no value at the time of issuance thus no discount has been applied to the notes related to the value of the equity. The shares were repurchased for \$2,048,000 subsequent to year end in conjunction with the refinancing discussed below.

Effective March 31, 2016, the Company executed a Third Amendment to Second Amended Restated Credit Agreement (the Third Amendment). Under the Third Amendment the maturity date was extended to August 31, 2017 and included an initial amendment fee of \$250,531. In addition, the Company is required to make \$500,000 quarterly principal payments on the Term B loan commencing April 1, 2016 until the loan is paid in full. The Company was required to pay an additional fee of \$470,327 on December 30, 2016. These fees are being amortized over the life of the extended loan maturity. These fees were fully expensed subsequent to year end in conjunction with the refinancing discussed below.

Subsequent Refinancing

Senior Loans and Commitments

On March 30, 2018 the Company executed a credit agreement with a lead bank (the Credit Agreement). Under the terms of the Credit Agreement the Company entered into a \$23,000,000 term loan, \$3,000,000 revolving loan and \$1,000,000 letter of credit commitment. The interest rates on these borrowings can vary based on the Company's choice of a base rate loan which is the higher of the prime rate, federal funds rate plus .5% or the Eurodollar rate plus 1% plus 2.5% or a Eurodollar loan which is LIBOR plus 4% as defined in the Credit Agreement.

(8) Long-Term Notes Payable, Continued

Subsequent Refinancing, Continued

Senior Loans and Commitments, Continued

Principal payments on the term loans are due quarterly at the rate of $287,500 beginning on June 30, 2018 with any remaining unpaid principal or interest due on March 30, 2023. In addition, 50% of any excess cash flow as defined in the Credit Agreement is required to be paid annually. The excess cash flow requirement reduces to 25% when certain financial ratios are obtained.

The revolving loan has a non-use fee of .50% and the letter of credit has a non-use fee of .25%.

The agreements are secured by virtually all assets of the Company and include varying covenant requirements.

In addition, the Credit Agreement contains certain restrictions and payment requirements in the event of equity and financing transactions.

Subordinate Loan

Concurrently on March 30, 2018, the Company entered into a Note Purchase Agreement ("the NPA") to borrow $9,900,000. The note bears interest at 13%. The Company has the option to defer payment of any interest in excess of 11%, the amount of which will be added to the note principal balance and subject to interest; however, the Senior Loan Agreement contains certain restrictions on paying the excess interest and it is thus being added to the loan balance. The note and interest is due in full on March 30, 2024. The Company may prepay the loan in full only and is subject to certain prepayment fees as defined in the NPA if prepaid prior to March 30, 2021. The NPA contains various negative and positive covenants including restrictions on certain management fees. The loan is guaranteed by the Company and its subsidiaries. In conjunction with the issuance of the subordinate debt, the lender purchased 4,668,786 shares of Series A Convertible Preferred stock for $2,048,000.

(8) Long-Term Notes Payable, Continued

Subordinate Loan, Continued

A summary of the use of proceeds of the term loan and subordinated loan are summarized as follows:

	In Thousands
Proceeds from term loan	$ 23,000
Proceeds from subordinated loan	9,900
Proceeds from issuance of equity	2,048
Pay-off Term Loan - B, including interest and fees	(23,959)
Pay-off Term Loan - C, including principal and interest	(7,247)
Payment of accrued management fees to shareholders/ shareholder affiliates	(2,625)
Payoff restricted stock purchase note, including interest	(410)
Repurchase shares from prior lender	(2,048)
Loan origination fees to lenders	(718)
Refinance fee to shareholder	(493)
Legal and transaction fees	(457)
Amount paid from Company funds	$ (3,009)

Future minimum payments due under the new notes are as follows:

2018	$ 862,500
2019	1,150,000
2020	1,150,000
2021	1,150,000
2022	1,150,000
Thereafter	27,437,500

(9) Acquisition Note Payable

The Company purchased 5-Day Kitchen in return for a note payable of $857,038. The note payable assumes a 5% interest rate. During the year ended December 31, 2016, the note payable was forgiven with the discontinuance of 5 Day Kitchens, LLC's operations. See further details at Note 12.

(10) Restricted Stock Repurchase Note Payable

Effective June 16, 2017, the Company entered into an agreement to repurchase 5,124,278 Series A Convertible Preferred Stock shares from a former executive officer. The Company paid a total of $700,000 for the shares, which included $200,000 cash payment at the note closing, $100,000 cash payment made on January 2, 2018 and entered into an unsecured, subordinated note payable for the remaining $400,000. The note payable has an interest rate of 3% compounded quarterly. Principal payments of $75,000 per year are to be made beginning on January 1, 2019 with an additional $100,000 due on January 1, 2020 along with any unpaid interest. The note was paid in full with the proceeds of the refinancing discussed in Note 8.

(11) Income Taxes

The components of the net deferred income tax liability at December 31, 2017 and 2016 were as follows:

		2017	2016
Deferred tax asset:			
Federal	$	4,521,677	8,266,906
State		1,620,673	1,830,119
		6,142,350	10,097,025
Deferred tax liability:			
Federal		(52,947)	(84,490)
State		(18,978)	(18,704)
		(71,925)	(103,194)
Net deferred taxes		6,070,425	9,993,831
Valuation allowance		(7,053,366)	(10,976,772)
Net deferred liability	$	(982,941)	(982,941)

The tax effects of each type of significant item that gave rise to deferred taxes are:

		2017	2016
Financial statement allowance for bad debts in excess of tax allowance	$	84,975	450,442
Excess of depreciation deducted for tax purposes over the amounts deducted in the financial statements		(53,521)	(69,522)
Net operating loss carryforwards		3,609,317	5,311,841
Goodwill deductible for tax not book		1,673,947	2,814,409
Accrued management fees		696,413	1,158,610
Other		59,294	328,051
Valuation allowance		(7,053,366)	(10,976,772)
	$	(982,941)	(982,941)

(11) Income Taxes, Continued

The components of income tax expense (benefit) are summarized as follows:

	2017	2016
Current:		
Federal	$ 23,999	490,078
State	5,313	105,857
	29,312	595,935
Deferred:		
Federal	3,425,110	(213,555)
State	145,834	(44,641)
	3,570,944	(258,196)
Actual tax expense (benefit)	3,600,256	337,739
Valuation allowance	(3,600,256)	(337,739)
Total tax expense	$ -	-

A reconciliation of actual income tax expense in the financial statements to the "expected" tax expense (computed by applying the statutory Federal income tax rate of 34% to earnings before income taxes) is as follows:

	2017	2016
Computed "expected" tax expense (benefit)	$ 698,366	275,045
State income taxes, net of effect of Federal income taxes	99,757	40,402
Valuation allowance	(3,600,256)	(337,739)
Effect of change in enacted tax rate	2,766,356	-
Other	35,777	22,292
Actual tax expense	$ -	-

In December 2017, the Tax Cuts and Jobs Act was enacted resulting in a reduction in corporate Federal income tax rates to 21%. Under generally accepted accounting principles, the effect of a tax change on deferred taxes is to be recognized in the year of enactment. As such, the Company recognized $2,527,202 write-down to its net deferred tax assets in 2017.

(11) Income Taxes, Continued

The Company has adopted FASB ASC 740. Based on management's assessment it was determined the Company had no significant uncertain tax positions and, therefore, no provision has been provided in the accompanying financial statements for tax positions. In addition, there was no significant interest or penalties incurred or paid in the year ended December 31, 2017 and 2016 related to taxation issues. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service generally for four years (currently 2017, 2016, 2015 and 2014) from the date a return is filed or longer under limited circumstances. State and local income tax are generally subject to tax examinations for three to five years and up to eight years in limited circumstances. Net operating losses are set to begin expiring in 2030.

(12) Discontinued Operations

During 2016, the Company made the decision to discontinue the operations of 5 Day Kitchens, LLC. As part of the decision to discontinue operations, an outstanding note with a balance of $673,716 was forgiven and an intangible asset associated with the original purchase of the Company was written off totaling $449,944. Management obtained termination and release agreements with existing franchisees during 2016 and 2017.

The results of 5 Day Kitchens, LLC is disclosed under discontinued operations in the consolidated statement of operations and the assets and liabilities held for sale are included in the consolidated balance sheet.

Reconciliation of the carrying amounts of major classes of assets and liabilities of the discontinued operations that are disclosed in the notes to financial statements to total assets and liabilities of the disposed group classified as held for sale that are presented separately in the consolidated balance sheets.

	2017 5 Day Kitchens, LLC	2016 5 Day Kitchens, LLC
Carrying amount of major classes of assets included as part of discontinued operations:		
Cash	$ -	-
Trade accounts receivable, net of allowance	-	-
Other receivables	-	-
Notes receivable-trade, net of allowance	-	-
Intangible assets	-	-
Total assets of the disposal group classified as held for sale in the consolidated balance sheets	$ -	-

(12) ***Discontinued Operations, Continued***

	2017 5 Day Kitchens, LLC	2016 5 Day Kitchens, LLC
Carrying amounts of major classes of liabilities included as part of discontinued operations:		
Accounts payable	$ -	797
Accrued expenses	-	19,909
Acquisition note payable	-	-
Other liabilities	-	848
Total liabilities of the disposal group classified as held for sale in the consolidated balance sheets	$ -	21,554

Reconciliation of the major classes of line items constituting net loss of discontinued operations that are disclosed in the notes to financial statements that are presented in the consolidated statements of operations.

	2017 5 Day Kitchens, LLC	2016 5 Day Kitchens, LLC
Major classes of the items constituting gain (loss) of discontinued operations:		
Franchise fees	$ -	-
Royalties	-	43,388
Other revenue	-	-
General and administrative expenses	(16,809)	(201,874)
Depreciation and amortization	-	-
Interest expense	-	-
Interest income	-	11,165
Miscellaneous ([1])	273,755	159,493
Total gain (loss) on discontinued operations that is presented in the consolidated financial statement of operations	$ 256,946	12,172

([1]) Included in 2016 miscellaneous 5 Day Kitchen, LLC is a $673,716 gain on debt extinguishment and combined markdown and accelerated amortization of $514,222.

(13) Acquisitions

In December, 2016 the Company acquired certain assets of Forzastone, LLC. The purchase was accounted for under the acquisition method of accounting summarized as follows:

Purchase consideration	$	570,369
Assignment of Purchase Price:		
Inventory	$	282,135
Goodwill		288,234
Total	$	570,369

Goodwill includes certain intangible assets including but not limited to (customer information, internet domain names, marketing data and website addresses). The Company has elected to account for the acquisition under ASU 2014-18 and as such has included all customer related intangible assets that are not capable of being sold or licensed separately from other assets as part of goodwill. As required, the Company has also adopted ASU 2014-02 which requires the amortization of goodwill as discussed in Note 3.

The final allocation of purchase price will be adjusted based on the sale of certain inventory assumed. This settlement period was completed in 2017 at which time an additional net costs of $25,730 were added resulting in a final goodwill number of $313,964.

(14) Series A Convertible Preferred Stock

The Company has issued 49,705,503 shares of its Series A Convertible Preferred Stock ("Preferred Stock"). The Preferred Stock is voting, cumulative and perpetual. Each share of Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which such shares of Preferred Stock is convertible. The holders of the Preferred Stock are also entitled to receive a cumulative dividend at a rate of 8% per share of Preferred Stock on the sum of (a) the original issue price and (b) all accumulated unpaid dividends accrued thereon, per annum, which dividends shall accrue daily in arrears and be compounded quarterly, whether or not the dividends are declared by the Board of Directors. During 2017 the Company amended its certificate of incorporation. Under the amendment, the authorized number of preferred stock shares were increased to 51,935,000 all of which is designated as Series A Convertible Preferred stock. The Company also amended its Certificate of Incorporation to state that all dividends are to be paid on a pro rata basis to all series of stock on an as-if-converted basis.

(14) Series A Convertible Preferred Stock, Continued

The Company has authorized 50,000,000 shares of Common Stock of which 40,775,000 shares have been designated as Common Stock and 9,225,000 shares have been designated as Class A Common Stock ("Class A"). These two classes of shares are entitled to the same rights and privileges except for voting rights. Common Stock has the same voting rights as Preferred Stock; however, no voting rights exists for Class A shares except to the extent otherwise required under applicable State laws. The Class A shares were designated for issuance in conjunction with the stock options (see Note 13). No Class A shares have been issued as of December 31, 2017. During 2016, the Company amended its certificate of incorporation to increase the authorized number of common stock shares to 61,160,002 consisting of 51,935,002 shares of common stock and 9,225,000 shares of Class A Common stock. During 2012 the Company amended its Certificate of Incorporation to restrict the Company's ability to voluntarily take any receivership actions without the approval of certain shareholders.

(15) Stock Option and Restricted Share Plan

The Board of Directors authorized a stock option plan ("the Stock Option Plan") pursuant to which up to 9,225,000 shares of the Class A common shares of the Company are available for options. The plan allows for issuance of a combination of incentive stock options, non-qualified stock options, restricted stock awards, unrestricted stock awards, restricted stock units, or any combination of the foregoing.

Under the Stock Option Plan, stock option awards are generally exercisable for up to ten years following the date such option awards are granted. Exercise prices of incentive stock options must be equal to or greater than 100% of the fair market value of the common stock on the grant date and vest based upon certain events and targets being reached. As of December 31, 2017 and 2016, no options were outstanding. In conjunction with the refinancing discussed in Note 8, the Stock Option Plan has been terminated.

In 2012, the Company established the Home Brands Group Holdings, Inc. 2012 Stock Option and Grant Plan and on October 31, 2016 Amendment No. 1 to the Plan was approved (the 2012 Option Plan). The 2012 Option Plan permits the issuance of up to 12,915,000 shares of Series A Convertible Preferred Stock subject to certain adjustments as defined in the 2012 Option Plan. The 2012 Option Plan offers flexibility in the form of equity awards that can be granted including but not limited different forming of options and stock. In conjunction with the refinancing discussed in Note 8, the shares available under the 2012 Option Plan were reduced to 9,223,702 shares of Series A Convertible Preferred Stock. After the reduction in authorized shares, 3,218,274 equity awards under the 2012 Option Plan were available for grant.

The Restricted Stock generally participates in all the rights and privileges of other Series A Convertible Preferred Stock except with restrictions on transfers, sales and pledging as defined in the Restricted Stock Agreements.

(15) Stock Option and Restricted Share Plan, Continued

The fair value of the restricted stock grant is estimated on the date of grant using the Black-Scholes option-pricing model and third party valuation reports.

With respect to the Black-Scholes option pricing model, expected volatility is based on calculations performed by management using industry data. The Company's expected dividend yield is based on future projections of income and cash needs. The expected term of restricted stock granted was calculated based on expected vesting. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of the restricted stock activity for 2017 and 2016 is as follows:

	2017 Restricted Stock Shares	2016 Restricted Stock Shares
Outstanding at December 31,	5,107,260	482,428
Granted	-	4,745,439
Forfeited	(1,147,577)	-
Vested	(556,783)	(120,607)
Outstanding at end of period	3,402,900	5,107,260

As of December 31, 2017 the outstanding restricted shares have $1,493,872 in intrinsic value and the weighted average vesting period is 3.07 years.

As of December 31, 2017 there was $51,074 of total unrecognized cost related to non-vested share-based compensation arrangements. The cost is expected to be recognized over a weighted-average period of 2.40 years.

(16) Related Party Agreement

The Company has entered into management agreements with two companies. These companies are affiliated with a shareholder of Home Brands Group Holdings, Inc. Under the terms of the agreement the Company shall pay each company an annual management fee of $250,000 to be paid on a quarterly basis. The Second Amended and Restated Stockholders Agreement discussed in Note 1, extended the rights of each company to receive its $250,000 annual management fee. However, the loan agreements contain certain restrictions on the payment of the management fees. The affiliate companies are also to receive a fee in the event of a restructuring or refinancing equal to 1.5% of the proceeds of such transaction. The 1.5% fee was paid in conjunction with the subsequent refinancing discussed in Note 8. This provision was discontinued as part of the Second Amended and Restated Stockholders Agreement discussed in Note 17. The affiliates are also to receive a 1.5% fee in the event 50% or more of the Company sells based on enterprise value of the interest sold. This provision remains as part of the Second Amended and Restated Stockholders Agreement discussed in Note 17.

(16) Related Party Agreement, Continued

The Credit Agreement contains certain restrictions on payment of the fees. As of December 31, 2017 and 2016, total management fees accrued and unpaid total $2,625,000 and $3,000,000, respectively. These accrued fees were paid in full subsequent to year end in conjunction with the refinancing discussed in Note 8.

In addition to the management fees, for the years ended December 31, 2017 and 2016 the Company incurred payroll, benefit and out of pocket expenses to an affiliate company totaling $10,791 and $10,728, respectively.

(17) Stockholders Agreement

The Company, its shareholders and investors have entered into a Stockholders Agreement dated December 2009. The Company entered into an Amended and Restated Stockholders Agreement dated May 1, 2012. The Company entered into a Second Amended and Restated Stockholders Agreement dated March 30, 2018 (the Stockholders Agreement). Among other things the Stockholders Agreement contains certain rights and provisions related to the sale, transfer or purchase of stock. The Stockholders Agreement also contains certain right of first refusal, right of first offering, make whole and drag-along provisions. In addition, the Company has rights to repurchase shares of shareholders in the event of a bankruptcy or other triggering events as defined in the Stockholders Agreement. The Stockholders Agreement also addresses directors, voting rights and management fees.

The Stockholders Agreement also provides for certain approval by Major Investors, as defined in the Stockholders Agreement, of certain transactions such as corporate document changes, equity transactions, borrowings, acquisitions, asset transfers, significant management decisions and more.

(18) Franchise Agreements

The Company has entered into franchise agreements with all franchisees. The terms of the franchise agreements can vary depending on the time period a franchisee originally signed. The Company is in the process of conforming all franchisees under the same agreement as renewals and opportunities arise.

Under the terms of the franchise agreements the Company is to maintain a Brand Fund to be used for the purpose for promoting and marketing ReBath. Contributions required by the franchisees to the fund are defined within each individual franchise agreement and the Company is in the process of creating a uniform contribution system. The Company has had varying Brand Fund contribution commitments under various franchise agreements but has transitioned effective September, 2016 to a uniform responsibility to contribute 1% of Agile, LLC's revenue as defined in the most recent franchise agreement. The Company contributed $290,471 and $107,009 to the fund for the year ended December 31, 2017 and 2016, respectively.

(19) Employment/Non-Compete Agreements

Effective December 1, 2016, the Company entered into Employment Agreements with certain senior executives (the Employment Agreements). The Employment Agreements expire each December 31 beginning in 2018, but continue to automatically renew for twelve month periods unless the Company gives notice of intent not to renew the Employment Agreement. The Employment Agreements provide for certain base salaries, performance based bonuses and other benefits. If employment is terminated without cause as defined in the agreements, the executives are to receive certain severance payouts for an additional six to twelve months as defined in the Employment Agreements. As part of the agreements the executives also entered into non-compete agreements which limit the executive's ability to compete with the Company for a period of up to twenty-four months. The restrictions are defined in the non-compete agreements. In conjunction with issuance of the Employment Agreements, units of restricted stock were issued (see Note 15).

In February 2017, an Employment Agreement with a senior executive was terminated. As part of the termination, certain provisions Employment Agreement were triggered the most significant being the forfeiture of restricted stock and a severance payment of approximately $100,000.

(20) Employee Benefit Plan

AmBath/ReBath, LLC adopted an employee benefit plan for its employees pursuant to Section 401(k) of the Internal Revenue Code (IRC). Effective in 2011 the plan was moved under ReBath, LLC. Participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the IRC. Employees are eligible if they have attained the age of 21 years.

(21) Manufacturing and Fulfillment Agreement

On June 29, 2015, the Company entered into an agreement with a manufacturer to maintain exclusive distribution rights of certain bathroom products (the Manufacturing Agreement). To maintain the exclusivity, the Company has agreed to maintain purchases equal to or within 5% of purchases in the twelve month period prior to the execution date of the Manufacturing Agreement. The Manufacturing Agreement contains certain provisions which could modify the required purchase volume and exclusivity. The Manufacturing Agreement is for five years with certain renewal provisions.

On June 29, 2015 and in conjunction with the Agreement, the Company entered into a Fulfillment and Distribution Agreement with a distributor with previous exclusivity rights (the Fulfillment Agreement). Under the Fulfillment Agreement the Company has agreed to pay a commission to the distributor equal to 3% of net sales on certain products sold to ReBath, LLC from distributors plus an up-front fee of $250,000, all of which was paid during 2015. The Company has also agreed to provide certain technical services for the distributor for sales to non-ReBath franchises for cost plus 5%. The Agreement is for a period of five years with certain renewal provisions.

(22) Manufacturer Incentive Program

Previously the Company purchased certain products for resale to its franchisees. However, the Company has switched to a model whereby franchisees can order directly from suppliers and manufacturers at a negotiated price and an incentive fee is paid to the Company based on such purchases. Total fees received by the Company under this program for the years ended December 31, 2017 and 2016 totaled $1,693,501 and $1,187,093, respectively.

(23) Lease Commitments

The Company entered into a lease for its operating facilities. The monthly lease payments range between $57,148 and $63,774 with an expiration date of January 31, 2017. Under the terms of the lease, the Company is responsible for all maintenance, taxes and utilities during the term of the lease. The lease has an option to renew for an additional five year period. On September 19, 2016, the Company entered a Second Amendment to Lease extending the lease term to February 1, 2017 and continuing thereafter until the earlier of 30 days termination notice by the Company or May 31, 2017. This lease expired on May 31, 2017 without renewal.

On November 23, 2016, the Company entered into a lease agreement for new operating facilities. The lease went into effect on June 1, 2017 and is for a 64 months term following the commencement date. Monthly lease payments range between $40,894 and $45,581. Under terms of the lease, the Company is responsible for all maintenance, taxes, and utilities during the term of the lease.

The Company also entered into a lease of new administrative offices. The lease went into effect on April 28, 2017 and is for a 51 month term, with an option to renew the lease for one successive period of five years. Monthly payments range between $20,478 and $35,837. Under terms of the lease, the Company is responsible for all maintenance, taxes, and utilities during the term of the lease.

The future minimum lease payments required under the noncancelable operating leases as of December 31, 2017 are as follows:

2018	$	738,707
2019		859,773
2020		894,181
2021		917,026
2022 and thereafter		1,025,779

Insurance and maintenance expenses related to the operating leases are generally the obligation of the Company. Rental expense for the years ended December 31, 2017 and 2016 totaled $1,033,080 and $1,054,981, respectively.

(23) ***Lease Commitments, Continued***

The Company entered into a $94,502 capital lease obligation for communications equipment in January, 2015. This lease has an effective interest rate of 13.52% and is payable in monthly principal and interest payments of $3,199 through February, 2018. The lease is secured by related equipment with a net book value of $5,250 as of December 31, 2017.

(24) ***Warranty***

The Company offers lifetime warranties on its products. Management has analyzed the potential cost of warranty claims based on historical results and concluded that the liability arising out of warranty claims will not be material to the financial position of the Company.

(25) ***Commitments and Contingencies***

The Company has entered into agreements that provide for exclusive sales rights including defined territories and non-compete provisions.

The Company and its subsidiaries are subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial positon of the Company.

Home Brands Group Holdings, Inc.

Consolidated Financial Statements

December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

MAGGART
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Stephen M. Maggart, CPA, ABV, CFF
J. Mark Allen, CPA
Michael T. Holland, CPA, ABV, CFF
M. Todd Maggart, CPA, ABV, CFF
Michael F. Murphy, CPA
P. Jason Ricciardi, CPA, CGMA
David B. von Dohlen, CPA
T. Keith Wilson, CPA, CITP

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Home Brands Group Holdings, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Home Brands Group Holdings, Inc. (a Delaware Corporation) and Subsidiaries ("the Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, consolidated changes in shareholders' equity (deficit), and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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The Board of Directors of
Home Brands Group Holdings, Inc.
Page Two

Auditor's Responsibility, Continued

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home Brands Group Holdings, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maggart & Associates, P.C.

Nashville, Tennessee
March 30, 2017

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Balance Sheets

December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,592,907	1,804,330
Trade accounts receivable, net of allowance	3,513,241	3,630,579
Other receivables	611,655	137,315
Inventory	3,855,817	3,956,361
Prepaid expenses and other assets	539,345	497,556
Notes receivable - trade, current	307,180	304,048
Assets held for sale	-	740,239
Total current assets	10,420,145	11,070,428
Property and equipment, net	774,831	1,887,785
Notes receivable trade, non-current, net of allowance	437,176	656,400
Intangible assets, net	463,234	225,000
Total assets	$ 12,095,386	13,839,613
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,532,091	1,843,420
Accrued expenses	6,477,204	5,616,911
Other liabilities	360,247	677,269
Deferred tax liability	982,941	982,941
Notes payable, current	1,616,789	1,500,000
Other liabilities held for sale	21,554	788,920
Total current liabilities	10,990,826	11,409,461
Non-current liabilities:		
Notes payable, non-current, net of origination fees	27,070,746	29,205,294
Total liabilities	38,061,572	40,614,755
Shareholders' equity (deficit):		
Series A Convertible Preferred stock, par value $0.001 per share, 51,935,000 shares authorized, 51,933,369 and 47,187,930 issued and outstanding, respectively, (issued and outstanding shares include 5,107,260 and 482,428 shares of unvested restricted shares, respectively)	51,933	47,188
Common stock, par value $0.001 per share, 51,935,002 shares authorized, no shares issued or outstanding	-	-
Additional paid-in capital	37,651,165	37,655,910
Accumulated deficit	(63,669,284)	(64,478,240)
Total shareholders' equity (deficit)	(25,966,186)	(26,775,142)
Total liabilities and shareholders' equity (deficit)	$ 12,095,386	13,839,613

See accompanying notes to consolidated financial statements.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Statements of Operations

For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenues:		
Commercial revenue	$ 24,805,058	22,850,108
Franchise fees	202,300	207,884
Royalties	5,590,939	5,376,280
Rebates	1,187,093	766,807
Other revenue	241,520	122,647
Total revenue	32,026,910	29,323,726
Cost of goods sold:		
Material cost	13,183,000	12,430,377
Manufacturing cost	4,870,717	4,701,089
Depreciation and amortization of property, plant and equipment	1,050,401	1,106,770
Total cost of goods sold	19,104,118	18,238,236
Gross profit from operations	12,922,792	11,085,490
General and administrative expense	6,907,156	5,647,023
Depreciation and amortization	360,902	318,225
Operating profit	5,654,734	5,120,242
Other income (expense):		
Interest expense, including amortization of loan fees	(4,088,796)	(4,232,353)
Management fees	(500,000)	(500,000)
Interest income	39,181	54,810
Miscellaneous	(308,335)	(26,054)
Net earnings from continuing operations	796,784	416,645
Discontinued operations:		
Gain (loss) from operations of discontinued component	12,172	(374,006)
Gain (loss) on disposal of discontinued component	-	(426,274)
Net earnings (loss)	$ 808,956	(383,635)

See accompanying notes to consolidated financial statements.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the Years Ended December 31, 2016 and 2015

	Series A Convertible Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance December 31, 2014	$ 46,705	-	37,656,393	(64,094,605)	(26,391,507)
Issuance of restricted stock	483	-	(483)	-	-
Net loss	-	-	-	(383,635)	(383,635)
Balance December 31, 2015	47,188	-	37,655,910	(64,478,240)	(26,775,142)
Issuance of restricted stock	4,745	-	(4,745)	-	-
Net income	-	-	-	808,956	808,956
Balance December 31, 2016	$ 51,933	-	37,651,165	(63,669,284)	(25,966,186)

See accompanying notes to consolidated financial statements.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash collected on sales, franchise fees and royalties	$ 31,619,740	30,075,985
Cash paid to vendors and employees	(25,545,414)	(23,591,739)
Interest received	39,181	54,810
Interest paid	(2,954,918)	(3,108,218)
Net cash provided by operating activities - continuing operations	3,158,589	3,430,838
Net cash used in operations - discontinued operations	(24,639)	(230,700)
Net cash provided by operating activities	3,133,950	3,200,138
Cash flows from investing activities:		
Purchase of property and equipment	(298,349)	(436,965)
Purchase of manufacturing and distribution rights	(288,234)	(250,000)
Proceeds from sale of property and equipment	-	6,666
Net cash used in investing activities	(586,583)	(680,299)
Cash flows from financing activities:		
Repayment of notes payable, net of advances	(2,000,000)	(3,048,358)
Loan fees incurred with refinance of debt	(746,921)	-
Net cash used in financing activities	(2,746,921)	(3,048,358)
Net decrease in cash	(199,554)	(528,519)
Cash and cash equivalents, beginning of period	1,792,461	2,326,582
Cash and cash equivalents, end of year	$ 1,592,907	1,798,063

See accompanying notes to consolidated financial statements.

Home Brands Group Holdings, Inc.
(a Delaware corporation)

Consolidated Statements of Cash Flows, Continued

For the Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of net loss to net cash provided by operating activities:		
Net gains (loss)	$ 808,956	(383,635)
Loss (gain) from discontinued operations	(12,172)	800,280
Adjustments to reconcile net loss to net cash provided by operating activities - continuing operations:		
Depreciation and amortization	1,569,538	1,399,995
Interest paid in kind	620,927	666,461
Increase (decrease) in allowance for doubtful accounts	266,260	(386,175)
Decrease (increase) in accounts receivable	(76,608)	136,595
Increase in other receivables	(474,340)	(25,233)
Decrease in notes receivable - trade	143,778	640,897
Decrease (increase) in prepaids and other assets	(41,789)	192,597
Decrease (increase) in inventory	258,763	(1,072,560)
Decrease in inventory reserve	(158,219)	(7,633)
Increase in accounts payable and accrued expenses	569,669	1,321,659
Increase (decrease) in other liabilities	(316,174)	147,590
Cash provided by operating activities - continuing operations	3,158,589	3,430,838
Cash used in operating activities - discontinued operations	(24,639)	(230,700)
Net cash provided by operating activities	$ 3,133,950	3,200,138

See accompanying notes to consolidated financial statements.

(1) ***Organization***

Effective December 30, 2009 ("date of inception"), Home Brands Group Holdings, Inc. (formerly named AmBath/ReBath Holdings, Inc.) acquired a 100% interest in AmBath/ReBath, LLC through a series of transactions. AmBath/ReBath, LLC owned 100% of AmBath, LLC and ReBath, LLC. Effective January 1, 2011, AmBath, LLC and ReBath, LLC were combined into a single reporting entity, ReBath, LLC (AmBath, LLC remained open but inactive). Effective January 1, 2011 AmBath/ReBath, LLC was merged into ReBath, LLC. The Company acquired a 100% ownership in 5 Day Kitchens, LLC during the year ended December 31, 2011. During 2012 the Company opened a 100% owned subsidiary, Home Brands Group, LLC.

During 2014, the Company formed a new franchise company to provide plumbing and drain services. The Company was named and branded as BlueFrog Plumbing and Drain, LLC.

Effective January 1, 2014, the Company executed a corporate reorganization to align with its expansion of franchise services. Under the terms of the reorganization AmBath/ReBath Holdings, Inc. was renamed to Home Brands Group Holdings, Inc. (HBG). Home Brands Group, LLC and AmBath, LLC were 100% owned subsidiaries of HBG. The three franchise companies, ReBath, LLC, 5 Day Kitchen, LLC and BlueFrog Plumbing and Drain, LLC became 100% owned subsidiaries of Home Brands Group, LLC. In addition, the manufacturing business previously conducted within ReBath, LLC was transferred to AmBath, LLC. The transactions were accounted for as reorganizations under generally accepted accounting principles. As part of the transaction, AmBath, LLC was renamed to Agile Building Solutions, LLC.

On April 1, 2015, the Company sold BlueFrog Plumbing & Drain, LLC to an executive and shareholder of the Company. Under the terms of the agreement, the Company sold 100% of the membership interest. As such the new owner retained all tangible and intangible assets and assumed all other liabilities (see Note 11).

In 2016, the Company committed to terminate the operations of 5 Day Kitchens, LLC (see Note 11). As of December 31, 2016 the Company was in the process of terminating all franchise agreements. Management anticipates this process to be completed in 2017 at which time 5 Day Kitchens, LLC will no longer be operated by the Company.

(2) ***Overview of Business***

(a) ***Nature of Operations***

ReBath, LLC is a franchising company which services a network of franchised dealerships specializing in the sale and installation of bathroom remodeling products to primarily residential customers. The franchised dealerships operate throughout the United States. ReBath, LLC also is the sole supplier of certain bathtub, shower liner wall systems and other bathroom related retrofit products to ReBath, LLC's franchised dealerships.

(2) Overview of Business, Continued

(a) Nature of Operations, Continued

5 Day Kitchen is in the business of selling and supporting franchises in the kitchen remodeling business. The Company generates franchise fees by selling territories in the United States to their franchise partners who in exchange pay a population fee for the rights to the territory. The Company generates royalties by licensing the use of the brand and providing various forms of marketing and operational support to its franchisees.

Agile Building Solutions, LLC manufactures and purchases products related to the redesign of bathrooms and kitchens. These products are sold to a commercial installer and to, ReBath, LLC and 5 Day Kitchen, LLC for distribution to their franchise dealerships. Agile Building Solutions, LLC also sells products to builders and certain distributors.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

(3) Summary of Significant Accounting Policies

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the industry. The following is a brief summary of the more significant policies.

(a) Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with low investment risk to be cash equivalents. The Company does periodically maintain cash balances with a Bank in excess of the Federally insured limit. As of December 31, 2016, the Company had cash balance of $1,358,482 in excess of Federally insured limits.

(b) Receivables and Allowance for Doubtful Accounts

The Company recognizes receivables in accordance with generally accepted accounting principles. Management periodically reviews receivables for impairment and will write-off or provide adequate allowance for the doubtful accounts identified. Generally accounts are charged off when management believes all collection efforts have been exhausted. Accounts are considered past due after 30 days and once past due 90 days, all orders will be held for cash payment only.

(3) Summary of Significant Accounting Policies, Continued

(b) Receivables and Allowance for Doubtful Accounts, Continued

The provision for doubtful accounts represents a charge to earnings necessary, after charge-offs of specifically identified accounts and recoveries of previously charged-off accounts, to maintain an allowance for doubtful accounts at an appropriate level which is adequate to absorb estimated losses inherent in the recorded receivable balances.

Trade accounts receivable are composed of the following accounts:

	2016	2015
Trade receivables	$ 4,328,268	4,251,659
Allowance for doubtful accounts	(815,027)	(621,080)
Net trade accounts receivable	$ 3,513,241	3,630,579

(c) Inventories

Inventories consist primarily of raw materials, work-in-process, and finished goods and are stated at the lower of cost or market. Cost is determined by the first-in, first-out weighted average method, and market represents the lower of replacement cost or estimated net realizable value.

(d) Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation and amortization for financial reporting purposes is computed on the straight-line method over the estimated useful lives of the depreciable assets. Depreciation and amortization is computed on improvements for the benefit of leases over a period not exceeding the remaining life of the related lease. Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts.

(e) Intangible Assets and Amortization

FASB ASC 350, "Intangibles - Goodwill and Other" requires that management determine the allocation of intangible assets into identifiable groups at the date of acquisition and appropriate amortization periods be established. In accordance with GAAP management has identified the following groups of intangible assets and assigned the following amortization periods on a straight-line basis.

	Amortization Period
Intellectual and trade property	10 years
Bank fees	3-5 years

(3) *Summary of Significant Accounting Policies, Continued*

(e) *Amortization, Continued*

Also, the Company accounts for goodwill in accordance with ASU 2014-02, Accounting for Goodwill (Topic 350) and goodwill is being amortized on a straight-line basis over 10 years. An annual impairment evaluation is not necessary unless a triggering event has occurred to warrant the need to assess qualitative factors based on the relevant facts and circumstances. No triggering events were identified by the Company for the year ended December 31, 2016.

(f) *Income Taxes*

The Company accounts for Income Taxes in accordance with Income Tax Accounting Guidance ("FASB ASC 740"). The Company adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is "more likely than not", based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more likely than not" means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the "more-likely-than-not" recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the "more-likely-than-not" recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is "more likely than not" that some portion or all of a deferred tax asset will not be realized.

It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

(3) Summary of Significant Accounting Policies, Continued

(g) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, including accounts receivable and inventory valuations, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term relate to determination of allowance for doubtful accounts, the valuation allowance related to deferred taxes, allowance for excess and obsolete inventory and estimated earnings on uncompleted contracts. Estimates related to the intangible assets are also subject to significant change.

(h) Advertising Expense

The Company primarily expenses advertising and marketing costs as incurred with the exception of promotional items, which are capitalized and expensed as utilized. For the years ended December 31, 2016 and 2015, advertising and marketing expense totaled $695,199 and $472,447, respectively.

(i) Restriction of Cash Balances

The Company entered into a compensating balance agreement with a financial institution which restricts the withdrawal of pledged collateral. The Company maintained a compensating balance of $92,000 at December 31, 2016 and 2015.

(j) Revenue Recognition

Initial franchise fees are considered fully earned when received by the Company or, if applicable, when a promissory note is signed, which is when the Company has performed substantially all initial services required by the franchise agreement. Generally, franchise fees are nonrefundable unless specifically addressed in the individual franchise agreement. All franchisees pay the same initial franchise fee unless one or more applicable discounts are applied. The initial fee is a combination of a fixed fee plus a population charge.

Renewal franchise fees are recognized as revenue when the agreements are signed and the fee is paid since there are no material services and conditions related to the renewal franchise fee.

(3) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition, Continued

Franchisees are required to pay monthly royalty fees. Royalty fees are equal to the greater of the royalty fee or the minimum royalty fee. Royalty fees are calculated by multiplying the applicable royalty fee percentage by the total monthly gross sales, as reported by each cash franchisee. Minimum royalty fees are calculated by multiplying the population in the territory by the applicable amounts per person per month.

The change in ReBath, LLC's franchised and company-owned outlets were as follows:

		2016	2015
System-wide outlets:			
Franchised outlets - beginning of year	$	117	135
Franchises opened		12	4
Franchises closed		(13)	(11)
Net consolidation of franchised outlets		(2)	(11)
Franchised outlets - end of year		114	117
Company-owned outlets - end of year		-	-
Total system-wide outlets	$	114	117

As discussed at Note 1, 5 Day Kitchens, LLC is in the process of terminating all franchise agreements and anticipates completing this process in 2017.

(k) Subsequent Events

The Company adopted the provisions of FASB ASC 855, "Subsequent Events". FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of FASB ASC 855 did not impact our financial statements. We evaluated all events or transactions that occurred after December 31, 2016 and 2015, through March 30, 2017, the date we issued these financial statements. During this period we did not have any material recognizable subsequent events that required recognition in, or disclosures to the financial statements other than the items disclosed in subsequent footnotes.

(4) *Notes Receivable - Trade*

In the normal course of business the Company extends credit to new franchises to fund franchise fees. The Company may terminate its dealer agreement with the franchisee in the event of default.

Trade notes are composed of the following:

	2016	2015
Notes receivable - trade	$ 1,095,674	1,239,453
Allowance for notes receivable	(351,318)	(279,005)
	744,356	960,448
Current portion	307,180	304,048
Non-current portion	$ 437,176	656,400

(5) *Inventories*

A summary of inventory at December 31, 2016 and 2015 is as follows:

	2016	2015
Raw materials	$ 1,005,535	1,451,663
Finished goods	2,850,282	2,504,698
	$ 3,855,817	3,956,361

Due to the nature of the operations there is minimal work in process. As of December 31, 2016 and 2015 finished goods inventory consisted of the following:

	2016	2015
Raw materials	$ 2,315,278	2,016,507
Labor and overhead	535,004	488,191
	$ 2,850,282	2,504,698

(6) *Property and Equipment*

A summary of property and equipment at December 31, 2016 and 2015 is as follows:

	2016	2015
Molds	$ 7,484,166	7,463,426
Leasehold improvements	561,498	561,498
Machinery and equipment	1,660,177	1,657,607
Furniture, fixtures and office equipment	2,763,125	2,488,085
Automobiles and delivery equipment	129,181	145,081
	12,598,147	12,315,697
Less accumulated depreciation and amortization	(11,823,316)	(10,427,912)
	$ 774,831	1,887,785

(6) Property and Equipment, Continued

Depreciation expense totaled $1,411,303 and $1,411,105 for the years ended December 31, 2016 and 2015, respectively.

(7) Intangible Assets and Goodwill

During 2016, the Company wrote off the remaining intangible assets related to the 5 Day Kitchens, LLC acquisition in conjunction with the decision to discontinue operations (see Note 11). The total write off and amortization for 2016 totaled $514,222 for the year ended December 31, 2016.

In conjunction with the Forzastone acquisition (see Note 12) the Company recognized $288,235 of goodwill. As permitted under generally accepted accounting principles, the Company has elected to amortize the goodwill on a straight line basis over 10 years.

The following is a summary of intangible assets at December 31, 2016 and 2015:

Intangible Assets:

	Gross Carrying Amount	Accumulated Amortization	Net
2016:			
Intangible asset subject to amortization:			
Goodwill related to Forzastone acquisition (see Note 12)	$ 288,234	-	288,234
Private label manufacturing and supply agreement (see Note 20)	250,000	(75,000)	175,000
Loan origination fees (1)	3,803,129	(3,164,444)	638,685
	$ 4,341,363	(3,239,444)	1,101,919

(1) In accordance with ASU 2015-03, debt issuance costs are to be netted against the related notes for presentation in the financial statements. There were no outstanding debt issuance costs as of December 31, 2015. Debt issuance costs activity as of December 31, 2016 are netted against the related outstanding debt in the accompanying balance sheet.

(7) Intangible Assets and Goodwill, Continued

Intangible Assets, Continued:

	Gross Carrying Amount	Accumulated Amortization	Net
2015:			
Intangible asset subject to amortization:			
Trade and intellectual property related to 5 Day Kitchen, LLC acquisition (2)	$ 857,038	(342,816)	514,222
Private label manufacturing and supply agreement (see Note 20)	250,000	(25,000)	225,000
Total	$ 1,107,038	(367,816)	739,222

(2) The intangible assets related to 5 Day Kitchen, LLC is included in assets held for sale in the accompanying balance sheet.

Amortization of intangibles will be as follows: 2017 - $462,035, 2018 - $334,298, 2019 - $78,823, 2020 - $53,823 and 2021 and thereafter $172,940.

(8) Long-Term Notes Payable

As part of the original acquisition, Home Brands Group Holdings, Inc. incurred certain indebtedness. The indebtedness is comprised of the following:

	2016	2015
Term Loan B - Interest payable monthly plus a portion to be added to principal. Matures August 31, 2018, secured by all assets of the Company.	$ 23,516,328	24,895,402
Term Loan C - Bearing interest at LIBOR + 3.5% payable monthly. Matures August 31, 2018, secured by all assets of the Company and shareholder escrow funds and letters of credit.	5,809,892	5,809,892
	29,326,220	30,705,294
Current portion	2,000,000	1,500,000
Non-current portion	$ 27,326,220	29,205,294

(8) Long-Term Notes Payable, Continued

Current and non-current debt is reflected net of debt issuance costs associated with the refinance of debt for financial statement purposes summarized as follows:

	Current	Non-Current
Outstanding debt December 31, 2016	$ 2,000,000	27,326,220
Less: Debt issuance costs	(383,211)	(255,474)
Outstanding debt net of debt issuance costs	$ 1,616,789	27,070,746

Refinancing and Amendments:

The Company restructured its debt under an Amended and Restated Credit Agreement dated May 1, 2012 (as amended on September 25, 2013) ("the Credit Agreement"). Under the Credit Agreement the terms of the notes are amended as follows:

Term Loan B

As of the closing of the Credit Agreement total outstanding principal on Term Loan B totaled $23,428,458. Interest accrues at LIBOR plus 12%. Interest is to be paid at 5% plus LIBOR through December 31, 2012, 7% plus LIBOR through December 31, 2013 and 9.5% plus LIBOR through maturity with any accrued interest not paid added to the principal balance of the loan. The Company is permitted to pay the excess interest. No additional borrowings are available under this loan.

Term Loan C

As of the closing date of the Credit Agreement total outstanding principal on Term Loan C totaled $5,809,892. Interest on Term Loan C accrues at LIBOR plus 3.5%. Interest and principal are not payable until the maturity at which time they are due in full. Interest not paid will not be added to the principal balance; however, interest does not accrue on capitalized interest. Term Loan C is subordinate to Term Loan B. Interest accrued but not paid as of December 31, 2016 totaled $1,086,998.

In conjunction with the refinancing the Company has agreed to pay the lender $1,500,000 in fees that are due when the notes are repaid in full or certain events of default occur. These fees were amortized over the original life of the loan. In addition, the Company issued 4,668,788 shares of Series A Convertible Preferred Stock to the lender in connection with the refinancing. The shares were determined to have no value at the time of issuance thus no discount has been applied to the notes related to the value of the equity.

(8) *Long-Term Notes Payable, Continued*

Refinancing and Amendments, Continued:

Term Loan C, Continued

Effective March 31, 2016, the Company executed a Third Amendment to Second Amended Restated Credit Agreement (the Third Amendment). Under the Third Amendment the maturity date was extended to August 31, 2017 and included an initial amendment fee of $250,531. In addition, the Company is required to make $500,000 quarterly principal payments on the Term B loan commencing April 1, 2016 until the loan is paid in full. The Company was required to pay an additional fee of $470,327 on December 30, 2016. These fees are being amortized over the life of the extended loan maturity.

Effective January 30, 2017, the Company executed a Fourth Amendment to Second Amended and Restated Credit Agreement (the Fourth Amendment). Under the Fourth Amendment the maturity date was extended to August 31, 2018 and required an initial amendment fee of $235,163. The Company is to continue to make quarterly principal payments in the amount of $500,000 on Term B loan until the loan is paid in full. The loan fees are being amortized over the life of the extended loan maturity.

Future minimum principal and payments, excluding debt issuance costs, as of December 31, 2016 are as follows:

For The Year Ended December 31,		
2017	$	2,000,000
2018		27,326,220

(9) *Acquisition Note Payable*

The Company purchased 5-Day Kitchen in return for a note payable of $857,038. The note payable assumes a 5% interest rate.

During the year ended December 31, 2016, the note payable was forgiven with the discontinuance of 5 Day Kitchens, LLC's operations. See further details at Note 11.

(10) ***Income Taxes***

The components of the net deferred income tax liability at December 31, 2016 and 2015 were as follows:

	2016	2015
Deferred tax asset:		
Federal	$ 8,266,906	8,575,282
State	1,830,119	1,898,386
	10,097,025	10,473,668
Deferred tax liability:		
Federal	(84,490)	(382,081)
State	(18,704)	(84,585)
	(103,194)	(466,666)
Net deferred taxes	9,993,831	10,007,002
Valuation allowance	(10,976,772)	(10,989,943)
Net deferred liability	$ (982,941)	(982,941)

The tax effects of each type of significant item that gave rise to deferred taxes are:

	2016	2015
Financial statement allowance for bad debts in excess of tax allowance	$ 450,442	400,748
Excess of depreciation deducted for tax purposes over the amounts deducted in the financial statements	(69,522)	(466,666)
Net operating loss carryforwards	5,311,841	5,587,837
Goodwill deductible for tax not book	2,814,409	3,343,018
Accrued management fees	1,158,610	965,500
Other	328,051	176,565
Valuation allowance	(10,976,772)	(10,989,943)
	$ (982,941)	(982,941)

(10) Income Taxes, Continued

The components of income tax expense (benefit) are summarized as follows:

	2016	2015
Current:		
Federal	$ 490,078	(164,667)
State	105,857	(36,453)
	595,935	(201,120)
Deferred:		
Federal	(213,555)	69,794
State	(44,641)	15,451
	(258,196)	85,245
Actual tax expense (benefit)	337,739	(115,875)
Valuation allowance	(337,739)	115,875
Total tax expense	$ -	-

A reconciliation of actual income tax expense in the financial statements to the "expected" tax expense (computed by applying the statutory Federal income tax rate of 34% to earnings before income taxes) is as follows:

	2016	2015
Computed "expected" tax expense (benefit)	$ 275,045	(130,436)
State income taxes, net of effect of Federal income taxes	40,402	(13,862)
Valuation allowance	(337,739)	115,875
Other	22,292	28,423
Actual tax expense	$ -	-

The Company has adopted FASB ASC 740. Based on management's assessment it was determined the Company had no significant uncertain tax positions and, therefore, no provision has been provided in the accompanying financial statements for tax positions. In addition, there was no significant interest or penalties incurred or paid in the year ended December 31, 2016 and 2015 related to taxation issues. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service generally for four years (currently 2016, 2015, 2014 and 2013) from the date a return is filed or longer under limited circumstances. State and local income tax are generally subject to tax examinations for three to five years and up to eight years in limited circumstances. Net operating losses are set to begin expiring in 2030.

(11) Discontinued Operations

On April 1, 2015, the Company entered into an agreement to dispose of 100% of its ownership interest in Blue Frog Plumbing and Drain, LLC (the Sales Agreement) to an executive of the Company. Under the terms of the Sales Agreement, the Company paid out all earned compensation due to the executive under the terms of an Employment Agreement, immediately vested the restricted stock of the executive and provided certain transition services. In return the buyer assumed all assets and liabilities of the Blue Frog Plumbing and Drain, LLC (except intercompany liabilities) and remained under a non-compete agreement.

During 2016, the Company made the decision to discontinue the operations of 5 Day Kitchens, LLC. As part of the decision to discontinue operations, an outstanding note with a balance of $673,716 was forgiven and an intangible asset associated with the original purchase of the Company was written off totaling $449,944. Management is in the process of obtaining termination and release agreements with existing franchisees and expects this process to be completed in 2017.

The results of Blue Frog Plumbing and Drain, LLC and 5 Day Kitchens, LLC are disclosed under discontinued operations in the consolidated statement of operations and the assets and liabilities held for sale are included in the consolidated balance sheet.

Reconciliation of the carrying amounts of major classes of assets and liabilities of the discontinued operations that are disclosed in the notes to financial statements to total assets and liabilities of the disposed group classified as held for sale that are presented separately in the consolidated balance sheets.

	2016			2015		
	5 Day Kitchens, LLC	Blue Frog Plumbing and Drain, LLC	Total	5 Day Kitchens, LLC	Blue Frog Plumbing and Drain, LLC	Total
Carrying amount of major classes of assets included as part of discontinued operations:						
Cash	$ -	-	-	(6,267)	-	(6,267)
Trade accounts receivable, net of allowance	-	-	-	22,153	-	22,153
Other receivables	-	-	-	-	-	-
Notes receivable-trade, net of allowance	-	-	-	210,131	-	210,131
Intangible assets	-	-	-	514,222	-	514,222
Total assets of the disposal group classified as held for sale in the consolidated balance sheets	$ -	-	-	740,239	-	740,239

(11) Discontinued Operations, Continued

	2016			2015		
	5 Day Kitchens, LLC	Blue Frog Plumbing and Drain, LLC	Total	5 Day Kitchens, LLC	Blue Frog Plumbing and Drain, LLC	Total
Carrying amounts of major classes of liabilities included as part of discontinued operations:						
Accounts payable	$ 797	-	797	132	-	132
Accrued expenses	19,909		19,909	19,909		19,909
Acquisition note payable	-	-	-	699,970	-	699,970
Other liabilities	848	-	848	68,909	-	68,909
Total liabilities of the disposal group classified as held for sale in the consolidated balance sheets	$ 21,554	-	21,554	788,920	-	788,920

Reconciliation of the major classes of line items constituting net loss of discontinued operations that are disclosed in the notes to financial statements that are presented in the consolidated statements of operations.

	2016			2015		
	5 Day Kitchens, LLC	Blue Frog Plumbing and Drain, LLC	Total	5 Day Kitchens, LLC	Blue Frog Plumbing and Drain, LLC	Total
Major classes of the items constituting gain (loss) of discontinued operations:						
Franchise fees	$ -	-	-	-	98,360	98,360
Royalties	43,388	-	43,388	266,209	57,289	323,498
Other revenue	-	-	-	-	13,680	13,680
General and administrative expenses	(201,874)	-	(201,874)	(153,836)	(584,043)	(737,879)
Depreciation and amortization		-	-	(96,814)	-	(96,814)
Interest expense		-	-	(4,812)	-	(4,812)
Interest income	11,165	-	11,165	-	13,527	13,527
Miscellaneous ([1])	159,493	-	159,493	16,434	-	16,434
Total gain (loss) on discontinued operations that is presented in the consolidated financial statement of operations	$ 12,172	-	12,172	27,181	(401,187)	(374,006)

(1) Included in 2016 miscellaneous 5 Day Kitchen, LLC 2016 is a $673,716 gain on debt extinguishment and combined markdown and accelerated amortization of $514,222.

(12) Acquisitions

In December, 2016 the Company acquired certain assets of Forzastone, LLC. The purchase was accounted for under the acquisition method of accounting summarized as follows:

Purchase consideration	$ 570,369
Assignment of Purchase Price:	
Inventory	$ 282,135
Goodwill	288,234
Total	$ 570,369

Goodwill includes certain intangible assets including but not limited to (customer information, internet domain names, marketing data and website addresses). The Company has elected to account for the acquisition under ASU 2014-18 and as such has included all customer related intangible assets that are not capable of being sold or licensed separately from other assets as part of goodwill. As required, the Company has also adopted ASU 2014-02 which requires the amortization of goodwill as discussed in Note 3.

The final allocation of purchase price will be adjusted based on the sale of certain inventory assumed. This settlement period will be completed in 2017 at which time a final goodwill number will be determined.

(13) Series A Convertible Preferred Stock

The Company has issued 49,705,503 shares of its Series A Convertible Preferred Stock ("Preferred Stock"). The Preferred Stock is voting, cumulative and perpetual. Each share of Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which such shares of Preferred Stock is convertible. The holders of the Preferred Stock are also entitled to receive a cumulative dividend at a rate of 8% per share of Preferred Stock on the sum of (a) the original issue price and (b) all accumulated unpaid dividends accrued thereon, per annum, which dividends shall accrue daily in arrears and be compounded quarterly, whether or not the dividends are declared by the Board of Directors. During 2016 the Company amended its certificate of incorporation. Under the amendment, the authorized number of preferred stock shares were increased to 51,935,000 all of which is designated as Series A Convertible Preferred stock. The Company also amended its Certificate of Incorporation to state that all dividends are to be paid on a pro rata basis to all series of stock on an as-if-converted basis.

(13) ***Series A Convertible Preferred Stock, Continued***

The Company has authorized 50,000,000 shares of Common Stock of which 40,775,000 shares have been designated as Common Stock and 9,225,000 shares have been designated as Class A Common Stock ("Class A"). These two classes of shares are entitled to the same rights and privileges except for voting rights. Common Stock has the same voting rights as Preferred Stock; however, no voting rights exists for Class A shares except to the extent otherwise required under applicable State laws. The Class A shares were designated for issuance in conjunction with the stock options (see Note 13). No Class A shares have been issued as of December 31, 2016. During 2016, the Company amended its certificate of incorporation to increase the authorized number of common stock shares to 61,160,002 consisting of 51,935,002 shares of common stock and 9,225,000 shares of Class A Common stock. During 2012 the Company amended its Certificate of Incorporation to restrict the Company's ability to voluntarily take any receivership actions without the approval of certain shareholders.

(14) ***Stock Option and Restricted Share Plan***

The Board of Directors has authorized a stock option plan ("the Stock Option Plan") pursuant to which up to 9,225,000 shares of the Class A common shares of the Company are available for options of which 4,612,500 options were available to be granted as of December 31, 2016. The plan allows for issuance of a combination of incentive stock options, non-qualified stock options, restricted stock awards, unrestricted stock awards, restricted stock units, or any combination of the foregoing.

Under the Stock Option Plan, stock option awards are generally exercisable for up to ten years following the date such option awards are granted. Exercise prices of incentive stock options must be equal to or greater than 100% of the fair market value of the common stock on the grant date and vest based upon certain events and targets being reached. The current options vest based upon achieving certain equity valuation targets. As of December 31, 2016 and 2015, no options were outstanding.

In 2012, the Company established the Home Brands Group Holdings, Inc. 2012 Stock Option and Grant Plan and on October 31, 2016 Amendment No. 1 to the Plan was approved (the 2012 Option Plan). The 2012 Option Plan permits the issuance of up to 12,915,000 shares of Series A Convertible Preferred Stock subject to certain adjustments as defined in the 2012 Option Plan. The 2012 Option Plan offers flexibility in the form of equity awards that can be granted including but not limited different forming of options and stock. On May 31, 2012, the Company granted 7,686,418 restricted shares of Series A Convertible Preferred Stock (the Restricted Stock) in conjunction with executive management employment agreements (see note 18). The Restricted Stock vests over a forty-two to fifty-month period beginning at the date of grant.

(14) Stock Option and Restricted Share Plan, Continued

On October 10, 2015, the Company granted an additional 482,428 restricted shares of Restricted Stock. Of these shares, 120,607 vested on October 1, 2016 and the remainder vest at the rate of 30,151.75 shares per quarter beginning January 1, 2017.

On October 5, 2016, the Company issued an additional 3,929,530 restricted shares of Series A Convertible Preferred Stock. 2,633,158 of the shares vest 20% per year beginning April 1, 2017. The remaining 1,296,371 shares vest based on meeting certain performance criteria. The agreement also provides for the acceleration of vesting in the event certain events occur or performance targets are met.

Subsequent to year end, 331,669 of the unvested shares were forfeited in conjunction with the termination of employment of an executive officer.

The Restricted Stock generally participates in all the rights and privileges of other Series A Convertible Preferred Stock except with restrictions on transfers, sales and pledging as defined in the Restricted Stock Agreements.

The fair value of the restricted stock grant is estimated on the date of grant using the Black-Scholes option-pricing model and third party valuation reports.

With respect to the Black-Scholes option pricing model, expected volatility is based on calculations performed by management using industry data. The Company's expected dividend yield is based on future projections of income and cash needs. The expected term of restricted stock granted was calculated based on expected vesting. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of the stock option and restricted stock activity for 2016 and 2015 is as follows:

	2016 Restricted Stock Shares	2015 Restricted Stock Shares
Outstanding at December 31,	482,428	1,281,070
Granted	4,745,439	482,428
Forfeited	-	-
Vested	(120,607)	(1,281,070)
Outstanding at end of period	5,107,260	482,428

As of December 31, 2016 the restricted shares have $119,510 in intrinsic value and the weighted average vesting period is 3.44 years.

(14) ***Stock Option and Restricted Share Plan, Continued***

As of December 31, 2016 there was $87,190 of total unrecognized cost related to non-vested share-based compensation arrangements. The cost is expected to be recognized over a weighted-average period of 3 years.

As part of the sale of BlueFrog Plumbing & Drain, LLC in 2015, certain restricted shares automatically vested.

(15) ***Related Party Agreement***

The Company has entered into management agreements with two companies. These companies are affiliated with a shareholder of Home Brands Group Holdings, Inc. Under the terms of the agreement the Company shall pay each company an annual management fee of $250,000 to be paid on a quarterly basis through the quarter ending December 31, 2016. In the event of a sale prior to December 31, 2016 the Company will pay the affiliated company management fees that would otherwise have been earned through December 31, 2016. The affiliate companies are also to receive a fee in the event of a restructuring or refinancing equal to 1.5% of the proceeds of such transaction. The affiliates are also to receive a 1.5% fee in the event 50% or more of the Company sells based on enterprise value of the interest sold.

The Credit Agreement contains certain restrictions on payment of the fees. As of December 31, 2016 and 2015, total management fees accrued and unpaid total $3,000,000 and $2,500,000, respectively.

In addition to the management fees, for the years ended December 31, 2016 and 2015 the Company incurred payroll, benefit and out of pocket expenses to an affiliate company totaling $10,728 and $15,894, respectively.

(16) ***Stockholders Agreement***

The Company, its shareholders and investors have entered into a Stockholders Agreement dated December 2009. The Company entered into an Amended and Restated Stockholders Agreement dated May 1, 2012 (the Stockholders Agreement). Among other things the Stockholders Agreement contains certain rights and provisions related to the sale, transfer or purchase of stock. The Stockholders Agreement also contains certain right of first refusal, right of first offering, make whole and drag-along provisions. In addition, the Company has rights to repurchase shares of shareholders in the event of a bankruptcy or other triggering events as defined in the Stockholders Agreement. The Stockholders Agreement also addresses directors, voting rights and management fees.

(16) ***Stockholders Agreement, Continued***

The Stockholders Agreement also provides for certain approval by Major Investors, as defined in the Stockholders Agreement, of certain transactions such as corporate document changes, equity transactions, borrowings, acquisitions, asset transfers, significant management decisions and more.

(17) ***Franchise Agreements***

The Company has entered into franchise agreements with all franchisees. The terms of the franchise agreements can vary depending on the time period a franchisee originally signed. The Company is in the process of conforming all franchisees under the same agreement as renewals and opportunities arise.

Under the terms of the franchise agreements the Company is to maintain a Brand Fund to be used for the purpose for promoting and marketing ReBath. Contributions required by the franchisees to the fund are defined within each individual franchise agreement and the Company is in the process of creating a uniform contribution system. The Company has had varying Brand Fund contribution commitments under various franchise agreements but has transitioned effective September, 2016 to a uniform responsibility to contribute 1% of Agile, LLC's revenue as defined in the most recent franchise agreement. The Company contributed $107,009 and $97,668 to the fund for the year ended December 31, 2016 and 2015, respectively.

(18) ***Employment/Non-Compete Agreements***

Effective December 1, 2016, the Company entered into Employment Agreements with certain senior executives (the Employment Agreements). The Employment Agreements expire each December 31 beginning in 2018, but continue to automatically renew for twelve month periods unless the Company gives notice of intent not to renew the Employment Agreement. The Employment Agreements provide for certain base salaries, performance based bonuses and other benefits. If employment is terminated without cause as defined in the agreements, the executives are to receive certain severance payouts for an additional six to twelve months as defined in the Employment Agreements. As part of the agreements the executives also entered into non-compete agreements which limit the executive's ability to compete with the Company for a period of up to twenty-four months. The restrictions are defined in the non-compete agreements. In conjunction with issuance of the Employment Agreements, units of restricted stock were issued (see Note 14).

In conjunction with the sale of BlueFrog Plumbing & Drain, LLC, in 2015 an Employment Agreement was triggered resulting in an approximate $250,000 obligation all of which was paid in conjunction with the sale of BlueFrog Plumbing & Drain, LLC (see Note 11).

Subsequent to year end, an Employment Agreement with a senior executive was terminated. As part of the termination, certain provisions Employment Agreement were triggered the most significant being the forfeiture of restricted stock and a severance payment of approximately $100,000.

(19) Employee Benefit Plan

AmBath/ReBath, LLC adopted an employee benefit plan for its employees pursuant to Section 401(k) of the Internal Revenue Code (IRC). Effective in 2011 the plan was moved under ReBath, LLC. Participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the IRC. Employees are eligible if they have attained the age of 21 years and have completed six months of service.

(20) Manufacturing and Fulfillment Agreement

On June 29, 2015, the Company entered into an agreement with a manufacturer to maintain exclusive distribution rights of certain bathroom products (the Manufacturing Agreement). To maintain the exclusivity, the Company has agreed to maintain purchases equal to or within 5% of purchases in the twelve month period prior to the execution date of the Manufacturing Agreement. The Manufacturing Agreement contains certain provisions which could modify the required purchase volume and exclusivity. The Manufacturing Agreement is for five years with certain renewal provisions.

On June 29, 2015 and in conjunction with the Agreement, the Company entered into a Fulfillment and Distribution Agreement with a distributor with previous exclusivity rights (the Fulfillment Agreement). Under the Fulfillment Agreement the Company has agreed to pay a commission to the distributor equal to 3% of net sales on certain products sold to ReBath, LLC from distributors plus an up-front fee of $250,000, all of which was paid during 2015. The Company has also agreed to provide certain technical services for the distributor for sales to non-ReBath franchises for cost plus 5%. The Agreement is for a period of five years with certain renewal provisions.

(21) Manufacturer Incentive Program

Previously the Company purchased certain products for resale to its franchisees. However, the Company has switched to a model whereby franchisees can order directly from suppliers and manufacturers at a negotiated price and an incentive fee is paid to the Company based on such purchases. Total fees received by the Company under this program for the years ended December 31, 2016 and 2015 totaled $1,187,093 and $766,807, respectively.

(22) Lease Commitments

The Company entered into a lease for its operating facilities. The monthly lease payments range between $57,148 and $63,774 with an expiration date of January 31, 2017. Under the terms of the lease, the Company is responsible for all maintenance, taxes and utilities during the term of the lease. The lease has an option to renew for an additional five year period. On September 19, 2016, the Company entered a Second Amendment to Lease extending the lease term to February 1, 2017 and continuing thereafter until the earlier of 30 days termination notice by the Company or May 31, 2017.

(22) Lease Commitments, Continued

On November 23, 2016, the Company entered into a lease agreement for new operating facilities. The commencement date of the lease is to occur on the later of June 1, 2017 or the Landlord's completion of the shell building and improvements and will be for a 64 months term following the commencement date. Monthly lease payments will range between $40,894 and $45,581. Under terms of the lease, the Company is responsible for all maintenance, taxes, and utilities during the term of the lease.

The Company is also in negotiations for lease of new administrative offices.

The future minimum lease payments required under the noncancelable operating leases as of December 31, 2016 are as follows:

2017	$	372,909
2018		497,469
2019		511,150
2020		525,206
2021 and thereafter		813,134

Insurance and maintenance expenses related to the operating leases are generally the obligation of the Company. Rental expense for the years ended December 31, 2016 and 2015 totaled $1,054,981 and $1,050,204, respectively.

The Company entered into a $94,502 capital lease obligation for communications equipment in January, 2015. This lease has an effective interest rate of 13.52% and is payable in monthly principal and interest payments of $3,199 through February, 2018. The lease is secured by related equipment with a net book value of $36,751 as of December 31, 2016.

(23) Warranty

The Company offers lifetime warranties on its products. Management has analyzed the potential cost of warranty claims based on historical results and concluded that the liability arising out of warranty claims will not be material to the financial position of the Company.

(24) Commitments and Contingencies

The Company has entered into agreements that provide for exclusive sales rights including defined territories and non-compete provisions.

During the 2016 year a franchisee elected not to renew their franchise agreement but continued to operate in the bathroom remodeling business. The Company was awarded an injunction by the court enforcing the non-compete and, as of the date of this report, the parties are in arbitration to determine damages. The amount of damages has not yet been determined, but the Company is seeking damages for the gross profit the franchisee received on the jobs performed that violated the non-compete and expenses incurred in enforcing the non-compete.

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RE-BATH

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GENERAL RELEASE

EXHIBIT E

GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is made effective as of this, the ____________ day of __________, 20___, by _______________________, individually and ___________________________ (collectively, "**Franchisee**"), in favor of ReBath, LLC, a Delaware limited liability company ("**Franchisor**") (collectively referred to as "**Parties**"), who, on the basis of the following, agree as follows:

A. The Parties have entered into that certain Franchise Agreement dated,

("Franchise Agreement"), which governs the development and operation of a Re-Bath® Franchise ("Franchise" or "Franchised Business") (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement);

B. [The Franchisee desires to transfer the Franchise Agreement, the ownership of the Franchisee, or the Franchised Business or some or all of the assets of the Franchised Business];

[OR]

B. [The Franchisee desires to enter into a successor to the Franchise Agreement];

C. The Franchisor desires to consent to the Franchisee's request subject to the Franchisee's compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the Franchisee's execution and delivery of this Release to the Franchisor.

1. Release. The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives ("**Franchisee Affiliates**"), hereby fully and forever unconditionally releases and discharges the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as "**Franchisor Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever ("**Released Claims**"), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[APPLIES ONLY IN CALIFORNIA]

1(a). Release of Unknown Claims and Waiver of California Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that the Franchisee and the Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is the Franchisee's and the Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Release.

[APPLIES ONLY IN SOUTH DAKOTA]

1(b). Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by Releasor at the time of execution of this Release, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Release, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on behalf of Releasor) of any Released Claims, positions, defenses, or arguments contrary to this Section 1.(b) of this Release.

2. General. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Arizona. This Release embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter

hereof; and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any successor to the Franchise Agreement. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective delegatees, successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Release to be made effective on the day and year first above written.

FRANCHISOR	FRANCHISEE
______________________________	______________________________
By: Brad Hillier CEO of ReBath, LLC	By: ________________________(Name) ________________________(Position) ______________________(Entity Name)
	______________________________
	By: ________________________(Name) ________________________(Position) ______________________(Entity Name)

LIST OF FRANCHISEES

EXHIBIT F
As of December 31, 2017

Alabama							
Andrew Wells	Wells Remodeling, LLC dba Re-Bath of Central AL & Central TN	3411 Lorna Lane	Birmingham	AL	35216	205-623-3080	rebathandrew@gmail.com
Greg & Joeleene Williams and Michael Hickey	HPH Investments II, LLC dba Re-Bath of the Southeast	3134 S. Oates Street, Suite #3	Dothan	AL	36301	334-699-4041	joleene@rebathse.com
Alaska							
Chris Bailey, Luke Jenner, Nate Mills, Ryan Dillon, and Nick Trest	Alaska Innovative Remodeling, Inc. dba Re-Bath of Anchorage	6623 Brayton Drive	Anchorage	AK	99507	907-929-2284	luke@akbath.com
Arizona							
Kurt Kittleson	K Kittle, LLC dba Re-Bath of Central and Northwest Arizona	4102 West Adams	Phoenix	AZ	85009	480-998-8900	kkittleson@rebathandkitchens.com
Howard Richter	Sierra Remodeling and Home Builders, Inc. dba Re-Bath of Sierra Vista	1840 S. Highway 92	Sierra Vista	AZ	85635	520-458-3164	office@sierraremodeling.com
Jeff and Lisa Walling; Michael and Dina Walling	WB Remodeling, LLC dba Re-Bath of Tucson	3955 E. Speedway Boulevard. Suite 111	Tucson	AZ	85712	520-322-0120	jeff@tucsonrebath.com
Arkansas							
Adam, Bill, and Sharon Priest	Gretzky-Roscoe, LLC dba Re-Bath of Central Arkansas	10900 Stagecoach Road, Suite A	Little Rock	AR	72210	501-455-8600	adam@rebathar.com
California							
Peter Schicker	Schicker, Inc. dba Re-Bath by Schicker	1059 Detroit Avenue	Concord	CA	94518	925-676-8422	pschicker@aol.com
Mike Storms	M2 Investments, Inc. dba Pacific Coast Re-Bath	813 E. Ventura Boulevard	Oxnard	CA	93036	805-485-5888	mstorms@pcrebath.com
Marc Glazer	ABR Inc. dba Re-Bath of Southern California	3085 54th Street	San Diego	CA	92105	619-265-8126	marc@americanbathtub.com
Colorado							
Jim Fitlow & Mike Allen	Bathtub Liners of Colorado, LLC dba Re-Bath of Colorado	2635 S. Santa Fe Drive, Unit 2A	Denver	CO	80223	303-922-0053	jim@rebathut.com
Mark Whaley	Re-Bath of Northern Colorado, LLC dba Re-Bath of Northern Colorado	1017 N. 1st Street	Berthoud	CO	80513	970-535-9400	mpirebath@aol.com
Rick Patterson	Patterson Plumbing and Heating, Inc. dba Re-Bath of Pueblo	1010 Aspen Place	Pueblo	CO	81006	719-544-4922	rick@pph1.com

Connecticut							
Jay Hershman	RT of CT, Inc. dba Re-Bath of New Haven	262 Preston Terrace	Cheshire	CT	06410	203-272-7000	jhershman@ bhhlegal.com
Jay Hershman	RT of CT, Inc. dba Re-Bath of Hartford	262 Preston Terrace	Cheshire	CT	06410	203-272-7000	jhershman@ bhhlegal.com
Florida							
Dave DenBoer	DHD Investments, LLC Re-Bath of Mid-Florida	445 W. State Road 436, Suite 109	Altamonte Springs	FL	32714	407-926-1811	david@ rebathfl.com
Douglas and Matthew Denboer	D&D Investments, LLC dba Re-Bath of Fort Myers	12801 Commerce Lakes Drive #15	Fort Myers	FL	33913	616-292-4091	doug@ denboerinvestments .com
Mark Dufour	Emerald Coast Baths Inc. dba Re-Bath of Panama City	19201 Panama City Beach Parkway	Panama City Beach	FL	32413	850-588-8466	markd@ rebathnwfl.com
Randy Stay	Bathroom Innovations, Inc. dba First Coast Re-Bath	2745 Industry Center Road Suite #5	St. Augustine	FL	32084	904-460-0550	1stcoast@rebath.cc
Simon Rozenberg	Twins Remodeling dba Re-Bath of Palm Beach	21050 NE 38th Avenue	Adventura	FL	33180	954-900-1990	simon.rozenberg@ gmail.com
Simon Rozenberg	Twins Remodeling dba Re-Bath of Broward	21050 NE 38th Avenue	Adventura	FL	33180	954-900-1990	simon.rozenberg@ gmail.com
Georgia							
Justin & Leslie Hutto	Baths & More of Georgia, LLC dba ReBath of Central Georgia	709 C Industrial Boulevard	Dublin	GA	31021	478-296-9347	justin@ rebathgeorgia.com
Jim Sigg	JAS Services, Inc. dba Re-Bath of Augusta	3491 Riverwatch Parkway	Martinez	GA	30907	706-869-0750	jim@rebathaugusta.com
James Wood, Levi Wood, and Eric Barker	Mike Wood Builders Inc. dba Re-Bath of Middle Georgia	1016 N. Columbia Street	Milledgeville	GA	31061	478-453-3060	rebathlevi@ gmail.com
Idaho							
Spencer Shaw and Evan Wyke	Idaho Bath Solutions, LLC dba Re-Bath of Idaho	2150 E.Fairview Avenue, Suite 150	Meridian	ID	83642	208-367-0900	spencer@rebathnw.com
Illinois							
Steve & Sara Zarndt	Remodeling Solutions, Inc. dba Re-Bath of Illinois	1005 N. Water Street	Decatur	IL	62523	217-423-8827	steve@ illinoisrebath.com
Guy & Patricia Lolmaugh	Modern Homes, Inc. dba Re-Bath of Lake County and Southeast Wisconsin	850 E. Grand Avenue, Suite 1A	Lake Villa	IL	60046	847-265-2284	guyl@modern-companies.com

Indiana							
Rick Oakley	Oddjob Creative Interiors, Inc. dba Re-Bath of Southwest Indiana	1280 E Morgan Avenue	Evansville	IN	47711	812-424-2069	rick@ci-rebath.com
Steve & Deborah O'Reilley	Alternative Construction Concepts, Ltd. dba Re-Bath Designs of Indianapolis	6038 N. Keystone Avenue	Indianapolis	IN	46220	317-251-6464	Fox6060@comcast.net
Iowa							
Jim & Connie Thrasher; Steven & Toni Knight	Thrasher Services, Corp. dba Re-Bath of Central Iowa	3012 E. 14th Street	Des Moines	IA	50316	515-262-9075	thrasherservcp@aol.com
Tom Koehn	The Waldinger Corporation dba Re-Bath of Cedar Rapids	1225 Stamy Road	Hiawatha	IA	52333	319-393-4872	derek.hileman@waldinger.com
Kansas							
Debra Potter	Custom Baths, LLC dba Custom Re-Bath	3810 10th Street	Great Bend	KS	67530	620-792-2709	ksrebath@cox.net
Kentucky							
David Duke	Duke Enterprises, LLC dba Re-Bath of Kentuckiana	3089 Breckenridge Lane	Louisville	KY	40220	502-479-1001	davidd@kyrebath.com
Geoff Droke	Bath Tub Liners, Inc. dba Re-Bath of the Four Rivers	2780 New Holt Road, Suite B	Paducah	KY	42001	270-444-6649	gdroke@rebathpaducah.com
Louisiana							
Christy Beard	R&J Leclerc Enterprises, LLC dba Re-Bath of Baton Rouge	5353 Jones Creek Road	Baton Rouge	LA	70817	225-753-6810	christy.beard@rebathbr.com
Joseph Breithaupt, Jr.	ArkLaTex RB, LLC dba Re-Bath of ArkLaTex	1220 Pierremont Road, Suite A	Shreveport	LA	71106	318-216-4525	jeb@jeb.net
Maryland							
John Vesperman & William Vesperman	WCV, Inc. dba Re-Bath of Eastern Maryland	1301 Enterprise Court	Bel Air	MD	21014	866-399-3326	rebatheastmd@comcast.net
Robert Bollinger	Bath Makeovers, Inc. dba Re-Bath of Maryland	5191 Raynor Avenue	Linthicum Heights	MD	21090	410-636-1180	robert@rebathbaltimore.com
Massachusetts							
Bob Tombs Jr. & Frank Lapachinski	PV Bathrooms, Inc. dba Re-Bath of Pioneer Valley	6 French King Highway	Greenfield	MA	01301	413-376-7151	bob@pvbathrooms.com
Darrell Shedd	DS Bathtubs, Inc. dba Re-Bath of the Cape	4 Friendship Way	North Truro	MA	02652	413-442-7676	dshedd@sheddplumbing.com

Sean Senno and Mark Pietros	HIP Construction, LLC dba Re-Bath of Southern Massachusetts	2C Morgan Mill Road	Johnston	RI	02919	401-243-4232	sean@ hipconstruction.com
Michigan							
Darrell Burke and Rod Burke	Darrell Burke Construction Co. dba Re-Bath of Southwest Michigan	750 Capital Avenue, N.E.	Battle Creek	MI	49017	269-962-8751	djburke@darrell burke.com
Jeff & Lori Grover	Grover Investments Inc. dba Re-Bath of Grand Rapids	3114 Broadmoor Avenue SE	Grand Rapids	MI	49512	616-949-8827	lorigrover@ rebathgr.com
Jeff Oslund	Maxtara, Contractors Inc. dba Bathtub Liners of Michigan	1080 E. Maple Road	Troy	MI	48084	248-577-0047	joslund@ rebathit.com
Minnesota							
Jeff Rezac & Andy Rezac	Sole Proprietorship dba Twin City Re-Bath	416 Afton Drive	Northfield	MN	55057	507-654-9777	jreza532@earthlink. net
Bryan Hed	West Metro Bathworks, Inc. dba West Metro Re-Bath	1077 Pond Curve	Waconia	MN	55387	612-716-5183	mnrebath@gmail. com
Missouri							
Mark DeGrande	Midwest Contractors & Remodeling, LLC dba R-Bath of Jefferson City	3702 W. Truman Blvd. Suite #200	Jefferson City	MO	65109	314-985-9201	missourirebath@ yahoo.com
Steve Fesler	Mid-America Remodeling LLC dba Re-Bath of St. Louis	291 Northwest Boulevard	Fenton	MO	63026	314-849-4882	stevef@ rebathstl.com
Nebraska							
Todd & Stacie Jones	NE-Bath, LLC dba Re-Bath of Lincoln & Central Nebraska	5221 S. 48th Street, Suite 11	Lincoln	NE	68516	402-484-0077	TJrebath@ gmail.com
Mark Evans	Bath of the Heartland, Inc. dba Re-Bath of the Heartland	4123 South 84th Street	Omaha	NE	68127	402-991-2818	mevans@justcallbur ton.com
Nevada							
Jeff & Lisa Walling and Michael & Dina Walling	WB Play to Win, LLC dba Re-Bath of Las Vegas	5195 S. Valley View Road	Las Vegas	NV	89118	702-740-2284	jeff@tucson rebath.com
New Hampshire							
Norm Dion	Quality Bath Renovations of New England, Inc. dba Re-Bath of New Hampshire	61 Elm Street, Unit #3	Manchester	NH	03101	603-625-0303	norm@ rebathnh.com

New Jersey							
Dan McGann	Shower Transformations, LLC dba Re-Bath of Central New Jersey & Northern Delaware	210 White Horse Pike	Barrington	NJ	08007	856-283-3071	daniel.mcgann@comcast.net
New Mexico							
Tom Poulin	Poulin Design Remodeling, Inc. dba Re-Bath New Mexico	8600 Pan American Freeway NE	Albuquerque	NM	87113	505-880-2500	tpoulin@poulinremodeling.com
New York							
Gary Hoyt	GW Hoyt, Inc. dba Re-Bath of The Southern Tier	105 S. Duane Avenue	Endicott	NY	13760	607-748-9420	ghoyt99@aol.com
Bob Leffler	Infinity Kitchen and Bath, Inc. dba Re-Bath of Nassau County	1522 Old Country Road	Plainview	NY	11803	516-433-1440	bobleffler@rebath.net
Michael Schnorr	Schnorr Enterprises dba Re-Bath of Poughkeepsie	1572 Route 9	Wappingers Falls	NY	12590	845-296-1043	rebathms@optonline.net
Rich Rome and Frank Rafalik	BCJ, LLC dba Re-Bath of Albany	9 Solar Dr.	Clifton Park	NY	12065	518-371-0400	richardrome@aol.com
John Posimato	Premier Construction & Maintenance Services, LLC dba Re-Bath of Westchester	267 Saw Mill River Road	Elmsford	NY	10523	914-345-0171	john@premierny.com
North Carolina							
Tim Koehler	Koehler Family Enterprises, Inc. dba Re-Bath of the Triad	2701 Branchwood Drive	Greensboro	NC	27408	336-282-2424	tim@triadrebath.com
Jay and Tim Koehler	Koehler Family Enterprises dba Re-Bath of the Triangle	6570 Glenwood Avenue	Raleigh	NC	27612	919-782-9200	tim@triadrebath.com
Jay, Scott, and Tim Koehler	Port City Baths, Inc. dba Re-Bath of Wilmington	6010 Oleander Drive	Wilmington	NC	28403	910-313-6869	tim@triadrebath.com
Brett Harris	BTM Industries, Inc. dba Re-Bath of North Carolina	4002 NC Highway 42 W	Wilson	NC	27893	252-243-8600	bharris@rebathnc.com
Chris Woods	Foothill Service Solutions dba Re-Bath of Charlotte	921 Matthew Mint Hills Road, Suite. F	Charlotte	NC	28226	704-246-7095	chris.woods@rebath.net
Ohio							
Chris Horney	RB Pro, Inc. dba Re-Bath of Columbus	614 Thomas Road	Eight Four	PA	15330	724-960-1168	chris@rebathpro.com
Chris Horney and William Foster	RB Pro, Inc. dba Re-Bath of Cleveland	614 Thomas Road	Eight Four	PA	15330	724-960-1168	chris@rebathpro.com

Jason Heckman	BIA Enterprises, Inc. dba Re-Bath of Dayton	5600 Poe Avenue	Dayton	OH	45414	937-458-0322	jheckman@ biadayton.com
Oklahoma							
Jaime and Kori Usry	Kori Usry, LLC dba Re-Bath of Oklahoma City	1800 Industrial Boulevard	Norman	OK	73069	405-292-3003	jusry@rebath.net
Glenn and Curtis Simms	Bathtub & Shower Liners of Oklahoma, Inc. dba Re-Bath of Tulsa	6570 E. 41st Street	Tulsa	OK	74145	918-794-8349	gsimms@rebath oftulsa.com
Oregon							
Dave Henderer	Henderer Design and Build dba Re-Bath of Benton Lane	315 Coburg Road, Suite B	Eugene	OR	97401	541-753-5660	dave@henderer designbuild.com
Steve Herbert	Herbert Construction and Remodeling, LLC dba Re-Bath of Central Oregon	7700 Southwest Stillman Road	Powell Butte	OR	97753	541-923-1503	herbertconstruction @yahoo.com
Pennsylvania							
Jerry Moyer	Sole Proprietorship dba Re-Bath of Bedford	104 Paul Street	Bedford	PA	15522	814-285-3600	jamiam88@ yahoo.com
Chris Horney	RB Pro, Inc. dba Re-Bath of Pittsburgh	7780 US Route 30	Irwin	PA	15642	724-960-1168	chris@rebath pro.com
Rich Rome	Bran Jac, Inc. dba Re-Bath of Bucks & Berks	934 Wyoming Avenue	Forty Fort	PA	18704	570-283-3005	richardrome@ aol.com
Rich Rome	Rome Enterprises, Inc. dba Re-Bath of Northeast Pennsylvania	2385 John Fries Highway	Quakertown	PA	18951	570-283-3005	richardrome@ aol.com
Rich Rome	Rome Enterprises, Inc. dba Re-Bath of Chester and Delaware Counties	934 Wyoming Avenue	Forty Fort	PA	18704	570-283-3005	richardrome @aol.com
Rich Rome	Rome Enterprises, Inc. dba Re-Bath of Lehigh Valley	230 Montgomery Mall	North Wales	PA	19454	570-283-3005	Richardrome @aol.com
Jon Witmer & Mark Clapper	CL&J Baths, Inc. dba Re-Bath & More	245 Centerville Road, Suite 4	Lancaster	PA	17603	717-299-4822	mclapper@ rebathandmore.com
Joe George	The Decatur Group, LLC dba Re-Bath of Philadelphia	4201 Decatur Street	Philadelphia	PA	19136	215-338-8111	info@ rebathphila.com
Rhode Island							
Sean Senno	HIP Construction, LLC dba Re-Bath of Rhode Island	2C Morgan Mill Road	Johnston	RI	02919	401-243-4232	sean@ hipconstruction.com
South Carolina							

Timothy O'Farrell	D&T Investments, LLC Dba Re-Bath of the Midlands	2650 Shop Road	Columbia	SC	29209	803-708-0521	tofarrell1@gmail.com
Tennessee							
Nelson Wong	C&D Cultured Marble Inc. dba Re-Bath of Chattanooga	4295 Cromwell Road, Suite 403	Chattanooga	TN	37421	423-490-7623	nwnelsonwong@gmail.com
Steve and Kassie Ritchey	Vision Builders, LLC dba Re-Bath of Knoxville	2808 Sutherland Avenue	Knoxville	TN	37919	865-465-3706	vision.buildersllc@yahoo.com
Patrick, Michael, and Donna Eavenson	Custom Services Company, LLC dba Re-Bath of Midsouth	29 Carriage House Drive	Jackson	TN	38305	731-868-2585	pat@customservicescollc.com
Patrick, Michael, and Donna Eavenson	Custom Services Company, LLC dba Re-Bath of Memphis	3755 Summer Avenue	Memphis	TN	38122	901-682-5463	pat@customservicescollc.com
Texas							
Lester & Celia Matthews	Battles Home Improvements, LLC dba Re-Bath of Abilene	1401 S. 14th Street	Abilene	TX	79602	325-673-6547	leck@battleshome.com
Henry Wall	Haebray, Inc. dba Re-Bath of Amarillo	4701 South Western Street	Amarillo	TX	79109	806-331-2284	henry@amarebath.com
Joshua Agrelius	RWB Renovations, LLC, dba Re-Bath of Austin	1120 W. Howard Lane, Suite B11	Austin	TX	78753	512-836-7200	josh.agrelius@rebathofaustin.com
Jeff & Lisa Walling and Michael & Dina Walling	WB Border Project, LLC dba Re-Bath of El Paso	7500 N. Mesa #208	El Paso	TX	79912	915-633-8101	jeff@tucsonrebath.com
John Redecop	Plains Bath Remodeling, Inc. dba Re-Bath of Lubbock	5610 Frankford Avenue; Suite C	Lubbock	TX	79424	806-771-8719	johnsrrebath@outlook.com
Ralph Stow	RDB Bath, LLC dba Re-Bath of Texoma and East Texas	4600 Old Troup Highway	Tyler	TX	75707	972-480-8300	rstow@rebathtexas.com
Ralph Stow	RDB Bath, LLC dba Re-Bath of Wichita Falls	3201 Lawrence Road, Suite 345	Wichita Falls	TX	76308	972-543-3889	rstow@dallasrenovationgroup.com
Jason Hicks and Mark Pardue	L2P Solutions, LLC dba Re-Bath	1800 N. Glenville Drive; Suite 116	Richardson	TX	75081	972-863-2284	mark@texasrebath.com
Jason Hicks and David Driskill	HD Solutions, LLC dba Re-Bath of San Antonio	15719 Highway 281 N	San Antonio	TX	78232	210-490-0030	jason@rebathsa.com
George & Mary Wiebe	Sole Proprietorship dba Re-Bath of West Texas	1301 Hobbs Highway	Seminole	TX	79360	432-955-0965	grgndmry@yahoo.com

Thomas McCabe, John Pate, and Marcos Fernandez	Temple Remodeling, LLC dba Re-Bath of Central Texas	2420 W Avenue M	Temple	TX	76504	254-836-2088	tmccabe@rebathofcentraltx.com
Utah							
Jim Fitlow and Michael Allen	All Surface, LLC dba Re-Bath of Utah	2350 S. West Temple	Salt Lake City	UT	84115	801-931-5555	jim@rebathut.com
Virginia							
Steve & Renee Thompson	Sole Proprietorship dba Re-Bath of Chesterfield	9903 Hull Street Road	Richmond	VA	23236	804-405-1689	steve@rebathofvirginia.com
Nick & Maria Falletta	Falletta Enterprises, Inc. dba Re-Bath of S.W. Virginia	1333 Towne Square Boulevard	Roanoke	VA	24012	540-344-6504	nick@rebathswva.com
Washington							
Carl & Karla Bays	Home Remodeling Solutions, LLC dba Re-Bath of the Tri-Cities	2839 W. Kennewick Avenue	Kennewick	WA	99336	509-591-0900	carl@tricitiesrebath.com
Evan Wyke & Spencer Shaw	Spokane Bath Systems, LLC dba Re-Bath of Spokane	12926 E. Indian Avenue, Suite 3	Spokane Valley	WA	99216	509-321-2315	spencer@rebathnw.com
Wisconsin							
Bryan and Kristi Kuchta	Kuchta & Co. dba Re-Bath of Northeast Wisconsin	3135 Holmgren Way	Green Bay	WI	54304	920-680-1865	kristi.rebathnew@gmail.com
Jordan Schmidt	Austin Thomas Solutions, LLC dba Re-Bath of Central Wisconsin	230 N. Koeller Street	Oshkosh	WI	54902	920-303-5797	jordans@rebathcentral.com
Jim & Georgia Battermann	Sole Proprietorship dba Re-Bath of Waukesha	W229 N1416 Westwood Drive; Unit #4	Waukesha	WI	53072	262-544-5600	badgerbath.wi@aol.com

List of Franchisees Who Have Left the System During the Fiscal Year Ending December 31, 2017 Or Who Have Not Communicated With Us Within 10 Weeks of the FDD Issuance Date

Phil Rengel	Sorrento Construction, Inc. dba Oregon Re-Bath	Beaverton	OR	N/A	Termination
Paul Ferro	Ferro Home Improvement, LLC dba Re-Bath of Greater New Haven	West Haven	CT	230-937-6100	Termination
Brian Friedburg	Southeast Industries, Inc. dba Re-Bath of Virginia Beach	Virginia Beach	VA	757-631-7200	Termination
Dusty Burgess	All-Star Plumbing and Hydronic Heat, Inc. dba Re-Bath of Teton	Afton	WY	307-690-5685	Termination
Shane and Doreena Ford	Bolton Enterprises, Inc. dba Re-Bath of Western Montana	Butte	MT	406-496-3160	Termination
Dennis Branch	OC Remodelers, Inc. dba Re-Bath of Orange County	Orange	CA	714-633-1407	Termination
Michael and Rosalee McClain	Vista Bay Corporation dba Re-Bath of Texas Bay Area	LaMarque	TX	832-244-9258	Agreement Expired/Non-Renewal
Charles and Phyllis Goins	PCG Group, LLC dba Re-Bath of Ruston	Ruston	LA	318-255-0883	Mutual Release and Termination
Keith and Sherry Siegle	Bath Innovations, Inc. dba Re-Bath of Riverside	Riverside	CA	951-977-9630	Mutual Release and Termination
Chris Deck	GGCS, LLC dba Re-Bath of Pinal County	Maricopa	AZ	505-507-3909	Mutual Release and Termination
Russell Jaegle	RJ Remodeling, LLC dba Re-Bath of Low Country	Ridgeland	SC	843-473-3515	Termination
Kerry Lehman	KSLRB, Inc. dba Re-Bath of Wichita	Derby	KS	316-942-2110	Mutual Release and Termination
Greg and Elena Moore; Aaron Woodard	Woodmoore Developments, LLC dba Re-Bath of Houston	Houston	TX	281-216-3307	Termination
Mark Dufour	Emerald Coast Baths, Inc. dba Re-Bath of Pensacola	Pensacola	FL	850-588-8466	Mutual Release and Termination
Any and Jeff Rezac	Bayside Business Enterprises, LLC dba Re-Bath of the Bay	Largo	FL	651-459-3284	Mutual Release and Termination
Simon Rozenberg	Twins Remodeling, LLC dba Re-Bath of North Miami	Adventura	FL	954-900-1900	Not Operational/ Exercised Opt-Out

Simon Rozenberg	Twins Remodeling, LLC dba Re-Bath of South Miami	Adventura	FL	954-900-1900	Not Operational/ Exercised Opt-Out

STATE DISCLOSURES AND ADDENDA

EXHIBIT G

ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF CALIFORNIA

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

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.

Item 3, Additional Disclosure:

Neither we nor any person described 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 such persons from membership in such association or exchange.

Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

Item 6, Additional Disclosure:

The highest interest rate allowed by law in California is 10% annually.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

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

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

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 provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The franchise agreement requires binding arbitration. The arbitration will occur in the judicial district in which the franchisor has its principal place of business with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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 franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The financial performance figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.

ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF CALIFORNIA

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement requires application of the laws of Arizona. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the judicial district in which the franchisor has its principal place of business with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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 Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

REBATH, LLC	______________________________ FRANCHISEE (Print Name)
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________

ADDENDUM TO THE REBATH, LLC DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF HAWAII

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF ILLINOIS

To the extent the Illinois Franchise Disclosure Act, 815 ILCS 701/1-44 (West 2014) applies, the terms of this Addendum apply.

Item 5 Additional Disclosure:

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial status.

Item 17, Additional Disclosures. The following statements are added to Item 17:

The Illinois Franchise Disclosure Act governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

Franchisee Acknowledgment / Compliance Certification:

The representations under this Franchise Acknowledgment/Compliance Certification are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act.

ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF ILLINOIS

To the extent the Illinois Franchise Disclosure Act, 815 ILCS 701/1-44 (West 2014) applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Illinois Franchise Disclosure Act governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business. The deferral of the initial franchise fee is required by the Illinois Attorney General's Office based on our financial statements.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

REBATH, LLC	______________________________ FRANCHISEE (Print Name)
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________

ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

Item 5, Additional Disclosure:

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17, Additional Disclosures:

> Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).
>
> You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
>
> The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Franchisee Acknowledgment / Compliance Certification:

The representations under this Franchise Acknowledgment/Compliance Certification are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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.

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

REBATH, LLC	______________________________ FRANCHISEE (Print Name)
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________

ADDENDUM TO THE
REBATH, LLC
RELEASE
REQUIRED BY THE STATE OF MARYLAND

This Addendum to the Release by and between ReBath, LLC and Franchisee is dated ______________________, 20__.

1. The following shall be added at the end of Recital C:

; provided however, that this Release shall not apply to any liability incurred under the Maryland Franchise Registration and Disclosure Law;

2. The following sentence is added to the end of Section 1:

Notwithstanding the foregoing, this Release shall not apply to any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Release on the day and year first above written.

REBATH, LLC

Date: ______________________________

By: ___________________________________
Name: _________________________________
Title ___________________________________

FRANCHISEE (Print Name)

Date: ______________________________

Individually: ____________________________

Date: ______________________________

Individually: ____________________________
AND:
(if a corporation, limited liability company or partnership)

____
Company Name

Date: ______________________________

By: ___________________________________
Title: _________________________________

ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT REQUIRED BY
THE STATE OF MINNESOTA

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

<u>State Cover Page and Item 17, Additional Disclosures</u>:

> Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
>
> Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

<u>Item 5, Additional Disclosure</u>:

> Payment of the initial franchise fee is deferred until such time as you are open for business.

<u>Item 6, Additional Disclosure</u>:

> NSF checks are governed by Minn. Stat. 604.113, which puts a cap of $30 on service charges.

<u>Item 13, Additional Disclosures</u>:

> The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

<u>Item 17, Additional Disclosures</u>:

> Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure), 180 days notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF MINNESOTA

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.
>
> The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("**Marks**") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.
>
> Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.
>
> With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.
>
> According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the

jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

The Franchise Agreement contains a liquidated damages provision. This provision may not be enforceable under Minnesota law.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

Payment of the initial franchise fee is deferred until such time as you are open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

REBATH, LLC	______________________________
	FRANCHISEE (Print Name)
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________

ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF NEW YORK

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Cover Page, Additional Disclosure.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT F OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.
>
> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.
>
> Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in

such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Except as stated herein, neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the 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 the officer or general partner of the franchisor held this position in the company or partnership.

Item 5, Additional Disclosures.

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

Item 17, Additional Disclosures.

The following is added to the Summary sections of Item 17(c) and 17(m): 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 Section 687.4 and 687.5 be satisfied.

The Summary section of Item 17(d) is deleted and replaced with the following language: You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j): No assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): 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.

ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NEW YORK

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.
>
> Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.
>
> The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

REBATH, LLC	______________________________ FRANCHISEE (Print Name)
By: ________________________	By: ________________________
Title: ________________________	Title: ________________________

**ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF NORTH DAKOTA**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

<u>Item 17, Additional Disclosures</u>. The following statements are added to Item 17:

> Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.
>
> Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.
>
> Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.
>
> The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.
>
> The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.
>
> The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.
>
> The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.
>
> The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. This requirement may not be enforceable under North Dakota law.
>
> The Franchise Agreement requires the franchisee to consent to a limitation of claims within 1 year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

**ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF NORTH DAKOTA**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
>
> Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.
>
> The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.
>
> The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.
>
> The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.
>
> The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.
>
> The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.
>
> The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.
>
> The Franchise Agreement requires the franchisee to consent to a limitation of claims within 1 year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

REBATH, LLC	______________________________
	FRANCHISEE (Print Name)
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________

ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT
REQUIRED BY
THE STATE OF RHODE ISLAND

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure. The following statement is added to Item 17:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

**ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF RHODE ISLAND**

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement on the day and year first above written.

REBATH, LLC	______________________________
	FRANCHISEE (Print Name)
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________

ADDENDUM TO THE REBATH, LLC DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF VIRGINIA

1. To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

Item 5, Additional Disclosure:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

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

ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF VIRGINIA

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> "According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground 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 Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to us until we have completed our pre-opening obligations under the franchise agreement."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement on the day and year first above written.

REBATH, LLC	______________________________ FRANCHISEE (Print Name)
By: ______________________	By: ______________________
Title: ____________________	Title: ____________________

ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT FOR
THE STATE OF WASHINGTON

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

Item 17, Additional Disclosure:

The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY
THE STATE OF WASHINGTON

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
>
> In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
>
> In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
>
> A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
>
> Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
>
> Payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

REBATH, LLC	______________________ FRANCHISEE (Print Name)
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________

ADDENDUM TO THE
REBATH, LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WISCONSIN

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

ADDENDUM TO THE
REBATH, LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WISCONSIN

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement.

REBATH, LLC	______________________________
	FRANCHISEE (Print Name)
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________

FINANCING DOCUMENTS

EXHIBIT H

RE-BATH
PROMISSORY NOTE

Loan # __________

____________________________ $______

For value received, (Entity Name), a/an (State) corporation/limited liability company ("Makers"), jointly, severally and unconditionally promise to pay to the order of ReBath, LLC, a Delaware limited liability company ("ReBath"), the principal amount of (Amount Financed) Dollars ($ .00) together with interest on the unpaid principal balance outstanding from time to time at the rate of (Amount) percent (______%) per annum (subject to the provisions contained hereinafter), based on a three hundred, sixty (360) day year, from the date hereof until all amounts due hereunder are paid in full, in (____) equal payments of principal and interest in the amount of $______ each on or before the first (1st) day of each month, beginning _______, and ending _________.

Makers hereby irrevocably authorize ReBath to deduct the payments payable hereunder from Makers operating account automatically on the first (1st) of each month by way of electronic funds transfer.

Makers may prepay all or any part of the unpaid principal, together with any interest accrued thereon, at any time or from time to time, without premium or penalty. Payment shall be applied first to accrued interest and then to principal, in the inverse order of maturity.

Any default by Makers under the Franchise Agreement between Makers and ReBath or any termination of the Franchise Agreement shall also constitute a default by Makers under this Note and any default by Makers under this Note shall also constitute a default by Makers under the Franchise Agreement. In addition, Makers shall be in default under this Note if Makers fail to timely make any of the payments due and payable hereunder. If Makers fail to cure a default within ten (10) days following their receipt of a written notice of such default, then an "Event of Default" shall have occurred. Upon the occurrence of an Event of Default, the entire principal balance outstanding hereunder shall bear interest at the rate of eighteen percent (18%) per annum (the "Default Rate") from the date hereof until paid and, at the election of ReBath, the entire principal balance outstanding hereunder together with interest at the Default Rate, shall, upon written notice to Makers, become immediately due and payable. ReBath's failure to declare acceleration for any cause shall not prevent ReBath from declaring acceleration at any later time for such, or any other Event of Default.

Except to the extent expressly set forth herein, Makers waive diligence, demand, grace, presentment for payment, notice of non-payment, protest and notice of protest, notice of dishonor, notice of extension, and notice of default.

If ReBath is required to take any action to collect any amounts due under this Note, Makers shall, upon demand, reimburse ReBath for its reasonable out-of-pocket costs and expenses actually incurred, including without limitation, reasonable attorneys' fees, whether or not suit is filed, and all costs of collection, suit, and preparation for suit.

If Maker is a corporation, limited liability company, partnership or other legal entity, then Franchisee's obligations under this Note are secured by the personal guarantees of each person directly or indirectly owning or holding a fifteen percent (15%) or more ownership interest in Franchisee, pursuant to the terms of the Continuing Personal Guaranty, which is attached hereto.

The provisions of this Note shall be binding upon Makers and their heirs and assigns, and shall inure to the benefit of ReBath and any subsequent holders of all or any portion of this Note, and their respective successors and assigns.

Without affecting the liability of any maker, endorser, surety, or guarantor, ReBath may, without notice, renew or extend the time for payment, accept partial payments, or agree not to sue any party liable under this Note.

All notices, requests, demands and other communications required or permitted under this Note shall be in writing and shall be deemed to have been duly given, made and received when given consistent with the terms of the Franchise Agreement.

This Note will be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. Makers agree that any litigation in connection with this Note will be commenced and maintained only in the courts located in Maricopa County, Arizona, and Makers consent to the jurisdiction of such courts.

IN WITNESS WHEREOF, Makers have duly executed, and delivered this Note as of the date first written above.

MAKERS:

___________________________________ ____________________ % of ownership in
Franchisee
By: _________________________
(Position) of
(Entity Name)

___________________________________ ____________________ % of ownership in
Franchisee
By: _________________________
(Position) of
(Entity Name)

RE-BATH
CONTINUING PERSONAL GUARANTY

Loan # __________

____________________________ $______

THIS CONTINUING PERSONAL GUARANTY is executed by the guarantors listed on the signature page (each a "Guarantor" or "you") in favor of ReBath, LLC, a Delaware limited liability company ("ReBath").

A. As an inducement for ReBath to loan funds to (Franchisee) ("Franchisee"), pursuant to the terms of a Promissory Note dated as of the date hereof in the original principal amount of (Amount) ($_______.00) (the "**Note**"), each of you has agreed to jointly and severally guarantee the obligations of Franchisee under the Note.

B. Each of you owns an equity interest in Franchisee.

NOW THEREFORE, in consideration of the foregoing, and the extension of credit to Franchisee by ReBath, each of you agrees, for the benefit of ReBath, as follows:

1. Each of you jointly, severally, and unconditionally guarantees and promises to pay to ReBath and to perform, for the benefit of ReBath, on demand, any and all obligations and liabilities of Franchisee in connection with, or arising out of, the Note (the "**Obligations**").

2. This is a guaranty of payment and not of collection. This Continuing Personal Guaranty will remain in full force and effect until all amounts payable by each Guarantor have been validly, finally and irrevocably paid in full and all Obligations will have been validly, finally and irrevocably satisfied or performed in full.

3. Your obligations under this Continuing Personal Guaranty are joint and several and are independent of the obligations of Franchisee. A separate action or actions may be brought and prosecuted against any one or more of you regardless of whether an action is brought against the Franchisee, any one or more of you, or whether the Franchisee or the other Guarantors are joined in any such action. Each of you waives the benefit of any statute of limitations affecting your liability under this Continuing Personal Guaranty or the enforcement of this Continuing Personal Guaranty. Each of you waives your rights under A.R.S. Section 12-1641, et seq. and Rule 17(f) of the Arizona Rules of Civil Procedure for the Superior Courts of Arizona, which set forth certain rights and obligations among guarantors, debtors and creditors, if applicable, including the right to require ReBath to bring an action against the Franchisee prior to enforcing its rights under this Continuing Personal Guaranty. Each of you waives any right to require ReBath to proceed against or exhaust any security interest held in the property of Franchisee or to pursue any other remedies that ReBath may have. Each of you waives all requirements as to presentment, demand for performance, notice of non-performance, protest, notice of protest, notice of dishonor, and notice of acceptance of this Continuing Personal Guaranty and of the existence, creation or incurring of new or additional Obligations or indebtedness.

4. Each of you authorizes ReBath, without notice or demand and without affecting your liability under this Continuing Personal Guaranty to renew, compromise, modify, extend, accelerate or otherwise change the terms of any present or future Obligations and/or agreements between Franchisee and ReBath. Any change in the Obligations and/or agreements will have no effect on your liability under this Continuing Personal Guaranty. You will remain liable for the Obligations as set forth in this Continuing Personal Guaranty if Franchisee fails to satisfy any Obligations.

5. If any one or more of the provisions in this Continuing Personal Guaranty are held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision of this Continuing Personal Guaranty, and this Continuing Personal Guaranty will be construed as if such provision had never been contained herein.

6. If ReBath is required to take any legal action to enforce its rights under this Continuing Personal Guaranty, ReBath may recover from you its costs and expenses in connection therewith, including, without limitation, reasonable attorneys' fees, whether or not suit is filed, and all costs of collection, suit, and preparation for suit (whether at trial or appellate level).

7. Nothing in this Continuing Personal Guaranty will constitute a waiver or limitation of any other rights or remedies of ReBath against Franchisee or any of you. No failure or delay on the part of ReBath or its Affiliates in exercising its rights under this Continuing Guarantee Agreement will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any right will be deemed a waiver of any other right. The rights provided for in this Continuing Personal Guaranty are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

8. Each of you agrees that you will not exercise any rights of subrogation that you may acquire due to any payment or performance of the Obligations of the Franchisee pursuant to this Continuing Personal Guaranty unless and until all amounts payable to ReBath, and all Obligations for the benefit of ReBath, due under the Note will have been validly, finally and irrevocably paid and performed in full.

9. This Continuing Personal Guaranty will be binding upon each of you and your respective representatives, heirs and assigns, and will inure to the benefit of ReBath, and their respective heirs and assigns.

10. If more than one (1) person signs this Continuing Personal Guaranty, your obligations will be joint and several. Each of you acknowledges and agrees that Blue Frog Plumbing & Drain will materially rely upon each of your promises and obligations under this Continuing Personal Guaranty.

11. If the spouse of any Guarantor does not sign this Continuing Personal Guaranty, such Guarantor represents that he or she is not married.

12. This Continuing Personal Guaranty will be governed by, and construed and enforced in accordance with, the laws of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. You agree that any litigation in connection with this Continuing Personal Guaranty will be commenced and maintained only in the courts located in Maricopa County, Arizona, and you consent to the jurisdiction of such courts.

GUARNTOR(S)	PERCENTAGE OF OWNERSHIP IN FRANCHISEE
Sign Name: ______________________________	____________________ %
Print Name: ______________________________	
Address: ______________________________	
______________________________	

RE-BATH
SECURITY AGREEMENT

Loan # __________

____________________________ $______

THIS SECURITY AGREEMENT is made and entered into as of this day __________________, by and between _________________________, a ____________________ with its principal place of business located at ____ ("**Debtor**"), and ReBath, LLC, a Delaware limited liability company with its principal place of business located at 426 N. 44th Street, Suite 410, Phoenix, Arizona 85008 ("**Secured Party**").

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Debtor grants to Secured Party a security interest in the property described in Schedule I attached hereto, together with all after-acquired property of the same general class and description and the proceeds of all property encumbered hereby (the "**Collateral**").

TO SECURE:

a. Payment of sums owed by Debtor to Secured Party in connection with Debtor's purchase of products and goods from Secured Party;

b. Debtor's obligations to Secured Party under that or those certain Franchise Agreement(s) between Secured party and Debtor;

c. Debtor's obligations to Secured Party and its affiliates, under that certain Promissory Note made in favor of Secured Party and all obligations under it;

d. Any and all other obligations, indebtedness and liabilities of Debtor to Secured Party, or any subsidiary or affiliate of Secured Party, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising; and

e. Performance of each agreement of Debtor contained herein.

DEBTOR WARRANTS AND AGREES:

Debtor is the owner of the Collateral, free from any adverse lien, security interest or encumbrance, and Debtor will defend against all claims and demands of all persons at any time claiming the same or an interest therein.

Except as otherwise provided herein, no Financing Statement covering any of the Collateral or any proceeds thereof is on file in any public office. Debtor hereby authorizes Secured Party to execute, on behalf of both Debtor and Secured Party, one (1) or more Financing Statements, pursuant to the Uniform Commercial Code, in form satisfactory to Secured Party, and to file or record same in all public offices wherever filing or recording is deemed by Secured Party to be necessary or desirable and Debtor agrees to pay the cost of filing or recording the same and/or this Agreement.

To do all acts that may be necessary to maintain, preserve and protect the Collateral, not to commit or permit any waste thereof, and to maintain the Collateral in good order, repair and condition, reasonable wear and tear excepted.

Except in the ordinary course of business, not to sell, assign, lease, encumber, or otherwise dispose of all or any of the Collateral without the prior written consent of Secured Party.

To pay, at least ten (10) days before delinquency, all taxes, assessments and liens now or hereafter imposed on the Collateral, and to provide, maintain in force at all times, and deliver to Secured Party fire and other insurance policies (including all risk, and earthquake insurance) on the Collateral, as Secured Party may, at its discretion, require, in amounts and with companies satisfactory to Secured Party with loss payable to Secured Party.

If Debtor fails to make any payment or do any act as herein required, then Secured Party, without obligation to do so and without notice to or demand upon Debtor, may make such payments and do such acts as Secured Party may deem necessary to protect its security interest in the Collateral, Secured Party being hereby authorized (without limiting the general nature of the authority hereinabove conferred) to take possession of the Collateral or any part thereof and to pay, purchase, contest or compromise any security interest, encumbrance, charge or lien which, in the judgment of Secured Party, appears to be prior or superior to or to jeopardize the security interest granted hereby, and in exercising any such powers and authority to incur necessary expenses, including attorneys' fees. Secured Party's determination as to whether or not Debtor has failed to make any payment or do any act as herein required shall be final and conclusive. Debtor hereby agrees to repay immediately and without demand all sums expended by Secured Party pursuant to the provisions of this paragraph with interest from date of expenditure at the rate of ten (10%) percent per annum.

Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions:

a. Default by Debtor in the payment of the obligations or liabilities secured hereby, or failure by Debtor to perform any agreement herein contained or secured hereby.

b. Any warranty, representation or statement, made or furnished to Secured Party by or on behalf of Debtor, proves to have been false in any material respect when made or furnished;

c. Substantial uninsured damage, destruction, or danger, in the opinion of Secured Party, of misuse or confiscation of Collateral or the making of any levy, seizure or attachment thereof or therein; or

d. Insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceedings under any bankruptcy or insolvency laws by, or against, Debtor.

Upon any such default, Secured Party, at its option, without demand upon or notice to Debtor, may declare all indebtednesses, obligations and liabilities secured hereby to be immediately due and payable, and Secured Party shall have all the rights and remedies provided a secured party under the Uniform Commercial Code and may proceed to foreclose the security interest created hereby according to law, and may, at its option, and it is hereby empowered, with or without foreclosure action, to enter upon any premises where the Collateral or any part thereof may be and take possession thereof and remove the Collateral or any part thereof. In addition, Secured Party may require and Debtor agrees to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private or other intended disposition is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Debtor shown above at least ten (10) days before the time of the sale or disposition. The Collateral may be sold in one or more lots and at one or more sales, which may be held on different days and need not be held within view of the Collateral being sold. Secured Party shall deduct and retain from the proceeds of such sale or sales all costs and expenses paid or incurred in the taking, removal, holding, preparing for sale or sales of the Collateral, including any reasonable attorneys' fees and legal expenses incurred or paid by Secured Party; the balance of the proceeds shall be applied by Secured Party upon the indebtednesses, obligations and liabilities secured hereby, in such order and manner as Secured Party may determine, and the surplus, if any, shall be paid to Debtor or to the person or persons lawfully entitled to receive the same.

Secured Party, at its option, shall have the right to commence any action or proceeding against a third party or appear in or defend any action or proceeding brought by a third party purporting to affect the rights, duties or liabilities of the parties hereto, including, without limiting the generality of the foregoing, an action to foreclose the security interest created hereby, and in connection therewith to incur costs, expenses and attorneys' fees in any such action or proceeding in which the Secured Party shall appear, all of which costs, expenses and attorneys' fees will be paid or reimbursed to Secured Party by Debtor together with interest from the date of expenditure at the rate often (10%) percent per annum.

In the event of any default hereunder, Secured Party shall be entitled, without notice and without regard to the adequacy of the Collateral and of any other security for the indebtedness hereby secured, to the appointment of a receiver to take possession of all or any part of the Collateral and to exercise such powers as the Court shall confer upon it/him/her.

At any public sale or sales made under this Section 8 or authorized herein or by laws, or at any sale or sales made upon judicial foreclosure of this security interest, Secured Party (or its representative) may bid for and purchase any Collateral being sold and, in the event of such purchase, shall hold such property thereafter discharged of all rights of redemption.

Secured Party shall be entitled to enforce any indebtedness, obligation or liability secured hereby and to exercise all rights and powers hereby conferred, although some or all of the indebtedness, obligations and liabilities secured hereby are now or shall hereafter be otherwise secured. Debtor's acceptance of this Agreement shall not affect or prejudice Secured Party's right to realize upon or enforce any other security now or hereafter held by Secured Party, and

Secured Party shall be entitled to exercise all rights of setoff to the same effect and in the same manner as if this security interest had not been given.

In the event suit is brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of damages, its cost of suit and, not as damages, a reasonable attorneys' fee to be fixed by the Court.

The words "Secured Party" and "Debtor," as used herein, shall be construed to include the heirs, legatees, devisees, administrators, executors, successors and assigns, respectively, of Secured Party and Debtor. This Agreement shall bind and inure to the benefit of such third persons. Whenever the context so requires, the masculine gender includes the feminine and neuter, the singular number includes the plural, and vice versa. All references herein to the Uniform Commercial Code means the Uniform Commercial Code as adopted by the State in which Secured Party's principal place of business is located.

DEBTOR HEREBY SPECIFICALLY CERTIFIES THAT IT HAS READ AND FULLY UNDERSTANDS THIS SECURITY AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

SECURED PARTY	DEBTOR
By: Brad Hillier CEO ReBath, LLC	By: (Owner #1) (Position in Entity) of (Entity Name)
	By: (Owner #1) (Position in Entity) of (Entity Name)

SCHEDULE I

Any and all personal property of Debtor, including but not limited to all furniture, fixtures, leasehold improvements, equipment, inventory, goods and supplies, accounts, chattel paper and other tangibles and intangibles and all after-acquired property and proceeds related to any of the foregoing.

REBATH, LLC
RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If ReBath, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make payment to, it or one of its affiliates in connection with the proposed franchise sale or grant.

New York requires that ReBath, LLC provide you with this Disclosure Document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make payment to, it or one of its affiliates in connection with the proposed sale. Michigan requires that ReBath, LLC provide you with this Disclosure Document 10 business days before you sign a binding agreement with, or make payment to, it or one of its affiliates in connection with the proposed sale. Iowa requires that ReBath, LLC provide you with this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make payment to, it or one of its affiliates in connection with the proposed sale.

If ReBath, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: ☐___________, ☐____________, ☐____________, of ReBath, LLC, at 426 N. 44th Street, Suite 410, Phoenix, Arizona 85008, (800) 426-4573, and/or ____ of ________________________ located at ____.

Its registered agents authorized to receive service of process are set forth on Exhibit A.

Issuance date: April 30, 2018.

I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an Entity), hereby acknowledge receipt from ReBath, LLC of the Franchise Disclosure Document (to which this Receipt is attached) dated April 30, 2018.

This Disclosure Document included the following exhibits: Exhibit A – List of State Agencies/Agents for Service of Process; Exhibit B – Franchise Agreement; Exhibit C – Financial Statements and Guaranty; Exhibit D – Manual Table of Contents; Exhibit E – General Release; Exhibit F – List of Franchisees; Exhibit G – State Disclosures and Addenda; Exhibit H –Financing Documents.

____
Signature (individually and as an officer)

____
Print Name

____
Date Disclosure Document Received

____
Print Franchisee's Name (if an Entity)

____
Phone Number

PLEASE SIGN THIS COPY
OF THE RECEIPT AND
RETAIN IT FOR YOUR RECORDS

REBATH, LLC
RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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____
Signature (individually and as an officer)

____
Print Name

____
Date Disclosure Document Received

____
Print Franchisee's Name (if an Entity)

____
Phone Number

PLEASE SIGN THIS COPY OF THE RECEIPT AND RETURN IT TO:

ReBath, LLC
426 N. 44th Street, Suite 410
Phoenix, Arizona 85008