

Department of Corporations

SEP 13 2012

Sacramento Office



2012 FRANCHISE OFFERING

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Pending In:

California, Connecticut, Florida, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Utah, Virginia, Washington and Wisconsin

FRANCHISE DISCLOSURE DOCUMENT

Re-Bath, LLC, a Delaware Limited Liability Company

421 W. Alameda Drive

Tempe, Arizona 85282

(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 franchise ranges from \$91,000 to \$322,500. This includes \$34,500 to \$102,500 that must be paid to the franchisor or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Franchise Sales Department, 421 W. Alameda Drive, Tempe, AZ 85282, (480) 844-1575.

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: August 24, 2012

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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 LITIGATION ONLY IN MARICOPA COUNTY, ARIZONA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN TEXAS 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. **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 next page for Effective Dates of this Disclosure Document in the various registration states.

STATE-SPECIFIC EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California: <u> Pending </u>	North Dakota: <u> Pending </u>
Hawaii: <u> Pending </u>	Rhode Island: <u> Pending </u>
Illinois: <u> Pending </u>	South Dakota: <u> Pending </u>
Indiana: <u> Pending </u>	Virginia: <u> Pending </u>
Maryland: <u> Pending </u>	Washington: <u> Pending </u>
Minnesota: <u> Pending </u>	Wisconsin: <u> Pending </u>
New York: <u> Pending </u>	

EXEMPTION STATES

Florida: <u> Pending </u>	Nebraska: <u> May 2, 2005 </u>
Kentucky: <u> May 23, 2005 </u>	Texas: <u> May 5, 2005 </u>
Michigan: <u> Pending </u>	Utah: <u> Pending </u>

In all other states, this Disclosure Document's effective date is the issuance date of August 24, 2012.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

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

Any questions regarding the notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Franchise Section
G. Mennen Williams Building, 6th Floor
525 West Ottawa
P.O. Box 30213
Lansing, Michigan 48909
Telephone: 517-373-7117

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EXHIBITS

Exhibit A	List of State Agencies/Agents for Service of Process
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Exhibit D	Non-Disclosure and Non-Competition Agreement
Exhibit E	Financing Documents
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Exhibit H	Financial Statements and Guaranty
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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, "**Re-Bath**", "**we**" or "**us**" means Re-Bath, LLC, the franchisor. "**You**" or "**your**" means the person, persons or entity that buys a franchise ("**RE-BATH Franchise**," "**Franchise**," "**Business**" or "**Franchised 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.

Re-Bath is a Delaware limited liability company that was formed on December 18, 2001 to serve as a successor in interest to Re-Bath Corp., an Arizona corporation that was initially incorporated on April 24, 1991 as Re-Bath Franchising Corporation and changed its name to Re-Bath Corp. on May 12, 1993. Re-Bath Corp. offered franchises from 1991 until January 18, 2002, when AmBath/Re-Bath LLC ("**AmBath/Re-Bath**"), which was formed by an investor group that included officers and directors of Re-Bath Corp., acquired all of the assets of AmBath Corporation, Inc., Re-Bath Corporation, Inc. and other related entities, including all rights as franchisor under all of the Re-Bath Corp. Franchise Agreements, and contributed certain assets and liabilities to Re-Bath. Re-Bath began offering franchises on January 18, 2002. Since the acquisition of AmBath Corporation, Inc. by AmBath/Re-Bath in 2002, Re-Bath has also manufactured bathtub and shower base liners, replacement bathtubs and shower bases, wall panels and other bathroom products under the name "AmBath." Franchisees will purchase these products from Re-Bath that are used in the operation of a RE-BATH Franchise. Re-Bath also manufactures and distributes bathtub liners and related products, nationally and internationally, to the lodging business. We presently conduct business under the names Re-Bath and AmBath.

Our parent company is AmBath/Re-Bath Holdings, Inc. ("**AmBath/Re-Bath Holdings**"). We have two affiliates, 5 Day Kitchens, LLC ("**5 Day Kitchens**") and Home Brands Group, LLC ("**Home Brands**"). 5 Day Kitchens has been offering franchises for kitchen design and remodeling businesses since June 2012 and has sold one 5 DAY KITCHENS franchise as of the date of this Disclosure Document. These franchises are offered under a separate disclosure document. 5 Day Kitchens has not offered franchises in other lines of business. Home Brands may negotiate purchasing arrangements for certain cabinets, lighting and other products and services used in the Franchised Business to RE-BATH franchisees, although as of the date of this Disclosure Document, it does not do so. See Item 8. HomeBrands has not offered franchises in any line of business. Re-Bath, Home Brands and 5 Day Kitchens are each wholly-owned subsidiaries of AmBath/Re-Bath Holdings. Our principal address and the principal address of our parent and affiliates is 421 W. Alameda Drive, Tempe, Arizona 85282.

AmBath/Re-Bath Holdings has guaranteed our duties and obligations under the franchise agreement. A copy of the Guaranty is attached to this Disclosure Document in Exhibit H.

Our parent has not offered franchises in any line of business. We have not offered franchises in other lines of business. Our predecessor, Re-Bath Corp., offered RE-BATH franchises from 1991 until January 2002, and did not offer franchises in other lines of business. We began offering franchises as of the date of this Disclosure Document. We are not engaged in business activities other than those described in this Disclosure Document.

Our agents for service of process are disclosed in Exhibit A.

The Franchises Offered

We offer a RE-BATH Franchise under an agreement ("**Franchise Agreement**") that gives you the right to operate a Franchised Business under our distinctive business format, systems, methods, procedures, designs, standards and specifications ("**Licensed Methods**") selling and installing bathroom renovation services and products in a specific geographic area ("**Territory**"). As a RE-BATH Franchisee, you operate the Franchise from a showroom located in your Territory. The location, design and layout of your showroom must be approved by us. You will offer bathroom remodeling services and products to home owners and landlords with homes or apartments located in your Territory, and others who may have a need for a bathroom remodeling subcontractor for projects in your Territory. If you already own a bathroom remodeling business, you may convert your existing business to a RE-BATH Franchise ("**Conversion Franchise**") by signing the Conversion Addendum, attached as Exhibit I to this Disclosure Document, when you sign the Franchise Agreement.

In addition, we have entered into agreements with Home Depot U.S.A., Inc. ("**Home Depot**") and Ace Hardware Corporation ("**Ace Hardware**") to place product displays in participating Home Depot and Ace Hardware stores throughout the country and we may enter into similar agreements with other home improvement or other mass merchandise retailers. If there are any participating Home Depot or Ace Hardware stores in your Territory, you must participate in each of these programs and maintain product displays (or in-store signage if the store does not permit the installation of product displays) in at least 75% of the participating stores within 12 months from the date that you complete your initial training. We cannot guarantee that there will be any participating retailers within your Territory, and we also cannot guarantee the duration of a retailer opportunity should there be availability in your Territory.

In order to participate in the Home Depot program, you must enter into a Service Provider Agreement with Home Depot and purchase and maintain an in-store sign or Re-Bath Product display in each participating Home Depot store in your Territory. A copy of the current Home Depot agreement is attached as Exhibit M. You must purchase the in-store sign or product displays for these programs. Under the Home Depot program, the customer pays Home Depot for the cost of the products and installation and Home Depot remits 85% of the payment received from the customer to you and retains the balance. Under the Ace Hardware program, the customer pays you directly for the cost of products and installation and you remit 12% of the payment received from the customer to Ace Hardware. You and your employees may also be required to submit to and pass background investigations that include credit reports and criminal records in order to participate in these programs. You are not required to pay any additional fees to us as a result of participating in these programs and we do not receive any other income or other material benefit from these programs other than by the increased sales of Re-Bath Products.

You will operate the Franchised Business under our trademark RE-BATH[®] and logo, and the additional principal service marks, trademarks, trade names, logos, emblems, slogans or indicia of origin which are or may be designated by us in the future ("**Marks**") for use in accordance with the methods and processes developed by us in connection with the Franchise.

Market and Competition

The market for bathroom remodeling and related products and services is well established and highly competitive. You will compete with other bathroom subcontractors and remodeling companies, 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, landlords of single-family homes or multi-unit housing and others who engage bathroom remodeling subcontractors for remodeling projects.

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 RE-BATH Business in your 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 your 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.

ITEM 2 **BUSINESS EXPERIENCE**

President, Chief Executive Officer and Board Member: Mark Dawson

Mr. Dawson has served as President and Chief Executive Officer of Re-Bath since January 2012 and as Chief Executive Officer of 5 Day Kitchens since January 2012. He is also a Director of AmBath/ReBath Holdings, a position that he has held since June 2012. Mr. Dawson has also served as Chief Executive Officer and a Manager of Home Brands Group, LLC since its inception in June 2012. Mr. Dawson was President of Synergistic International, the franchisor of Glass Doctor, a window glass repair company located in Waco, Texas, from July 2005 to December 2011.

Chief Financial Officer and Chief Operations Officer: Brad Hillier

Mr. Hillier has served as Chief Financial Officer and Chief Operations Officer of Re-Bath since October, 2010, and as Chief Financial Officer and Chief Operations Officer of 5 Day Kitchens since August 2011. Mr. Hillier was a director of AmBath/Re-Bath LLC from October 2010 to April 2011, and is a director of the successor entity and our parent company, AmBath/ReBath Holdings. From October 2010 to April 2011, he also served as Chief Financial Officer of AmBath, LLC, a bathroom remodeling products manufacturing company that was merged into Re-Bath in April 2011. He has also served as Chief Financial Officer, Chief Operating Officer and a Manager of Home Brands Group, LLC since its inception in June 2012. From November 2009 to July 2010, Mr. Hillier worked as a director for AlixPartners LLP, a consulting firm located in New York, New York, focused on enterprise and process improvement services. From January 2003 to October 2009, Mr. Hillier worked as a Managing Director for KPMG LLP in the Atlanta, Georgia office, advising organizations on improving their operations and finances.

Board Member: David Malm

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

Board Member: LeGrand Lewis

Mr. Lewis has served as one of our Board members 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. From June 2004 to February 2008, he served as a case team leader and consultant for Bain & Company, a management consulting firm in Irving, Texas.

Vice President of Franchising: Charles Mudd

Mr. Mudd has served as our Vice President of Franchise Sales since August 2012. From June 2008 to July 2012, he was an angel investor and consultant to JJF Capital, a national finance company located in Houston, Texas and BPI Trucking, a transportation firm located in Houston, Texas. From 2007 to 2008, Mr. Mudd served as Vice President for the International Center for Entrepreneur Development, a franchisor offering print and copy, pack-and-ship, healthcare and education franchises located in Cypress, Texas.

ITEM 3
LITIGATION

1. Jack R. Jones et al. v. Re-Bath, 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 Re-Bath, 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 Re-Bath and Jones regarding Jones' possible acquisition of a Re-Bath franchise in central Texas and Re-Bath's decision not to award Jones the franchise. This action was settled in December 2008. Under the terms of the settlement, Re-Bath, Kemp Brothers and HD Solutions paid Jones the sum of \$50,000.

Other than this one action, 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

When you sign the Franchise Agreement, you pay us an initial franchise fee (the "**Initial Franchise Fee**") for your Territory. Except as described below in this Item 5, the Initial Franchise Fee is \$15,000 ("**Flat Fee**"), plus eight cents (\$0.08) multiplied by the number of people in the Territory ("**Population Fee**"). For example, the Initial Franchise Fee for a Territory with a population of 150,000 people is \$27,000 (150,000 x \$0.08 + \$15,000); and the Initial Franchise Fee for a Territory with a population of 1,000,000 is \$95,000 (1,000,000 x \$0.08 + \$15,000). The minimum population in a Territory is 150,000 and the maximum is 1,000,000, with between 300,000 and 750,000 people in a typical size Territory. See also Item 12.

The Initial Franchise Fee is paid in full when you sign the Franchise Agreement or, if you qualify, you may finance up to 100% of the Population Fee for 36 months from the date of the Franchise Agreement, with interest at the rate of 9-12% per annum, as noted in Item 10, by signing a promissory note, guaranty, and security agreement (Exhibit E to this Disclosure Document). A down payment of the greater of \$15,000 or 30% of the total Initial Franchise Fee is required. The promissory note must be personally guaranteed by you, if you are an individual, or by the owners of 15% or more of the equity in the Business, if you are a Business Entity, and the assets of your Business must be pledged as collateral. Financing will only be offered if you meet our then current credit standards. See Item 10.

The Initial Franchise Fee is fully earned when received by us or, if applicable, when the promissory note is signed, and is non-refundable unless you do not propose a site that meets our standards for a Franchise Location before you attend the second phase of the initial training program, known as the Advanced Operations Training, in which case we will terminate your Franchise Agreement and refund the Initial Franchise Fee, less our reasonable expenses. All franchisees pay the same Initial Franchise Fee as calculated above, unless one or more of the discounts described below applies.

Start-Up Package

In addition to the Initial Franchise Fee, you must also pay us \$7,500 when you sign the Franchise Agreement, for materials that include initial marketing pieces, sales materials, stationery templates, including business cards and letterhead, website domain registration, website template, installation tools and other supplies. See Item 7. This amount is non-refundable.

Discount Programs - Initial Franchise Fee

We offer several discount programs that apply only to the Population Fee portion of the Initial Franchise Fee and are described below.

Cash Discount

If you pay the Initial Franchise Fee in full when you sign the Franchise Agreement, we will discount the Population Fee portion of the Initial Franchise Fee by 10%. You may also receive this discount if you sign a promissory note for the Population Fee when you sign the Franchise Agreement, but pay the Note in full before the first scheduled payment under the Note. This discount can be combined with other discounts by applying the other discount first.

Conversion Discount for an Existing Business

If you own and operate an existing bathroom remodeling business with annual Gross Sales of at least \$250,000 and you agree to convert the existing business into a RE-BATH Business, we will discount only the Population Fee portion of the Initial Franchise Fee based on your most recently completed fiscal year's Gross Sales, up to a maximum discount of 75%, as follows:

Percentage Discount	Annual Gross Sales
50%	\$250,000 - \$624,999
65%	\$625,000 - \$999,999
75%	\$1,000,000 and above

If your prior year's Gross Sales are less than \$250,000, you will not receive a discount. You must convert all of your existing bathroom remodeling business to a RE-BATH Business, and sign the Conversion Addendum, attached as Exhibit I to this Disclosure Document, in order to qualify for this discount. This discount can be combined with the VetFran Discount and the Cash Discount, but your total Initial Franchise Fee will not be less than the Flat Fee amount regardless of the discounts that apply.

Additional Territory and Second Concept Discounts

For qualified franchisees who have been a franchisee of ours or of one of our affiliated companies (for example, 5 Day Kitchens) for at least 2 years and who purchase additional territory from us, we will

discount only the Population Fee portion of the Initial Franchise Fee for additional territory for a RE-BATH Franchise or for the purchase of a second Franchise, as the case may be, based on the number of years you have been a franchisee, as follows:

Percentage Discount	Number of Years as a Franchisee
10%	2
15%	3
20%	4
25%	5
30%	6
35%	7
40%	8
45%	9
50%	10

This discount can be combined with all other discounts except the Conversion Discount. This discount does not apply to the Flat Fee portion of the Initial Franchise Fee. You must sign an additional Franchise Agreement for the additional Franchise you are purchasing.

VetFran Discount

We plan to become a member of the International Franchise Association ("IFA") and participate in the IFA's VetFran Program. If you are an honorably discharged veteran who meets our qualifications for purchasing a Franchise, we will discount the Population Fee portion of the Initial Franchise Fee by 25%. This discount can be combined with other discounts by first applying the VetFran discount and then applying the additional discount, except: (1) the VetFran discount cannot be used for additional territory purchased after the date of execution of your first Franchise Agreement, even if exercising an option to purchase at a later date (see below); (2) to qualify for the Second Concept discount, you will need to have maintained during the term of the first Franchise Agreement a 51% majority interest in the beneficial ownership and voting interest of the Business Entity owning the Business; and (3) you will not pay less than the amount of the Flat Fee (currently \$15,000), regardless of the discounts that may apply.

Any questions about application or combination of discounts, including questions about the order in which discounts may be applied, will be resolved by us in our sole discretion.

Option for Additional Territory

You may, if qualified, purchase an 18 month option on additional territory by paying us a fee of 10% of the total Initial Franchise Fee (Flat Fee plus Population Fee) for the additional territory you wish to buy when you sign your first Franchise Agreement. You must sign an Option to Purchase Agreement at the same time you sign your first Franchise Agreement (Exhibit K to this Disclosure Document). At any time within the 18 month period after the effective date of your Franchise Agreement, you may purchase the additional territory by paying us the balance of the Initial Franchise Fee. In some cases, we may waive payment of the Flat Fee if your additional territory qualifies under our standards. The 10% deposit will be applied to the balance and no other discounts described above will apply. We do not

refund your deposit if you decide not to purchase the additional territory. You may be required to sign an additional Franchise Agreement for the additional territory you purchase, in our sole discretion.

**ITEM 6
OTHER FEES**

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Royalty ^{1,2}	The greater of 4% to 6% of Gross Sales or Minimum Royalty Fees. Special rates apply to conversions.	10 th day of each month, based on prior month's Gross Sales. We may require weekly or bi-monthly payments.	See Charts for Royalty Fees, Minimum Royalty Fees, SBF Fees and Minimum SBF Fees (" Fees Charts ") and notes below.
1-800-BATHTUB	Up to \$0.05 per minute.	Monthly	Billing for the "per minute" usage is invoiced through the vendor. You may be required to sign an agreement to pay for monthly charges with the vendor before establishing your account.
System Branding Fund Fee (" SBF Fee ") ¹	The greater of 2% of Gross Sales or Minimum SBF Fees. Special rates apply to conversions.	10 th day of each month, based on prior month's Gross Sales.	See Fees Charts and notes.
Minimum Local Marketing Spending ³	We reserve the right to require that you spend an amount on local marketing (" Minimum Local Marketing Spending "), which we anticipate may be approximately \$60,000, annualized, during your first year of operations and 8% of your annual Gross Sales in later years.	As incurred. We will give you 30 days notice before you must begin meeting any Minimum Local Marketing Spending Requirements.	Amounts paid to an Advertising Cooperative and certain other amounts of local advertising spending may count toward this requirement, in our sole discretion. This amount is not paid to us, but spent by you in your local market. The amount you spend on Minimum Local Marketing Spending is in addition to, not in lieu of, SBF Fees paid to us. See Item 11.
Regional Advertising Cooperative (" Coop ") ^{1,3}	May vary with recurring contributions of up to 2% of Gross Sales; reduces Minimum Local Marketing Spending proportionally. This amount is in addition to the SBF Fee.	Usually on a monthly basis or as determined by Coop members and Us	If a regional Advertising Cooperative is established in your area, the contribution of each member is anticipated to be 2% of Gross Sales. Company-owned businesses will contribute on the same basis as Franchises. Annual contributions averaging in excess of 2% of annual Gross Sales may be approved by a 2/3 vote of Coop members. See Item 11 for more information.
Initial Training Expenses ⁴	We estimate your living expenses and other costs of attending initial training will range from \$1,000 to	As incurred	We provide Initial Training for two people at no charge, in Tempe, Arizona. One hotel room, for the duration of the training, will also be provided at no charge. For additional

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
	\$4,000. Training tuition for the third and subsequent trainees is \$1,500 per person for installation training; \$375 per person for observation (only) of installation training; and \$495 per person for operations training, payable before beginning of training		persons, we will provide training on a space-available basis. Additional hotel rooms will be your responsibility, as will travel and living expenses for all trainees. See Item 11.
Additional Training Fee ¹	Our then-current training fee (currently, \$500 per day, per person)	Before training	We may charge you a fee for voluntary training courses. Although we do not currently charge a fee for any mandatory training program (except the Convention registration fee,) we reserve the right to charge fees for all training programs in the future at rates set by us. You may be required to purchase equipment, computer programs and other supplies for any additional training program, or make other reasonable expenditures due to a change to the Licensed Methods.
Document Fee ¹	\$350	Before transfer	You must pay a document fee for transfers to corporations, partnerships and limited liability companies owned by you. We can also charge this fee when you transfer to an immediate family member, or for a transfer upon death or disability.
Renewal Fee ¹	\$5,000	Before renewal	See Item 17 of this Disclosure Document for more information about the terms and conditions for renewal.
Transfer Fee ¹	5% of the total consideration given for the Business or \$5,000, whichever is greater	Before transfer	You must pay us this fee when you sell your Franchise, but we may waive the fee if the transfer is to a Business Entity you control or to a member of your immediate family (although the Document Fee is charged). This does not include the Transfer Training Fee or the fees related to escrow for warranty claims, described below.
Transfer Training Fee ¹	If you buy a Franchise from one of our existing franchisees, we will train two people and provide selected Start Up Package materials for \$3,500	Before training	You must attend training if you buy an existing Franchise. This charge includes training for two people and selected Start Up materials. Additional persons must pay a training fee of \$1,500 per person for installation training; \$375 per person for observation (only) of installation training; and \$495 per person for operations training, payable before beginning of training. One hotel room for the duration of the training, will be provided at no additional charge.

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
Fees Required at Transfer Related to Escrow for Warranty Claims ¹	Service rate of \$70 per hour for warranty claims, plus \$50 handling fee per warranty claim. If no warranty claims, \$150 handling fee	Before transfer and up to six months after transfer	If you transfer the Business, we may hold up to 10% of the sales price in escrow for six months to cover warranty claims by customers.
Annual Convention Registration Fee ¹	Up to \$1,000 per person. If you do not attend the Convention, you must pay the \$1,000 fee and any training materials from Convention will be provided to you. We may, but are not required, to offer discounts on this fee that may apply to you.	Before Convention, if attending, or within 30 days after Convention	We charge you a fee to attend the Convention which is paid by electronic funds transfer. The Convention may be held at different locations in the United States. You pay all travel and attendance-related costs. You must attend Convention once every 12 months, or as often as it is held (see Item 11).
Emergency Operating Fee ¹	\$320 per person, per day, plus travel, room, board and expenses for our staff	On demand	If you are unable to operate your Franchise due to illness or other incapacity, we may operate your business for you.
Dishonored Check or Electronic Funds Transfer	\$35 each	On demand	You must pay us for each check returned or electronic funds transfer refused by your bank for insufficient funds in your account.
Interest ¹	12% per annum	On demand	Begins to accrue the day payments become overdue.
Insurance Premiums ¹	Our actual cost	On demand	If you fail to acquire or maintain the required insurance coverage on your Franchise, we may pay for the insurance coverage and you must reimburse us.
Indemnification and Attorneys' Fees and Costs ¹	Varies according to loss	On demand	Payable only if you do not comply with the Franchise Agreement. If we hire an attorney to enforce our rights under the Franchise Agreement and we prevail, or if we are sued because of something you do or fail to do, you must indemnify us or reimburse us for all costs, including reasonable attorneys' fees, court costs and expenses incurred in enforcing our rights
Liquidated Damages ¹	According to a formula based on your history of Gross Sales	On demand	If you violate the covenant against competition or confidentiality provisions and we are unable to obtain equitable relief, we may demand liquidated damages.
Fees for Additional Websites ¹	Annual fee of \$15 for each domain name, plus a monthly fee of up to \$30 for each Additional Website	On demand and paid by electronic funds transfer	You must use a website provided by us for your Business. If you elect to market your Business on additional websites (" Additional Websites "), you must pay a fee for each Additional Website beyond the initial website we provide for the Franchised Business, using

<u>Name of Fee</u>	<u>Amount</u>	<u>Date Due</u>	<u>Remarks</u>
			domain name(s) we designate. We reserve the right to increase the fees for Additional Websites. You may not use a website bearing our Marks or offering bathroom remodeling services unless you have our prior written approval and you use a designated provider.
Customer Service ¹	Up to 100% of the customer's cost for products and services	Within 30 days after receipt of invoice	If we handle a customer complaint, we can refund the customer's money and you must reimburse us.
Operating System Software ¹	Up to \$500 monthly	10 th day of each month via electronic funds transfer	If we develop a proprietary operating software for the Franchise, you must use it and pay us, or our designated vendor, a monthly fee on 30 days written notice.
Testing Fee for New Supplier Approval ¹	Actual cost of test and related expenses	As incurred	If you request that we approve a new supplier of products or services for your Business, we can charge a fee for the test or use a third party for the test.
Audit ^{1,2}	Costs and expenses of audit plus amounts owed, if any, plus interest at highest legal rate	On demand	Payable only if audit reveals an understatement of 3% or more of Gross Sales or failure to report a customer sale.

Notes:

1. **Fee Payment Information.** All fees are imposed by us and are payable to us or our affiliates, except fees to any Regional Advertising Cooperative, which may be payable to us or to the Coop. We had no advertising Coops as of the date of this Disclosure Document. All fees are non-refundable and all are uniformly imposed on similarly situated franchisees currently acquiring a Franchise. We reserve the right to modify these fees in certain circumstances. You will pay most fees by electronic funds transfer. Payments made by credit card are subject to various additional handling charges of up to 3%.

2. **Credit and Payment Terms.** We will extend you credit, in our discretion, based upon the size of your Territory and credit history. Your credit limit will be reviewed periodically and may be increased or decreased, in our discretion, based upon your ordering and payment history. The current payment terms, which may be changed in our discretion, are net 30 days on regular accounts or retailer accounts, excluding Home Depot accounts. If you participate in the Home Depot Retailer Program in your market, the payment terms are net 60 days (on Home Depot orders). We also currently offer a 2% discount on payments that are made via check or electronic funds transfer and received within 15 days of the invoice date.

If you reach your credit limit, you will have to pay for any future orders in advance until (and only to the extent that) the balance drops below the credit limit. Our preferred method of payment is ACH or check. However, to facilitate payment, we may accept credit card payments. If your account becomes past due by more than 30 days, in our discretion, it is subject to interest at the rate of 18% per annum and we may suspend pricing discounts or put your account on a "cash in advance" status or suspend shipments until all payments have been made.

3. **Gross Sales.** "Gross Sales" means all revenues of the Franchised Business, from services performed from, through, by or on account of the operation of the Franchise and revenues from the sale of products, less the amount of sales tax or similar receipts which, by law, are chargeable to customers, if taxes are separately stated when the customer is charged and paid to the appropriate taxing authority. Gross Sales does not include any bona fide refunds, rebates or discounts granted in the ordinary course of business. Gross Sales includes all sales, whether cash or credit, including, credit card and debit card transactions and payments using a check, with payment received at the time the debit, charge or check is made. If a transaction that was included in a prior period's report of Gross Sales is subsequently determined to be uncollectable, that amount will be allowed as a credit against the Gross Sales reported to us for the period in which the determination is made.

4. **Training Expenses.** Expenses associated with travel, meals and lodging while you attend the two-week initial Training Program. You pay all of these expenses to third parties. See also Items 7 and 11.

**ROYALTY FEES, MINIMUM ROYALTY FEES, SBF FEES
AND MINIMUM SBF FEES**

ALL FEES EXPRESSED IN PERCENTAGES ARE CALCULATED BY MULTIPLYING THE PERCENTAGE STATED BY MONTHLY GROSS SALES EXCEPT FOR MINIMUM FEES FOR CONVERSIONS, WHICH ARE CALCULATED BY MULTIPLYING THE PERCENTAGE BY THE MONTHLY CONVERSION GROSS SALES. SEE NOTES BELOW.

Royalty Fees¹			
See Note 9 Below for Calculation of 4% to 6% Royalty Fee			
Type Fee	Months 1 – 23	Months 24-35	Month 36 -End
Standard/New Business ⁵	4% to 6%	4% to 6%	4% to 6%
Small Conversion ⁶	3.5%	4% to 6%	4% to 6%
Medium Conversion ⁷	3%	4% to 6%	4% to 6%
Large Conversion ⁸	2½%	2½%	4% to 6%

Minimum Royalty Fee³	
Months 4-12	\$.0005 per person per month
Months 13-24	\$.001 per person per month
Months 25+	\$.0015 per person per month

SBF Fees²				
Type Fee	Months 1-6	Months 7-12	Months 13-24	Month 25 - End
Standard/New Business	2%	2%	2%	2%
Small Conversion	1.5%	1.5%	2%	2%
Medium Conversion	1%	1%	2%	2%
Large Conversion	½%	½%	½%	2%
Minimum SBF Fees⁴				
Type Fee	Months 1-6	Months 7-12	Months 13-24	Month 25 - End
Standard/New Business	N/A	\$250	\$250	\$250
Small Conversion	1.5%	\$250	\$250	\$250
Medium Conversion	1%	\$250	\$250	\$250
Large Conversion	½%	\$250	\$250	\$250

1. **Royalty Fees are Paid on Previous Month's Gross Sales.** You begin to report Gross Sales and pay us a monthly Royalty Fee based on the previous month's Gross Sales beginning the earlier of (a) 90 days after the effective date of the Franchise Agreement or (b) the month when, after completing your first week of training, you invoice your first job or receive any payment for a job.

2. **Pay Total of Royalty Fee and SBF Fee.** Each month, you pay the greater of the Royalty Fee or Minimum Royalty Fee and, in addition, you must pay the greater of the System Brand Fund (SBF Fee) or the Minimum SBF Fee.

3. **Pay Greater of Royalty Fee or Minimum Royalty Fee.** You always pay the greater of the required Royalty Fee or the applicable Minimum Royalty Fee.

4. **Pay Greater of SBF Fee or Minimum SBF Fee; Annual Maximum Amount.** You always pay the greater of the SBF Fee or the applicable Minimum SBF Fee. For calendar years 2012 and 2013 only we have set the amount of \$40,000 as the annual maximum amount of SBF Fees that you must pay. This annual cap applies only to SBF Fees paid for calendar years 2012 and 2013. We are not obligated to set any cap on SBF Fees in the future, but we will notify you if we extend this cap in future year(s) and if so, what the cap for that year will be.

5. **For Standard/New Business Royalty Fees Calculate by Multiplying Percentage by Gross Sales.** All fees expressed in percentages are calculated by multiplying the percentage stated by total monthly Gross Sales unless otherwise indicated. See notes 6, 7, and 8.

6. **Special Rates for Conversions with \$250,000 to \$499,999 in Annual Gross Sales ("Small Conversion").** If you have an existing business with \$250,000 to \$499,999 in annual gross sales that you convert to a RE-BATH Business, we allow you to use special rates at certain times. The percentages in the chart are multiplied by monthly Conversion Gross Sales, which is the annual gross sales of the business you converted to a RE-BATH Business divided by 12.

7. **Special Rates for Conversions with \$500,000 to \$1,999,999 in Annual Gross Sales (“Medium Conversion”).** If you have an existing business with over \$500,000 to \$1,999,999 in annual gross sales that you convert to a RE-BATH Business, we allow you to use special rates at certain times. The percentages in the chart are multiplied by monthly Conversion Gross Sales which is the annual gross sales of the business you converted to a RE-BATH Business divided by 12.

8. **Special Rates for Conversions with \$2,000,000 or Greater in Annual Gross Sales (“Large Conversion”).** If you have an existing business with \$2,000,000 or greater in annual gross sales (“Large Conversion”) that you convert to a RE-BATH Business, we allow you to use special rates at certain times. The percentages in the chart are multiplied by monthly Conversion Gross Sales, which is the annual gross sales of the business you converted to a RE-BATH Business divided by 12.

9. **Calculation of 4% to 6% Royalty Fee.** The Royalty Fee of 4% to 6% is calculated by multiplying the total monthly Gross Sales by the applicable percentage.

Royalty Fee	
Monthly Gross Sales	Royalty Fee Percentage
\$0 – \$44,999	6%
\$45,000 – \$169,999	5%
\$170,000 – over	4%

10. **Territory Population.** For purposes of calculating the Minimum Royalty Fee amount, the population in your Territory is subject to increase each January 1 by an amount equal to the estimated population increase reported by the U.S. Census Bureau or any substitute source.

11. **Annual CPI Increase In Minimum License Fee.** We may increase the Minimum Royalty Fee each January by an amount equal to the increase, if any, in The Consumer Price Index for all Urban Consumers, U.S. City Average, All Items published by the U.S. Bureau of Labor Statistics (“CPI”), or any successor or substitute index. We may not increase the Minimum Royalty Fee more than once a year and we may not increase the Minimum Royalty Fee by more than \$175 per year.

12. **Renewal.** If you are renewing your franchise agreement, the Minimum Royalty Fee begins with the first month of the term of the renewal franchise agreement and is the rate or amount stated in the renewal franchise agreement. Notwithstanding any rate stated in our then current franchise agreement, we reserve the right to allow renewing franchisees who meet certain conditions to pay, for a period of up to ten years, a Royalty Fee that is up to 1% less than the Royalty Fee stated in our then current franchise agreement. The amount of Royalty Fee payable during the renewal term and the number of years that the special renewal Royalty Fee rate will apply will depend on the number of years the franchisee was a franchisee in our System and the performance of the franchisee under our System during that time. Only franchisees who are in good standing with us and have been our franchisee for a minimum number of years as stated in our Manuals are eligible for this special rate. No other terms of the then current franchise agreement will be modified except as may be specifically provided in the Renewal Addendum, Exhibit 12 to the Franchise Agreement. The Minimum Royalty Fee for renewing franchisees will be calculated based on the cumulative number of months as a Franchisee, including months as a franchisee under the existing franchise agreement and the number of months as a franchisee under the renewal franchise agreement.

13. **Transfer.** If you are purchasing an operating franchised business (as opposed to a territory that has not yet been developed), you will pay us a monthly Royalty Fee beginning the first month you sign your franchise agreement.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$27,000 - \$95,000	Cash, check or promissory note	When you sign the franchise agreement	Us
Start-up Package ²	\$7,500	Cash or check	When you sign the franchise agreement	Us
Vehicle ³	\$3,500 - \$40,000	As incurred	Before opening	Third parties
Equipment, Supplies & Inventory ⁴	\$12,000 - \$50,000	As incurred	Before Opening	Third parties
Insurance ⁵	\$2,000 - \$6,000	As arranged	As arranged	Third parties or us
Promotional Campaign ⁶	\$2,000 - \$10,000	Cash	As incurred	Third parties
Training Expenses ⁷	\$1,000 - \$4,000	As arranged	As incurred	Third parties
Permits & Licenses ⁸	\$2,000 - \$5,000	As arranged	As incurred	Third parties
Mobile Showroom ⁹	\$4,000 - \$25,000	As arranged	As incurred	Third parties
Showroom/Warehouse ¹⁰	\$5,000	As incurred	Before opening	Third parties
Additional Funds - 3 Months ¹¹	\$25,000 - \$75,000	Cash	As incurred	Third parties and us
Totals^{12, 13}	\$91,000 - \$322,500			

1. **Initial Franchise Fee.** The Initial Franchise Fee consists of two parts; a Flat Fee of \$15,000 and a Population Fee of \$0.08 multiplied by the population of the Territory (with a minimum population base of 150,000 and a maximum of 1,000,000) subject to certain discounts described in Item 5. We may finance the Population Fee if you qualify for financing. The Initial Franchise Fee is not refundable. See Item 10 for information about financing, and Item 12 for information about the Territory.
2. **Start-Up Package.** You must purchase your initial sales, marketing materials, website domain registration, installation tools and miscellaneous supplies and materials to help start up a franchise

(a "Start-Up Package") from us. The cost of the Start-Up Package is \$7,500 and is payable at the time the Franchise Agreement is signed. The package, unless picked up at training, is shipped from Tempe, Arizona to you at your expense.

3. **Vehicle.** At least one full-size cargo van or truck must be used in the operation of the Franchise. Each vehicle must not be more than three years old at the time of acquisition, in excellent condition, and have the Marks professionally applied according to our specifications before the vehicle is put into service. We do not sell or lease vehicles. An existing vehicle can be converted for use in the franchised business or you may purchase or lease a vehicle that meets our specifications. See Item 8. The estimated low cost reflects the cost of having the Marks applied to an existing full-size cargo van that meets our standards. The estimated high cost reflects the purchase of a vehicle meeting our standards plus having the Marks applied.
4. **Equipment, Supplies and Inventory.** If you already own an existing business similar to the franchise, you may own much of the necessary equipment, supplies and inventory to begin the operation of your Franchise. The low estimate assumes that you already own an existing business that you are converting to a RE-BATH Franchise. The high estimate assumes you do not own a similar business, and includes office and field equipment, inventory and supplies needed to equip your Franchise in accordance with our standards. Both estimates include office equipment, showroom equipment, showroom fixtures and materials, and the necessary computer hardware and software. See Item 11 for more information on computer system requirements.
5. **Insurance.** You must purchase the insurance coverage described in Item 8.
6. **Promotional Campaign.** You will need to advertise locally in the start-up phase of your Franchise to help establish name recognition in your market, as well as to generate customer leads. See Item 11.
7. **Training Expenses.** See Items 6 and 11 for more information about training. Your actual costs will vary, depending on the distance traveled, your method of travel, your lodging and your personal circumstances. The low estimate assumes training of only two people.
8. **Permits and Licenses.** We require that you obtain all permits or licenses required by local, state, and federal laws that apply in your Territory before you begin operating your franchised business. You should consult with an attorney, accountant or other advisor and your city, county and state authorities about the specific requirements for sales taxes, business licenses, and related expenses. We require that you provide current copies of all licensing to us for our records.
9. **Mobile Showroom.** You may choose to use a mobile showroom during the first 12 months of operation, in lieu of a retail showroom location. We recommend a mobile showroom that is 20' – 24', with approximately four to six bathroom vignettes for the display of bathroom products. The trailer must be fully wrapped, using our approved graphics, and the interior design and layout must be built to our specifications. The costs of an exterior wrap and interior signage vary depending on size and type and variations in local ordinances, although average costs range between \$4,500 and \$7,000. The high estimate in the above chart also reflects the purchase of the trailer, and the build-out of displays, although your actual costs may vary under or over the estimates, and the cost will largely depend on the trailer size and regional cost differences. If you choose to use a Mobile Showroom, we recommend, but do not require, that you open a fixed, retail showroom location within your Territory at a site approved by us beginning not later than 12 months after the Business opens.

10. **Showroom/Warehouse.** You must open and operate your Business from a location within your Territory at a site approved by us. You may choose a smaller location for warehouse and office purposes only, if you choose to operate a mobile showroom. See Note 9. For a full-size retail showroom, we recommend a location that is approximately 3,000 square feet, with approximately 1,200 square feet used to accommodate seven full bathroom vignettes for the display of bathroom products and the remainder used for office and storage/warehouse space. The showroom portion must have interior signage and an exterior sign utilizing the Marks in accordance with our specifications. The costs 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 estimates in the above chart only include the costs of a smaller location for warehouse and office use and assume that you will operate a mobile showroom. 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 RE-BATH Business. We are unable to estimate these costs due to the significant variances based on location and market conditions. If you purchase a mobile showroom, you must finish building out the mobile showroom not more than 150 days after you sign the Franchise Agreement.
11. **Additional Funds.** We recommend that you have additional funds available during the start-up phase of your Franchise. These amounts are our estimates of the amount needed to cover your expenses for a three month period from the date you open for business. These figures are only estimates and we cannot assure you that you will not incur additional expenses starting your Franchise. Your actual costs will vary according to your approach to the Franchise; your management skills, experience and business acumen; local economic conditions; the local market for the Franchise's services; the prevailing wage rate in your market; competition, the rate of growth of the business, and whether you extend credit terms to customers. We recommend that you obtain independent estimates from third party vendors of the costs that apply to your establishment and operation of a franchise and that you discuss the economics of opening and operating a Franchise with current franchisees. The estimated initial investment and other estimates in this Disclosure Document do not take into account your personal living expenses, your salary, your debt, ongoing working capital requirements, accounts receivable financing or the cost of attending Convention if it is held during the start-up phase of your Business. See Item 6 for information about Convention. This Item includes a variety of expenses and working capital items during the start-up phase, such as legal and accounting fees, initial advertising and marketing costs, royalties, employee salaries, and other miscellaneous costs.
12. **Total Estimated Initial Investment.** All of the fees listed as payable to us are non-refundable. The refundability of payments made to third party vendors is up to each vendor. We relied on our principals' collective 30 years of experience in the bathroom remodeling industry to compile these estimates. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions. If you qualify, we may finance a portion of the initial franchise fee. See Item 10.
13. **Conversion Franchises and Existing 5 DAY KITCHENS Franchisees.** If you are converting an existing business offering services similar to a RE-BATH Business, the costs stated above may be near the lower amounts estimated. For example, as described in Note 4 above, if you already own a business that you are converting to a RE-BATH Business, you may already own some of the equipment and the vehicle you will need. If you are an existing 5 DAY KITCHENS franchisee with a showroom location, you will dedicate a minimum of 700 square feet to the

RE-BATH showroom. The design and layout of the showroom must be approved by us. You may also need additional square footage for office and storage. You must have interior signage and an exterior sign utilizing the Marks in accordance with our specifications. The addition of an exterior sign and showroom build-out must be finished within two months after you complete initial training.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations

You must establish and operate your Business in compliance with your Franchise Agreement and the operations manual we loan to you, in the form of several manuals (for example, confidential operating manual, Sales System Manual, Field Installations Manual, technical bulletins and other written materials (collectively, the "**Manuals**"), which we may modify occasionally, in our discretion. You must purchase all of the following products (collectively, the "**Required Products**") from us and offer all of them for sale and installation through your Business: all bathtub and shower base liners, replacement bathtubs and shower bases, walk in bathtubs, wall panels, and Finish Expansion Sealant (FES), and any other products that we designate as "Required Products" from time to time. At the present time, Re-Bath is the manufacturer of the Required Products and is the only designated supplier of the Required Products. Other products that may be offered for sale by your Business that are not Required Products, including vanity cabinets, vanity tops, toilets, flooring, bathtub and shower fixtures, lavatory faucets, bathtub faucets, other plumbing fixtures and bath accessories, together with ancillary products such as bathtub and shower enclosures, butyl tape, other adhesives and other product necessary for installation of such products (collectively, the "**Re-Bath Products**"), and equipment, furniture, fixtures, showroom displays, sales materials, services, supplies, materials, uniforms, marketing, advertising, inventory items and all related products and services that you use or offer for sale through your Business must meet the minimum standards and specifications in our Manuals and be obtained from a designated or approved supplier. You must purchase Re-Bath Products from suppliers or manufacturers who demonstrate, to our satisfaction, the ability to meet our reasonable standards and specifications for those items; who possess competitive pricing, adequate quality control and capacity to supply your needs promptly and reliably; and who have been approved by us in writing and not later disapproved.

You must sell only products and services that we designate through your RE-BATH Business. If you want to sell other products or services, you must first receive our written consent, which we may withhold in our discretion. You may not sell any services or products resembling those offered by a RE-BATH Business from or through any other business, unless you first receive our written consent. You may not purchase or manufacture any product for use in your RE-BATH Business, unless we first consent in writing.

Purchases from Designated or Approved Suppliers

You must buy your products, supplies and equipment that you use or sell in the Business from us, our affiliates or another source we designate. The complete list of all designated and approved suppliers is contained in our Manuals. You must purchase all other inventory, supplies, products and services that you require to operate your Business from manufacturers, suppliers or distributors we designate or approve, or who meet our standards and specifications.

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 Business and approximately 70% to 80% of the total cost of operating your Business after that time. We

are not currently affiliated with any approved or designated suppliers, although our affiliate Home Brands may in the future become one of your suppliers for certain products and services. None of our officers own any interest in an approved or designated supplier.

We have the right to designate and approve suppliers for products and services offered in connection with the Franchised Business, and the right to sell products, equipment, supplies and services to franchisees and to derive revenue from such sales. In our fiscal year ended December 31, 2011, AmBath/Re-Bath Holdings, Inc., our parent, had total revenues of \$35,280,302, of which \$31,192,934 (approximately 88.4%) consisted of revenues from the sale of Re-Bath Products to Franchisees and to hospitality customers. If you wish to purchase any item for which we do not have an approved or designated supplier, you must make a written request to and furnish us with any information we may reasonably need to evaluate the proposed supplier. We will make a good faith effort to notify you of our approval within 10 days of receiving the information. Our failure to approve a supplier within this 10-day period will constitute disapproval of the proposed supplier. We have the right to revoke approval of an item, which no longer meets our criteria, or does not serve the needs of the franchise network as a whole. Currently, there are no fees in connection with securing supplier approval.

Insurance

Before opening and during the term of your Business, you must obtain insurance to protect you and us against loss, liability or expense, from personal injury, death and property damage connected with the operation of your Business. You must name us, Home Brands Group, LLC and AmBath/Re-Bath Holdings as additional insureds on the policy, on a Grantor of Franchise endorsement form CG2029. The policy or policies must be written by an insurance company rated A-VII or better by A.M. Best. The policy or policies must, at a minimum, include the following: (i) general and public liability with a minimum single limit liability of \$1,000,000 per person; (ii) property damage liability insurance with minimum limits of \$500,000 per occurrence; (iii) worker's compensation and employer's liability insurance in at least the minimum amounts required by state and federal law where you operate, or with minimum amounts and coverage as designated by us, whichever is greater; and (iv) automobile liability coverage covering all employees of the Business with authority to operate a motor vehicle, in an amount not less than \$1,000,000. You may need other insurance as required by the state in which your Business operates. You must give us copies of all policies and policy amendments. We require 30 day written cancellation notice to us on the insurance policies. All insurance payments are non-refundable, and insurance costs will vary.

Showroom Build-Out and Lease

You must, at your expense, construct, convert, design and decorate the showroom, whether you choose a Mobile Showroom or a fixed location 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.

We must approve any purchase agreement and any lease or sublease (the "Lease") for a fixed showroom/warehouse location before you sign the purchase agreement or Lease. A copy of the signed Lease is to be delivered to us within 15 days after you sign it. Your Lease must include the following provisions: (1) allowing the tenant under the Lease to assign the Lease to us if the Franchise Agreement is terminated or not renewed; (2) requiring the landlord to give us written notice of any defaults by you under the Lease and the right to cure the defaults; (3) allowing us to assume the Lease and to sublease the premises to you; and (4) allowing us to enter the leased premises to cure any defaults under the Franchise Agreement or to protect the Marks and the Licensed Methods. You are responsible for obtaining the landlord's consent to these provisions. If you have already signed a lease or you have already purchased

a location for your showroom when you sign the Franchise Agreement, our execution of the Franchise Agreement does not imply that we approve of any particular location.

Computer System, Software and Other Technology

You must purchase a computer system meeting our specifications (together with the software, referred to as “**Computer System**”) from designated or approved suppliers. We derive no revenue from your purchase of the Computer System. You must also have off-the-shelf software that meets our minimum specifications. See Items 7 and 11. We reserve the right to require you to purchase, install and use proprietary operating software that allows us to download certain sales and other information related to Franchise operations that we specify. We reserve the right to require, upon 30 days prior written notice to you, that you purchase additional hardware and software meeting our minimum specifications.

Advertising and Marketing

All marketing and promotion of your Business must conform to our standards and specifications. You must submit to us samples of all advertising and promotional materials which have not been prepared or previously approved by us. See Items 6 and 11. Your Business must participate in promotions and public relations campaigns (for example, contributions to charitable events) we institute from time to time for all RE-BATH Businesses, or for all 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 Business. We retain the right to develop and control all Internet advertising and messages of any kind, including social media, using our Marks. We reserve the right, upon 30 days prior written notice to you, to require that you participate in electronic advertising. All RE-BATH Businesses, including any owned by us, must participate in these programs or other promotions that we may adopt in the future.

Purchasing Arrangements

Currently, our affiliate, Home Brands, plans to negotiate purchasing arrangements with designated suppliers for cabinets, vanities, lighting, flooring, fixtures and tile. We may also enter into these purchasing arrangements directly. Home Brands plans to receive rebates from suppliers of these items based on purchases by franchisees. Home Brands was formed in June 2012 and as a result, in our most recent fiscal year ended December 31, 2011, Home Brands did not receive any rebates, incentives or overrides from third-party suppliers. Home Brands reserves the right to retain any credits or rebates received as a result of your purchases. You may be required to enter into an agreement with Home Brands as a requirement of buying products through Home Brands. During our most recent fiscal year ended December 31, 2011, we did not receive any rebates, incentives or overrides from third-party suppliers.

You should not rely on the availability or continued availability of any particular pricing or distribution arrangement, nor on the availability of any particular product or brand in deciding whether to purchase the franchise. Except as described above, we do not negotiate purchase arrangements with suppliers for the benefit of franchisees, although we reserve the right to do so. We have no purchasing or distribution cooperatives. We do not give you any material benefits based on your use of designated or approved sources or suppliers.

Optional Programs

If you participate in one of the Optional Programs that we may make available to you periodically, depending on the program, you may be required to purchase from us, our affiliates, or another designated source, specified products, supplies or services made available for sale through your Business. You may also be required to obtain training from a designated source in order to participate in the Optional Program. If the required purchases through one of these programs are from us, we will typically derive revenue from those sales or from any related provision of services under the Optional Program. As of the date of this Disclosure Document, we do not offer any Optional Programs to RE-BATH franchisees.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section of Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	Sections 5.1–5.3 of Franchise Agreement	Items 8 and 11
(b) Pre-opening purchases/leases	Sections 3.1, 5.8–5.11, 5.22 of Franchise Agreement	Items 5, 6 and 7
(c) Site development and other pre-opening requirements	Sections 5.1 and 5.3 of Franchise Agreement	Items 7 and 11
(d) Initial and ongoing training	Sections 4.2, 4.3, 5.15 of Franchise Agreement	Item 11
(e) Opening	Section 5.3 of Franchise Agreement	Item 11
(f) Fees	Article 3 and Sections 5.18, 5.19 and 5.20 of Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies/Operations Manual	Sections 9.1 and 9.2 of Franchise Agreement	Items 1 and 14
(h) Trademarks and proprietary information	Article 6 of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 5.21-5.23 of Franchise Agreement	Item 16
(j) Warranty and customer service requirements	Sections 5.6 and 5.16 of Franchise Agreement	Item 6
(k) Territorial development and sales quotas	Sections 1.2, 1.4, 1.6, 2.2 and 3.3 of Franchise Agreement	Item 12
(l) Ongoing products/service purchases	Sections 5.8-5.11 of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 5.1-5.3 and 5.5 of Franchise Agreement	Item 11

Obligation	Section of Agreement	Disclosure Document Item
(n) Insurance	Section 5.12 of Franchise Agreement	Item 7
(o) Advertising	Sections 4.5, 4.6, 5.14 of Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Article 8 of Franchise Agreement	Item 6
(q) Owner's participation/ management/staffing	Section 5.7 of Franchise Agreement	Items 11 and 15
(r) Records/reports	Sections 3.5 and 5.13 of Franchise Agreement	Item 6
(s) Inspections/audits	Sections 5.17 and 5.18 of Franchise Agreement	Items 6 and 19
(t) Transfer	Article 10 of Franchise Agreement	Item 17
(u) Renewal	Sections 2.2 and 2.3 of Franchise Agreement	Item 17
(v) Post-termination obligations	Article 12 of Franchise Agreement	Item 17
(w) Non-Competition covenants	Section 9.3 of Franchise Agreement	Item 17
(x) Dispute resolution	Article 13 of Franchise Agreement	Item 17
(y) Personal Guaranty	Section 5.7 of Franchise Agreement	Item 15

ITEM 10
FINANCING

We have no obligation to provide you any financing, but we may agree to finance a portion of the Initial Franchise Fee for qualified prospective franchisees under specified terms and conditions. Our decision to finance the Initial Franchise Fee will be based, in part, on your credit worthiness, the collateral you have available to secure the financing and our then-current financing policies.

We will finance up to a maximum of 100% of the Population Fee portion of your Initial Franchise Fee, if you qualify for financing. A down payment of the greater of \$15,000 or 30% of the total Initial Franchise Fee is required. You must qualify to purchase a franchise, meet our credit standards and be otherwise eligible for financing to qualify for the following interest rates. We currently charge an interest rate based on your credit score as follows:

Credit Score	Annual Interest Rate
700 or more	9%
650 - 699	10%
600 - 649	11%
Under 600	12%

If we offer you financing, you must sign a promissory note when you sign the Franchise Agreement. Our form promissory note is attached as Exhibit E to this Disclosure Document. You must pay us the greater of the Flat Fee or 30% of the total Initial Franchise Fee in a lump sum when you sign

the Franchise Agreement and pay the balance in monthly installments by electronic funds transfer. Some banks and other financial institutions may charge a fee for electronic transfers, but these electronic transfer fees are often negotiable. Monthly payments will begin approximately 90 days from the date of your Franchise Agreement. The length of the repayment term will generally follow these guidelines:

Loan Amount	Length of Payment Term
Less than \$20,000	Up to 18 months
\$20,000 - \$25,000	Up to 24 months
\$25,000+	Up to 36 months

You may prepay the note at any time without penalty. If you default, we may charge interest at the rate of 18% per annum and declare the entire remaining amount due immediately. If you do not pay us the entire balance, and any accrued, unpaid interest, you may be responsible for the court costs and attorneys' fees we incur in collecting the debt from you. We may also terminate your Franchise Agreement if you do not pay us.

We require a security interest in the assets of your Business, even if you do not receive financing from us. You must sign a security agreement, in the form attached in Exhibit E, on all your assets, including after-acquired property and we will file a financing statement with the appropriate governmental authority. We have the right to require additional forms of security.

You must waive your rights to certain notices of a collection action in our promissory note and security agreement and there are waivers of defenses in our promissory note and security agreement. If you are a legal entity, your shareholders, members, partners and/or owners must personally guarantee the debt and agree to pay the entire debt and all collection costs. We have the right to require your spouse's personal guaranty.

We may sell, assign or discount any promissory note or other obligation arising out of the Franchise Agreement to a third party. If we sell or assign your promissory note, it will not affect our obligation to provide the services to you that are described in the Franchise Agreement, but the third party may not be subject to defenses to payment you may have against us.

We do not arrange financing from other sources. We do not receive direct or indirect payment from any person for obtaining or placing financing. We plan to apply for inclusion in the Small Business Association's Franchise Registry. This listing should assist you with expedited loan processing if you are seeking SBA financing.

Except as stated above, we do not offer direct or indirect financing. We do not guarantee your note, lease or obligations to third parties.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Obligations

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

1. Designate your licensed Territory. (Exhibit B-1, Franchise Agreement)
2. Advise you in selecting a Franchise Location by providing you with criteria for an acceptable showroom/warehouse site. You must locate and obtain our approval of the Franchise Location and sign a lease for the location within 60 days of signing the Franchise Agreement. You must open your RE-BATH Business within 120 days of signing the Franchise Agreement. No contractual limit exists on the time it takes us to approve or disapprove your proposed showroom location. However, we typically take no more than 15 days to approve or disapprove your proposed location, and we will extend your development deadlines when we determine that circumstances beyond your reasonable control have delayed your site selection and approval process. We will also provide general showroom design plans with bathroom vignettes that we recommend you to include in your Franchise Location with the assistance of a local architect. If you desire to open within your Territory additional showrooms, or satellite locations such as mall kiosks, we must first consent in writing, which consent can be withheld for any reason, and we will provide the same assistance and have the same rights to approve or disapprove of any such additional locations (Section 4.1.a, Franchise Agreement).
3. Provide training as described below in this Item 11. We will also provide you with our Training DVDs. (Section 4.2, Franchise Agreement).
4. Loan you one electronic copy of our confidential Manuals, which includes our Sales System Manual and our Field Installations Manual. (Sections 4.1.c and 9.1, Franchise Agreement). The total number of pages in our Manuals is 640.
5. Provide you with specifications for design and remodeling services and the installation of the bathroom products. (Section 4.1.d, Franchise Agreement)
6. Provide your Start-Up Package (i.e., initial advertising and promotional material, stationery and business card templates, website domain registration, website design template, installation tools and other supplies) together with guidance on conducting a grand opening marketing program. (Sections 4.1.e and 4.1.f, Franchise Agreement)
7. Provide you with information regarding required equipment, supplies and materials needed for the Franchised Business. (Section 4.8, Franchise Agreement)

Training Programs

Within 60 days after you sign the Franchise Agreement we will provide Operations training and Installation training, jointly referred to as the "**Training Program**." You may send two people to the Training Program without paying tuition. At least one owner of the Business is required to attend and complete the Training Program. At least one additional key manager or employee must attend and complete the Operations training. Training will take place in Tempe, Arizona, or such other location that we may designate. We may also offer all or a portion of the Training Program via webinar/video conferencing. The training period for Operations and Installation is currently five days for each portion of the Training Program, offered over the course of two weeks. Each trainee must successfully complete the Training Program to our satisfaction. We pay the cost of one hotel room and you must pay all other personal expenses, such as lodging, transportation and food and the wages of your employee(s) (Section 4.2, Franchise Agreement).

If you wish to have more than two people trained in installations or operations, you must pay a fee of \$1,500 for installation training, \$395 to observe the installation training, and \$495 for operations

training for each additional person and all personal expenses, such as lodging, transportation, food and wages for each additional person. (Section 4.3, Franchise Agreement).

We may occasionally also hold seminars, sales classes, conventions and advanced training, which you may be required to attend up to once a year. You must also send one person, either you, your General Manager or a key employee, to attend our Convention, which we sometimes refer to as our "Reunion," which is held approximately every 18 to 24 months (Section 4.3, Franchise Agreement).

OPERATIONS AND INSTALLATION TRAINING PROGRAMS

Operations Training:

Subject ¹	Hours of Classroom Training	Hours of On- The-Job Training	Location
Franchise Operations	5	0	Tempe, AZ
Hiring/Human Resources	1	0	Tempe, AZ
Accounting/Cash Flow/Budgeting	1	0	Tempe, AZ
Competitive Review	2	0	Tempe, AZ
Marketing Training	6	0	Tempe, AZ
Sales Training	16	0	Tempe, AZ
Selecting location and setting up showroom	1	0	Tempe, AZ
Manufacturing Methods and Templating	2	0	Tempe, AZ
Measuring Techniques	2	0	Tempe, AZ
Web Ordering System	4	0	Tempe, AZ
Total:	40	0	

Installation Training:

Subject ¹	Hours of Classroom Training	Hours of On- The-Job Training	Location
Manufacturing Methods and Templating	2	0	Tempe, AZ
Measuring Techniques	2	0	Tempe, AZ
Installation Techniques – Bathtub Installation	12	0	Tempe, AZ
Installation Techniques – Wall Systems	8	0	Tempe, AZ
Installation Techniques – Accessories	4	0	Tempe, AZ
Installation Techniques – URSB	4	0	Tempe, AZ
Installation Techniques – USB	4	0	Tempe, AZ
Installation Techniques Final Review/Testing	4	0	Tempe, AZ
Total:	40	0	

¹ For each subject, we hold training classes as often as necessary. You must attend training after you sign the Franchise Agreement and before you open your Business. The primary instructors are: Lori Lund, our Retail Development Manager since October, 2003; Natalie Bowers, our Franchise Account Coordinator since July, 2004; Heidi Seyler, our Franchise Contract Manager since July, 2006; Michael Barnes, our Installation Trainer since March, 2010; and Kristina Costello, our Franchise Marketing Coordinator since October, 2011. We may use additional or substitute instructors as needed, in our discretion.

Continuing Obligations

During the operation of the Franchised Business, we will:

1. Consult with and advise you on sales, merchandising, promotional and operating techniques, subject to the availability of our personnel at our option, and provide you with periodic analysis of your sales and promotional efforts and financial results and suggestions for improvement. (Section 4.4, Franchise Agreement)
2. Give you access to advertising and promotional materials as we may develop them, the cost of which we may pass on to you at our option. We also provide a national advertising telephone number, 1-800-BATHTUB, which we may use on our website or for tracking purposes in advertising campaigns. (Section 4.5, Franchise Agreement)
3. Provide you with on-going updates of information and programs regarding the kitchen remodeling industry, the RE-BATH concept and our Licensed Methods and any changes or improvements to the Licensed Methods, including information about special or new products we develop and make available to our franchisees. (Section 4.4, Franchise Agreement)
4. Train replacement or additional General Managers during the term of the Franchise Agreement. We may charge a tuition or fee, commensurate with then current published prices, for training and payable in advance. You must pay all travel and living expenses for your personnel during the training program. The availability of the training programs depends on space considerations and prior commitments to new RE-BATH franchisees. (Section 4.3, Franchise Agreement)

Advertising and Promotion

System Branding Fund. We have established a System Branding Fund (“**SB Fund**”) to support certain promotional programs, advertising campaigns and other marketing efforts, advertising and promotion. You and all other RE-BATH franchisees must contribute the greater of the System Brand Fund Fee (“**SBF Fee**”) or the Minimum SBF Fee. See Item 6. If there are RE-BATH Businesses operating that are owned by us, our parent company or one of our affiliates, those Businesses will contribute to the SB Fund on the same basis as our franchisees. We reserve the right to terminate the SB Fund on 30 days prior notice to all franchisees and any amounts then remaining in the SB Fund will be distributed pro rata based on all RE-BATH Businesses’ contributions within the preceding 12-month period.

We will use the SB Fund to promote the sale of products and services provided by our franchisees. The SB Fund will not be used to develop materials and programs to solicit franchisees; however, media, materials, and programs, including the franchise system’s website that may be maintained using SB Fund contributions, may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. We or an outside advertising agency will produce advertising and marketing.

We plan, but are not obligated, to administer the SB Fund with non-binding input from a Leadership Council consisting of our President, our Chief Financial Officer, Chief Executive Officer, and certain franchisees elected by franchisees, with each franchise owner having the opportunity to cast one vote for a Council member. The Leadership Council, if and when it is formed, is intended to act as an advisory board on behalf of franchisees. We have the right to create, change or dissolve the Leadership Council. Other than the advisory input from the Leadership Council, we will determine all SB Fund decisions, with sole control over the finances, creative concepts, graphics, materials, communication

media, and endorsements used and their geographic, market, and media placement and allocation of all marketing and advertising.

We will account for the SB Fund separately from our other monies and not use the SB Fund for our general operating expenses. We will not use the SB Fund to solicit franchisee candidates; however, we may use the SB Fund to pay the reasonable salaries and benefits of personnel who manage, support and administer the SB Fund, the SB Fund's other administrative costs, travel expenses of personnel while they are on SB Fund business, meeting costs and overhead relating to SB Fund business, and other expenses that we incur in activities reasonably related to administering or directing the SB Fund and its programs, including: conducting market research; public relations; preparing advertising, promotion and marketing materials; maintaining our toll free number; creating and maintaining the website; Internet advertising, marketing and social media and collecting and accounting for SB Fund contributions. The purpose of the SB Fund is to maximize recognition of the Marks and increase patronage of Franchised Businesses. Although we intend to use the SB Fund to develop marketing and advertising materials, programs and campaigns, and to sign advertising, marketing, and research activities, which will benefit most Franchised Businesses using our Marks, we do not warrant that SB Fund expenditures in or affecting any geographic area will be proportionate or equivalent to SB Fund contributions by Franchised Businesses operating in that geographic area or that any Franchised Business using our Marks, will benefit directly or in proportion to its SB Fund contributions. We may use collection agents and institute legal proceedings at the SB Fund's expense to collect SB Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the SB Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due, or other direct or indirect liability or obligation for maintaining, directing or administering the Fund.

Although the SB Fund is not a trust, we will administer SB Fund contributions for the benefit of the Businesses that comprise the franchise system. We have no fiduciary obligation to you for administering the SB Fund or any other reason.

An annual unaudited financial statement for the SB Fund will be available to you on written request. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all RE-BATH Businesses to the SB Fund in that year. The SB Fund may borrow from us or other lenders to cover deficits or cause the SB Fund to invest any surplus for future use. Any amounts remaining in the SB Fund at the end of each year accrue and we apply them toward the next year's Fund expenses. Materials provided to you by the SB Fund may include a standard version of a DVD of television commercials, a CD of radio commercials and a website template which may be required for brand consistency. Customization or duplication or other production and placement of any of these items is at your cost.

Minimum Local Marketing Spending. In addition to any SB Fund fees ("**SBF Fees**") you must pay, we may require that you spend an amount annually on approved local marketing and advertising ("**Minimum Local Marketing Spending**") in the estimated amount(s) stated in Item 6. We will give you 30 days' notice before any period in which any Minimum Local Marketing Spending is required.

Amounts paid to an Advertising Cooperative as provided in the Franchise Agreement and certain other expenditures on local or regional advertising will be credited towards this requirement, so long as the advertising has been approved by us. We will determine in its sole discretion what amounts will qualify for approved Minimum Local Marketing Spending; our standards and specifications in this regard may be included in our Manuals and may change in the future.

We may provide copyrighted advertising materials and other advertising materials for your use in local advertising. You may also develop advertising materials for your own use, at your own cost; however, Re-Bath must approve all advertising materials, in advance, in writing.

Re-Bath has a National Advertising Telephone Number, 1-800-BATHTUB. For national consistency, you must participate in the 1-800-BATHTUB program and we recommend that you use the 1-800-BATHTUB logo on all advertising, in conjunction with a local number. You must pay a monthly fee for your use of this national toll free telephone number. The fee is presently \$0.05 per minute, per call, and is paid directly to the vendor. These participation fees may increase from time to time. (See Item 6, and Article 18, Franchise Agreement and Item 6)

Should you need to modify any of our standard advertising and promotional materials, or create your own advertising and promotional material, you must first submit such material to us for approval before use. We will approve or disapprove proposed advertising or promotional materials that you submit to us, in writing, in our reasonable discretion, within 15 days after receipt. If we do not approve or disapprove any such material within this 15-day period, then such advertising materials will be deemed to be approved in the form submitted.

Regional Cooperative Advertising. We may approve the establishment of regional cooperative advertising associations consisting of all franchised and company-owned Businesses, if any, within a geographic area (“**Cooperative**”) (Section 5.14, Franchise Agreement) designated by us. We reserve the right to require cooperatives to be changed, dissolved or merged. You must participate in a regional advertising cooperative if one is formed in a geographic area which includes your Territory. The amount of your contribution to a Cooperative is described in Item 6. Each regional Cooperative must adopt its own written governing documents, with our participation and prior approval. If a Cooperative has been established for your Territory, a copy of the Cooperative’s governing document is available on request. Each Cooperative must adopt voting procedures approved by us. The required contribution to a Cooperative may not exceed 2% of annual Gross Sales unless a larger contribution has been approved by us and the affirmative vote of two-thirds of the Cooperative members. Each Cooperative must prepare an annual unaudited accounting of its receipts and expenditures and make this available to you and to us on request, within 120 days after the end of each calendar year.

Site Selection

We will provide you with written guidelines to assist you with selecting a Franchise Location. Your site must be within your Territory, and we recommend a minimum of 3,000 square feet with approximately 700 square feet for a showroom. We recommend, but do not require, that you purchase a Mobile Showroom and use your fixed location for office and warehouse space. We will approve or disapprove, in writing, your proposed site, typically within 15 days after we receive notice of the location and either photographs or video of the proposed site. We will also approve or disapprove, in writing, the proposed layout and design for the warehouse/showroom, typically within 15 days after we receive such information from you. (Article 6, Franchise Agreement) You must open a Franchise Location within 120 days of signing the Franchise Agreement and if you purchase a Mobile Showroom, you must have it fully built out within 150 days after you sign the Franchise Agreement. (Section 5.3, Franchise Agreement)

Computer System

You must use the following hardware and software in the operation of the franchise:

Hardware

We require you to use the following hardware:

- 800MHz Pentium IV, Dual Core, or Xeon based processor*, 32GB RAM, 60GB hard disk, VGA Monitor (minimum 1024x768 Graphics display), secure internet connection;
- Windows compatible plotter or wide-format printer to print pages 24" (must be approved, by us, in advance of purchase);
- Windows compatible printer for standard paper size;
- Landline telephone with at least three separate lines and a voice message system;
- Digital Camera

*Equivalent processors from other manufacturers such as AMD are also acceptable, as long as we first approve them.

You must have a computer system which we currently estimate will cost between \$400 and \$1,000 per computer, although the cost of these systems may increase. You must use a computer with adequate memory, speed and storage to run our proprietary software (described below) when we have developed it. We will provide you with our specifications for computer hardware and operating systems needed to support this software. You may acquire your computer hardware from any source. Currently, you must have a computer supporting Microsoft XP Professional, Vista or Windows 7 with the latest Windows service pack installed in order to meet our requirements.

You must also have a Windows supported printer (laser printers provide the best performance and quality); and high speed business class internet service that meets our specifications. 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 is no contractual limit on our ability to access your computer system.

You must have a digital camera for use on job sites to measure and take photos as needed. You must also have a computer camera in order to participate in online training classes and video conferences. Minimum requirements are listed in the Manuals.

You must pay for all maintenance of your computers 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 will 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. No contractual limit exists on the frequency or cost of this obligation.

You must bring a laptop computer to training with at least a Pentium 1.5 GHz processor or the equivalent; 1 GB RAM; 40 GB hard drive; 24x CD/RW and high-speed Internet access capability.

Operating System Software

We are currently developing operating system software to be used for the reporting of Gross Sales, and may include lead and sales tracking and product ordering. We will provide 30 days prior notice before you are required to install and use our proprietary software. The new operating system will give us independent access to the operating data in your computer and there are no contractual limitations on our right to access data in your computer system. We may periodically develop other proprietary software and other products and upgrades that we may require you to use. We may charge you a license fee and fees for maintenance and upgrades for any proprietary software.

The cost to purchase our proprietary operating system should not exceed \$1,500, which will be payable to us within 15 days of the invoice date. We also reserve the right to charge you monthly fees for continued hosting of the operating system, or fees based on the number of users, in our sole discretion. You must also purchase, at your own expense, other software specified by us. The total cost to purchase the Computer System, including all hardware and software, will range from \$3,000 to \$7,500.

You are required to use the Re-Bath Web Ordering System to order all products and supplies from us.

Opening of Franchised Business

Franchisees typically begin selling bathroom remodeling services and products 90 days after they sign the Franchise Agreement. You must open your Business within 120 days after the Franchise Agreement is signed by all parties. The factors that affect these times are the scheduling of initial training, the ability to obtain a lease, and installation of equipment, fixtures and signs in your Franchise Location.

ITEM 12 TERRITORY

Franchise Location

Your RE-BATH Business is typically operated out of leased retail or warehouse space. The location of your Business will be identified as the "**Franchise Location**" in the Franchise Agreement. You may not relocate your Franchise Location without our prior written approval. Our approval of an alternative, proposed Franchise Location outside of your territory will only be granted under exceptional circumstances.

Territory

When you sign the Franchise Agreement, you will be granted a territory ("**Territory**") within which you market and advertise the bathroom remodeling services offered through your Business to homeowners and landlords located within the Territory. You may not market, advertise or solicit customers to provide bathroom remodeling services to locations outside your Territory, unless you obtain our prior written consent, which consent may be withheld in our sole discretion, and except in accordance with the standards and policies established by us from time to time and described in the Manual.

Options; Rights of First Refusal

You do not have any options, rights of first refusal, or similar rights to acquire additional franchises except for your right of first refusal to service System Accounts in your Territory as described

below or unless you enter into an Option to Purchase Additional Territory Agreement. You may, if you qualify, purchase an 18 month option on additional territory by paying us a fee, at the time you purchase your Franchise, of 10% of the Initial Franchise Fee for the Territory you wish to buy. If so, you must enter into an Option Agreement (Exhibit L to this Disclosure Document). At any time within the 18 month period, you may purchase the additional territory by paying us the balance of the Initial Franchise Fee and signing a Franchise Agreement. The 10% deposit will be applied to the purchase price. We do not refund your deposit if you decide not to purchase the additional Territory. If applicable, under the terms of the Option Agreement, we grant to you the right to establish an additional RE-BATH Business within a geographic area ("**Option Territory**"). See also Item 5.

Scope of Territory Rights

A Territory, and an Option Territory, will be defined by city or county limits, zip code areas, street boundaries or other reasonable boundaries. An exhibit to the Franchise Agreement specifies your Territory. You may not change your Territory or any Option Territories without our prior written approval. Your Territory must be a minimum population of at least 150,000, with a maximum population that is no more than 1,000,000. Option Territories, if applicable, are similar in size. A larger population may be allowed under certain exceptional circumstances. You will maintain rights to your specified Territory even if the population in your Territory increases.

You will not receive an exclusive Territory. You may face competition from other franchisees, from outlets that we own (we do not own any retail outlets as of the date of this Disclosure Document), or 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 will not establish and operate, nor license anyone else to establish and operate, a RE-BATH Business within your Territory and if applicable, Option Territory.

You must limit your solicitation of clients for the provision of the RE-BATH Business services to homes or to landlords or contractors of homes or other locations within your Territory. You must refer, without charge, client orders for RE-BATH Business services and products for homes located in the Territory of another RE-BATH franchisee or a Business owned by us or our affiliates to such other franchisee or to us or our affiliate, as applicable. Although we may establish related policies from time to time with which you must comply, it is your primary responsibility to resolve any disputes with adjacent franchisees regarding the location or acceptance of any particular client order or project. With our prior written consent, which consent may be refused or withdrawn in our sole discretion, you may provide RE-BATH services and products to homes which are located within a limited area outside your Territory if no other RE-BATH Franchise has been granted or company-owned Business retained the right to operate a Business in such geographic area and if such services and products can be provided substantially in accordance with our minimum standards and specifications. If we withdraw our consent, you must immediately cease providing the RE-BATH Business services and products to the homes located outside your Territory and cooperate in the transfer of these homes or leads on projects to us, our affiliates or a franchisee, without compensation. Our consent is automatically withdrawn for an area, upon notice to you of a new Franchise granted or other RE-BATH Business commencing operations in such area outside of your Territory. At that time, if you are using any domain names, directory listings or other advertising indicating or implying that you service such area outside of your Territory, then those uses will be cancelled, withdrawn or transferred at our directive. Except with our prior written consent, and in our sole discretion and based on our standards and policies, you do not have the right to use channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales outside of your Territory.

You must use your best efforts to promote the Franchised Business in your Territory. Your minimum sales quota ("**Sales Quota**") will be calculated by multiplying the population of your Territory, as determined in the most recent U.S. Census, by 0.001, resulting in a minimum number of Sales Quota units that your business must achieve every 12 months, beginning in month 7 through month 18 after your business opens. You will earn quota units by purchasing Re-Bath products from us and our affiliates or from a vendor that is part of our Preferred Vendor Network ("**PVN**"). You will earn 4 Sales Quota units for every \$1,000 of Re-Bath Products purchased and you will earn 2 Sales Quota units for every \$1,000 of products purchased from members of our PVN. The first time your Sales Quota will be evaluated will be during month 19 after your business opens. We will calculate whether your business met its Sales Quota by calculating the value of your purchases from Re-Bath and from our PVN and we will send you a notice showing the calculation and our conclusion as to whether the Sales Quota was met during the previous 12 months. If the Sales Quota was not met during the previous 12 months, you will be considered non-compliant, with no penalty through the next six-month evaluation period. A calculation of whether you met the Sales Quota will occur every 6 months, for the remainder of your Agreement, on a trailing twelve month basis. If after the second Sales Quota calculation there continues to be a deficit, your base Royalty Rate will increase by 0.5% beginning in the month following the last month that was included in the most recent Sales Quota calculation. The Royalty Rate increase will continue for a minimum of 6 months until the next Sales Quota calculation. If at the next evaluation date you meet the minimum Sales Quota requirement, your Royalty Rate will be reduced by 0.5% to the applicable rate. If you remain deficient, your Royalty Rate will increase again by 0.5% to a total of 1.0% above the applicable Royalty Rate. For example, if your Territory has a population of 500,000, your minimum Sales Quota for a 12 month period will be 500 units. If your purchases for months 7 through 18 earn only 450 units, you will be informed of the deficit and the applicable increased Royalty Rate. You will not be required to cure the deficit number of units; however, any increase in the Royalty Rate will remain in place until the next evaluation date, six months later. The Royalty Rate increase will not exceed 1%.

AmBath, and its predecessor, AmBath Corporation, sold bathtub liners nationally to the hospitality industry and following AmBath's acquisition by Re-Bath, will continue to sell its products to the hospitality industry, even in your Territory. This in no way prevents you from soliciting the hospitality industry within your Territory. Re-Bath may obtain certain leads for other types of locations, such as senior living centers, apartment properties, dormitories, military housing, or HUD multi-housing properties from time to time. In the event that Re-Bath chooses not to bid on these leads, they may be passed on to Franchisees in their respective territories, and the applicable Franchisee may be given the opportunity to bid. In its sole discretion, Re-Bath may, without violating the terms of the Franchise Agreement, bid on or install any such projects. Re-Bath may also appoint agents, representatives or license others to sell its products within the hospitality industry or to senior living centers, apartment properties, dormitories, military housing, or HUD multi-housing properties, without providing leads to franchisees, at Re-Bath's option.

Sales and installation of Re-Bath products by Re-Bath within your Territory provides increased awareness and product acceptance by the public at large. No commissions, overrides or other monetary compensation is paid to you for Re-Bath's sales and installations in your Territory, other than under the Re-Bath commercial program, whereby any installations by us in your Territory that are generated from a lead supplied by you will result in a Re-Bath product credit to you equal to 3.5% of the gross sales and installation revenue attributable to your Territory.

System Accounts

We reserve the right, on behalf of ourselves and our affiliates, under the Franchise Agreement, and Option Agreement if applicable, to contract with or enter into a strategic alliance or similar relationship with "System Accounts" to provide the services and products offered by the Franchise

System. A “**System Account**” is any business, organization or other entity that conducts operations, either directly or through agents, affiliates, dealerships, independent contractors, subsidiaries, franchisees, licensees, members or agencies (“**SA Affiliate**”), in three or more states and that has entered into a System Account Relationship with us or our affiliates. A “**System Account Relationship**” shall include any contractual relationship, strategic alliance or similar relationship with us or our affiliates for the RE-BATH Franchise systems’ provision of services and products to the System Account locations or its SA Affiliates locations.

If we or our affiliates enter into a System Account Relationship, we will contact you and provide you with an opportunity to provide the services and products to the System Account at its or its SA Affiliates locations within your Territory, under the terms and conditions established by the System Account Relationship (e.g., qualifications, conditions for availability, price, discounts and other requirements). If within 10 days of our contacting you, you are unable to provide the services and products offered to the System Account for any reason, including not being qualified to service the System Account as determined by us, or you do not elect to provide the services and products in accordance with the agreed terms and conditions established by the System Account Relationship, we, our affiliates or their designees, including other franchisees, will have the right to provide the services and products offered to the locations of the System Account or SA Affiliates locations within your Territory and you will have no right and will be deemed to have waived your right to provide the services and products to the System Account or SA Affiliates locations within your Territory during the System Account Relationship. In addition, you will not be entitled to receive any compensation or proceeds from the provision of such services and products to such locations within your Territory.

Your failure to comply with the operating procedures and standards established by us for any System Account or your failure to comply with the terms of any System Account Relationship, including operating procedures and standards established by any System Account, could result in: (i) you losing your right, without compensation, to service the System Account, and we, our designees, affiliates or other franchisees, will have the sole right to provide the RE-BATH Franchise system services and products to the System Account or SA Affiliates at their locations within your Territory, or (ii) termination of your Franchise Agreement. As of the date of this Disclosure Document, we do not have any System Accounts. We cannot guarantee that we will acquire any System Account Relationships or have any System Accounts in the future or that you will receive any System Account referrals in your Territory.

Our Reservation of Rights

We, our affiliates and successors, retain the rights, among others, without compensation to you:

1. To use and to license others to use the Marks and Licensed Methods for the operation of RE-BATH Businesses at any location other than in your Territory and, if applicable, within your Option Territory;
2. To use the Marks to identify promotional and marketing efforts or related items, and to identify products and services distributed or otherwise made available through alternative channels of distribution (other than RE-BATH Businesses), at any location, including advertising for sales through such channels of distribution as the Internet, telemarketing, or other direct marketing sales;
3. To contract with or enter into service contracts with, and provide services and products to, System Accounts at and for any location, subject to your rights as described above;

4. To engage in any other activities not expressly prohibited in the Franchise Agreement or, if applicable, Option Agreement; and

5. To use and license the use of alternative proprietary marks (i.e., trademarks dissimilar from the RE-BATH Marks) in the sale of products and services the same as, similar to, or dissimilar from, those which you sell, whether in alternative channels of distribution, such as the Internet, telemarketing, or other direct marketing, or with the operation of businesses which are the same as, or similar to, or different from RE-BATH Businesses, at any location, and on any terms and conditions as we deem advisable, and without granting you any rights to them. We have no present plans to establish other related franchises or company-owned businesses selling similar products or services under a different name or trademark, although, as just stated, we reserve the right to do so.

ITEM 13
TRADEMARKS

The Franchise Agreement grants you the right to use the trade name “Re-Bath” and other symbols and Marks of the Re-Bath system in your Territory. Through an assignment from Re-Bath Corp., effective January 18, 2002, Re-Bath is the sole and exclusive owner of the Marks. You must follow our rules when you use these Marks. You must operate the Franchised Business only as “Re-Bath” and you may not use any other name in connection with the operation of the Franchised Business, however, you cannot use our name or any of our Marks as part of a corporate name.

Re-Bath has registered the following principal Marks with the United States Patent and Trademark Office (“USPTO”) on the Principal Register:

Mark	Registration Date	Registration No.
Re-Bath	July 10, 1984	1,285,159
tub-over-tub (service mark)	November 29, 1994	1,864,893
tub-over-tub (trademark)	January 31, 1995	1,876,486
Re-Bath & Design	July 16, 2002	2,594,685
DuraBath	April 29, 2009	3,419,748
The Refreshing Remodel	April 4, 2006	3,077,403
Relax, Refresh, Renew	June 3, 2008	3,442,176

In addition, Re-Bath has registered the following Mark with the Registrar of Trademarks in Canada:

Mark	Registration Date	Registration No.
Re-Bath	July 7, 1989	TMA 358,263

There is no presently effective determination of the USPTO, the trademark administrator of this state, or any court, and no pending interference, opposition or cancellation proceeding or any pending material litigation involving the Marks. There are no agreements currently in effect which significantly limit our rights to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the franchise. We have filed all required affidavits with respect to our registered marks.

You shall not advertise or use in advertising or any other form of promotion, the Marks or other commercial symbols in any manner without the appropriate ® registration marks or the designations TM or SM where applicable.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use the Marks. We have the sole 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. We have the right to defend you against any third-party claim, suit or demand coming from your use of the Marks. If we, in our sole discretion, determine that you have 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 us.

If we, in our sole discretion, 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.

If there is any litigation relating to your use of the Marks, you must sign any and all documents and do those acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that this 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 cost in doing those acts.

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

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it, at our sole discretion. We will have no obligation or liability to you to bear the costs of modifying your signs and advertising materials to conform to our new Marks as a result of this substitution.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent, but you can use the proprietary information in our Manuals and software (see Item 11). A copyright was issued to us on June 13, 2007 for the Re-Bath, LLC Sales System Manual, Registration Number TX-6-629-126. Other than this copyright, we have not filed an application for a copyright registration in our Manuals, but we claim a common law copyright in our Manuals and software and we treat the information in these items as confidential and proprietary. Item 11 describes limitations on the use of the Manuals and software by you and your employees. You must treat these items and the information as confidential. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action to protect or defend use of proprietary information but will respond as we think appropriate and will control any action we decide to bring or defend (Franchise Agreement Section 8.1.) 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 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 to allow others to use them.

Re-Bath Corp. has the following copyright registrations with the United States Copyright Office: On October 23, 1995, Re-Bath Corp. obtained registration number TX 41999226 for the Re-Bath

Consumer Brochure; on January 16, 1996, Re-Bath Corp. obtained registration number TX 4242612 for the Re-Bath Information Sheets series. Both of these were assigned to us on January 18, 2002. We intend to renew these copyrights.

On May 11, 1999 AmBath Corporation received United States patent number 5,902,444 for the Flowable Silicone Product and Process. AmBath Corporation's rights under this patent have been assigned to us.

Re-Bath has the following United States patents:

- On October 2, 2007, patent number D552,266 was issued for the Deco Tile Beauty Band;
- On October 2, 2007, patent number D552,203 was issued for the One-Piece Molded Wainscot System;
- On December 29, 2005, patent number D552,758 was issued for the One-Piece Molded Mosaic Tile System;
- On January 8, 2008, patent number D559,410 was issued for the Slate Tile Wall Surround System;
- On December 29, 2005, patent number D552,795 was issued for the One-Piece Molded Newport Tile System;
- On September 14, 2006, patent number D559,410 was issued for the Slate Tile Wall Surround System;
- On April 24, 2007, patent number D541,395 was issued for the One-Piece Wall System

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

During the term of the Franchise Agreement, you (or if you are a corporation, limited liability company, or partnership, a principal or member or general partner of the corporation, limited liability company, or partnership) must devote your full time and best efforts to the management and operation of the Franchise. You must also have a competent, conscientious, trained staff, including a fully trained General Manager (which may be you), a sales representative (which may be you) and an installation technician. If you are an individual, we recommend that you serve as the General Manager and the sales representative. If you are a corporation or other legal entity, you must designate a "Principal Operator" who is acceptable to us, who will be responsible for the day-to-day operations of the Business and who will complete Operations Training. The Principal Operator may be the same person as the General Manager. At least one owner must be fully trained by completing our Training Program. We do not impose limitations as to whom you may hire as General Manager, except that this person and your installation technician must complete our Training Program.

Your General Manager is not required to have an equity interest in the Business, but the Principal Operator is required to have an equity interest in the Franchisee entity. The manager and all other key employees are required to enter into an agreement not to compete with RE-BATH Businesses while employed by you and for two years after termination, and must agree not to reveal confidential information obtained in the course of their employment with you (Exhibit B-7 to Franchise Agreement). We must receive this agreement for all managers and employees upon their commencement of the Training Program or within 10 days after they start working for you.

If you are an individual, you and your spouse must sign the Franchise Agreement. If the Franchisee is a business entity, each person (and his or her spouse) who is an owner (directly or indirectly) of 15% or more of the equity in the Franchisee entity (which includes stock, membership

interests, and partnership interests) must sign and deliver to us a Guaranty and Assumption of Franchisee's Obligations attached as Exhibit B-8 to the Franchise Agreement, personally guaranteeing the obligations of the Franchisee under the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are required to operate the Franchised Business in conformity with standards, techniques and procedures that we may, from time to time, make available to you in writing, and you cannot vary from those standards without our prior written consent. You are required to operate the Franchised Business a minimum of eight hours during each weekday, Monday through Friday, and a minimum of seven hours each weekend, unless the Franchised Business is in a mall or other similar shopping area that requires greater hours of operation, in which case, your hours of operation may be the minimum required by the mall or shopping area. Your telephone must be answered as "Re-Bath" by a "live" person (i.e., answering service or employee) during normal business hours.

You must sell the bathroom remodeling services, the Required Products, designated bathroom products and related bathroom design services and products that we designate as a part of the Licensed Methods. The Required Products may only be purchased from a supplier approved or designated by us. (See Item 8) You may be able to offer other types of products and services to your customers as long as they are consistent with our standards and specifications and approved by us in advance. Selling and installing unapproved products, or approved products from unapproved sources of supply, are grounds for termination of your Franchise Agreement. You must immediately cease selling or providing any product or any other such item we disapprove. We have the right to change the types of authorized products and services and there are no limits on our right to do so. You must install all bathroom products that you sell. You are not allowed to sell products to anyone, including other franchisees, on a wholesale basis.

You are restricted from marketing, advertising or promoting your Business, or providing products and services to customer locations outside of your Territory, except in limited circumstances. You are also restricted from providing products and services to System Account locations in your territory except in accordance with the terms of our System Account Relationships. See Item 12.

Except as described above and in Item 12, there are no restrictions on goods and services offered by you or on the clients to who you may sell.

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.

<u>Provision</u>	<u>Section In Franchise Agreement</u>	<u>Summary</u>
(a) Length of the franchise term	Section 2.1	10 years
(b) Renewal or extension of the term	Section 2.2	One renewal term of 10 years, subject to execution of a renewal Franchise Agreement which may contain materially different terms and conditions than the original

<u>Provision</u>	<u>Section In Franchise Agreement</u>	<u>Summary</u>
		contract.
(c) Requirements for franchisee to renew or extend	Section 2.2	The Franchise Agreement may be renewed for an additional 10 years upon at least six months prior written notice, payment of a \$5,000 renewal fee, compliance with Performance Threshold, execution of a general release, upgrading of showroom, and execution of the then current Franchise Agreement, which may include materially different terms from the original contract.
(d) Termination by franchisee	Section 11.3	Only if we agree to terminate and sign a mutual release.
(e) Termination by franchisor without cause	Not applicable	Not applicable.
(f) Termination by franchisor with cause	Sections 11.1 and 11.2	We can terminate only if you commit any one of several listed violations.
(g) "Cause" defined – curable defaults	Section 11.2	15 days failure to pay amounts owed, failure to comply with any provisions of the Franchise Agreement or Manuals.
(h) "Cause" defined – non-curable defaults	Section 11.1	Assignment for benefit of creditors, inability to pay debts, bankruptcy (this may not be enforceable under federal bankruptcy law), reorganization, liquidation, dissolution, receivership, certain unreversed judgments, material misrepresentations, abandonment of the Business, felony conviction, unlawful or deceptive practices, repeated defaults.
(i) Franchisee's obligations on termination/non-renewal	Article 12	Pay outstanding amounts, de-identify Franchise Location, transfer telephone number, no use of our trade secrets or proprietary materials, covenant not to compete, sign general release attached as <u>Exhibit L</u> (see also (r)).
(j) Assignment of contract by franchisor	Section 10.1	No restriction on our right to transfer.

<u>Provision</u>	<u>Section In Franchise Agreement</u>	<u>Summary</u>
(k) "Transfer" by franchisee-defined	Sections 10.1 and 10.2	Includes transfer of interest in Franchise Agreement, Business, all or substantially all of the assets of your Business, or ownership change.
(l) Franchisor approval of transfer by franchisee	Section 10.2	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 10.2	Includes payment of money owed, non-default, execution of release, transferee qualifications, payment of transfer fee, execution of then current agreement and training of transferee. (See also (r) below).
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 10.3	We can match any offer for all or part of your Business.
(o) Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.
(p) Death or disability of franchisee	Section 10.4	Business may be assigned to heir or successor that meets qualifications, signs Franchise Agreement, successfully completes training and pays the Document Fee.
(q) Non-competition covenants during the term of the franchise	Section 9.3	Prohibition on owning any interest in or operating any Competitive Business.
(r) Non-competition covenants after the franchise is terminated or expires	Section 9.3	Two-year prohibition on operating or having an interest in a Competitive Business, within your former Territory or any other RE-BATH Business Territory.
(s) Modification of the agreement	Section 14.1	Must be in writing signed by all parties.
(t) Integration/merger clause	Section 14.1	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside this Disclosure Document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Article 13	Must mediate (at our option) and/or arbitrate.
(v) Choice of forum	Section 13.3	Maricopa County, Arizona.

<u>Provision</u>	<u>Section In Franchise Agreement</u>	<u>Summary</u>
(w) Choice of law	Section 13.2	Arizona (subject to state law).

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.

We do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing 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 the Franchise Development Department, 421 W. Alameda Drive, Tempe, AZ 85282, Telephone Number 480-844-1575, 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 2009 TO 2011⁽¹⁾

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2009	219	233	+14
	2010	233	226	-7
	2011	226	220	-6
Company Owned	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Total Outlets	2009	219	233	+14
	2010	233	226	-7
	2011	226	220	-6

⁽¹⁾All numbers are as of December 31 for each year.

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2009 TO 2011⁽¹⁾

State/Province	Year	Number of Transfers
Alabama	2009	0
	2010	0
	2011	2
Arizona	2009	1
	2010	3
	2011	0
Connecticut	2009	2
	2010	0
	2011	0

Florida	2009	0
	2010	1
	2011	0
Georgia	2009	0
	2010	1
	2011	0
Illinois	2009	1
	2010	0
	2011	1
New York	2009	1
	2010	0
	2011	0
Ohio	2009	1
	2010	0
	2011	1
Pennsylvania	2009	1
	2010	0
	2011	1
Texas	2009	1
	2010	0
	2011	0
TOTALS	2009	8
	2010	5
	2011	5

(1) All numbers are as of December 31 for each year.

Table No. 3

**STATUS OF FRANCHISED OUTLETS
FOR YEARS 2009 TO 2011⁽¹⁾⁽²⁾⁽³⁾**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2009	6	0	0	0	0	0	6
	2010	6	0	0	0	0	0	6
	2011	6	2	0	0	0	2	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alaska	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Arizona	2009	6	1	0	0	1	0	6
	2010	6	4	2	0	0	2	6
	2011	6	1	0	0	0	1	6
Arkansas	2009	4	1	0	0	0	0	5
	2010	5	0	1	0	0	0	4
	2011	4	0	0	0	0	0	4
California	2009	14	4	2	1	0	0	15
	2010	15	2	2	0	1	0	14
	2011	14	2	1	0	0	0	15
Colorado	2009	3	3	1	0	0	0	5
	2010	5	0	0	0	0	1	4
	2011	4	0	0	0	0	0	4
Connecticut	2009	3	1	2	0	1	0	1
	2010	1	1	1	0	0	0	1
	2011	1	0	0	0	0	0	1
Delaware	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	1	0	0	0	0	3
Florida	2009	14	0	0	0	1	0	13
	2010	13	3	0	0	1	2	13
	2011	13	1	0	0	0	2	12
Georgia	2009	11	0	0	0	0	0	11
	2010	11	1	2	0	0	3	7
	2011	7	0	0	0	0	0	7
Hawaii	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Idaho	2009	3	0	0	0	0	0	3
	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Illinois	2009	7	0	0	0	0	0	7
	2010	7	0	0	0	0	0	7
	2011	7	2	0	0	0	1	8

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Indiana	2009	6	0	0	1	0	0	5
	2010	5	0	0	0	0	0	5
	2011	5	0	1	0	0	0	4
Iowa	2009	3	1	0	0	0	0	4
	2010	4	1	0	0	0	0	5
	2011	5	0	0	0	0	0	5
Kansas	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4
	2011	4	0	0	0	0	0	4
Kentucky	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4
	2011	4	0	0	0	0	0	4
Louisiana	2009	4	2	0	0	1	0	5
	2010	5	0	0	0	0	0	5
	2011	5	0	0	0	0	0	5
Maine	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	1	0
Maryland	2009	3	0	0	0	0	0	3
	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Massachusetts	2009	6	0	0	0	0	0	6
	2010	6	1	0	0	0	1	6
	2011	6	0	0	0	0	0	6
Michigan	2009	6	1	1	0	0	0	6
	2010	6	0	0	1	0	0	5
	2011	5	0	0	0	0	0	5
Minnesota	2009	4	2	0	0	0	0	6
	2010	6	0	0	0	0	0	6
	2011	6	0	0	0	0	0	6
Mississippi	2009	1	1	0	0	0	0	2
	2010	2	0	1	0	0	0	1
	2011	1	0	0	0	0	0	1
Missouri	2009	6	1	1	0	0	0	6
	2010	6	0	0	0	1	0	5
	2011	5	0	0	0	0	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Nebraska	2009	1	1	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	0	0	0	0	0	2
Nevada	2009	2	1	0	0	1	0	2
	2010	2	0	0	1	0	0	1
	2011	1	0	0	0	0	0	1
New Hampshire	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
New Jersey	2009	7	3	1	1	1	0	7
	2010	7	0	2	0	0	0	5
	2011	5	1	1	0	0	2	3
New Mexico	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4
	2011	4	0	0	0	0	0	4
New York	2009	9	0	0	0	0	0	9
	2010	9	0	0	0	0	0	9
	2011	9	2	3	0	0	1	7
North Carolina	2009	6	0	0	0	0	0	6
	2010	6	1	0	0	0	1	6
	2011	6	0	0	0	0	0	6
Ohio	2009	7	0	0	0	0	0	7
	2010	7	2	1	0	0	0	8
	2011	8	0	1	0	0	2	5
Oklahoma	2009	3	0	0	0	0	0	3
	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Oregon	2009	3	1	0	0	0	0	4
	2010	4	1	0	0	0	2	3
	2011	3	1	0	0	0	0	4
Pennsylvania	2009	7	1	0	0	1	0	7
	2010	7	3	0	0	0	0	10
	2011	10	0	0	0	0	1	9
Rhode Island	2009	2	0	1	1	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
South Carolina	2009	5	1	0	0	0	0	6
	2010	6	0	0	0	0	1	5
	2011	5	0	0	0	0	2	3
South Dakota	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
Tennessee	2009	7	0	0	0	0	0	7
	2010	7	0	0	0	0	0	7
	2011	7	1	1	0	0	0	7
Texas	2009	17	4	0	0	0	0	21
	2010	21	4	1	0	0	3	21
	2011	21	4	0	0	0	0	25
Utah	2009	2	1	0	0	0	0	3
	2010	3	1	0	0	0	1	3
	2011	3	0	0	0	0	1	2
Virginia	2009	5	2	0	1	0	0	6
	2010	6	0	0	0	0	0	6
	2011	6	0	0	0	0	0	6
Washington	2009	2	3	0	0	1	0	4
	2010	4	1	0	0	0	0	5
	2011	5	0	0	0	0	1	4
West Virginia	2009	1	0	0	0	0	0	1
	2010	1	0	1	0	0	0	0
	2011	0	0	0	0	0	0	0
Wisconsin	2009	4	0	0	0	0	0	4
	2010	4	1	0	0	0	0	5
	2011	5	1	0	1	0	0	5
Wyoming	2009	1	0	0	0	0	0	1
	2010	1	1	0	0	0	0	2
	2011	2	0	0	0	0	0	2
TOTALS	2009	219	36	9	5	8	0	233
	2010	233	29	14	2	3	17	226
	2011	226	20	8	1	0	17	220

- (1) All numbers are as of December 31 for each year.
- (2) If a single outlet changed ownership two or more times during the same fiscal year, the types of changes involved and the order in which the changes occurred will be described by footnote.
- (3) For purposes of the above table, "transfer" means the acquisition of a controlling interest in a franchised outlet by a person other than the franchisor or an affiliate.

Table No. 4

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2009 TO 2011⁽¹⁾**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired by Franchisor	Outlets Closed	Outlets sold to Franchisees	Outlets at End of Year
TOTALS	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0

⁽¹⁾ All numbers are as of December 31 for each year.

Table No. 5

**PROJECTED NEW FRANCHISED OUTLETS
AS OF DECEMBER 31, 2011⁽¹⁾**

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Colorado	0	1	0
Florida	0	2	0
Idaho	0	1	0
Illinois	0	2	0
Kansas	0	1	0
Minnesota	0	1	0
South Carolina	0	1	0
Texas	0	2	0
Washington	0	1	0
Wisconsin	0	1	0
TOTALS	0	14	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 G to this Disclosure Document. A list of the name, city, state and current business telephone number of the 27 RE-BATH Franchisees (owning 27 Businesses) who have had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Re-Bath's fiscal year 2011 or who have not communicated with us within the past 10 weeks, is listed on Exhibit G to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We began selling franchises as of the date of this Disclosure Document. We have not signed any confidentiality clauses with current or 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.

We plan on organizing a Leadership Council. See Item 11, Section entitled "Advertising and Promotion," Subsection entitled "System Branding Fund." We have no other franchisee advisory council. No independent franchisee organizations have asked to be included in this Disclosure Document. RE-BATH Franchisees are divided into six regions, with each region comprised of 20-40 RE-BATH Franchisees, each of which has its own franchise association sponsored by Re-Bath which operates under its own charter. There are no confidentiality clauses that prevent existing franchisees from talking to prospective franchisees about their franchise relationship. Prospective franchisees should be aware that, if they do purchase a franchise, their contact information may be disclosed in future Re-Bath Franchise Disclosure Documents.

FINANCIAL STATEMENTS

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

Audited, consolidated balance sheet of our parent, AmBath/Re-Bath Holdings, as of December 31, 2011 and December 31, 2010, and related consolidated statements of income, members equity and cash flows for the three-year period ended December 31, 2011. Also attached in Exhibit H is a Guarantee of Performance by our parent.

ITEM 21 **CONTRACTS**

The following contracts are attached to this Franchise Disclosure Document in the following order:

Exhibit B	Franchise Agreement
Exhibit C	State Supplements and Addenda
Exhibit D	Non-Disclosure and Non-Competition Agreement
Exhibit E	Financing Documents
Exhibit I	Addendum to Franchise Agreement – Conversion
Exhibit J	Addendum to Franchise Agreement - Renewal
Exhibit K	Addendum to Franchise Agreement – Option to Purchase Additional Territory
Exhibit L	General Release
Exhibit M	Home Depot Agreements

SEP 13 2012

Sacramento Office

ITEM 22
RECEIPTS

The last page of the Disclosure Document (following the exhibits and attachments) is a document acknowledging receipt of the Disclosure Document by you (one copy for you and one to be signed for us).