

## FRANCHISE DISCLOSURE DOCUMENT

# BATH FITTER

Bath Fitter Franchising, Inc.  
a Delaware corporation  
102 Evergreen Drive  
Springfield, Tennessee 37172  
615.612.2940

[www.bathfitter.com](http://www.bathfitter.com)  
[ste.franchise.support@bathfitter.com](mailto:ste.franchise.support@bathfitter.com)

The franchise offered is for a business that sells and installs Bath Fitter® bathtub liners, shower bases, bath and shower walls and other related products (each, a “**Bath Fitter Business**”). Bath Fitter Businesses operate using the franchisor’s proprietary methods, trade dress, trademarks, and logos.

If you sign a franchise agreement for a single Bath Fitter Business, the total investment necessary to begin operation of that business ranges from \$225,500 to \$515,500, which includes \$89,000 to \$195,000 that you must pay to us.

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 Giuseppe Guadagnino at 102 Evergreen Drive, Springfield, Tenn. 37172 (615.612.2940 or [ste.franchise.support@bathfitter.com](mailto:ste.franchise.support@bathfitter.com)).

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://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: March 27, 2025, as amended June 20, 2025

## How to Use This Franchise Disclosure Document

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

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

## What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

**Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation and litigation in New York. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in New York than in your own state.

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

**Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

## Table of Contents

Item 1	The Franchisor, and Any Parents, Predecessors and Affiliates .....	1
Item 2	Business Experience .....	3
Item 3	Litigation .....	3
Item 4	Bankruptcy .....	3
Item 5	Initial Fees .....	3
Item 6	Other Fees .....	4
Item 7	Estimated Initial Investment .....	8
Item 8	Restrictions on Sources of Products and Services .....	11
Item 9	Franchisee’s Obligations .....	15
Item 10	Financing .....	17
Item 11	Franchisor’s Assistance, Advertising, Computer Systems and Training .....	17
Item 12	Territory .....	26
Item 13	Trademarks .....	28
Item 14	Patents, Copyrights And Proprietary Information .....	29
Item 15	Obligation to Participate in the Actual Operation of the Franchise Business .....	30
Item 16	Restrictions on What the Franchisee May Sell.....	30
Item 17	Renewal, Termination, Transfer and Dispute Resolution .....	31
Item 18	Public Figures.....	34
Item 19	Financial Performance Representations .....	34
Item 20	Outlets and Franchisee Information .....	35
Item 21	Financial Statements.....	42
Item 22	Contracts .....	42
Item 23	Receipts .....	42

## Exhibits

A	Financial Statements	G	List of State Administrators and Agents for Service of Process
B	Franchise Agreement	H	Form of General Release
C	List of Franchisees	I	State Effective Dates
D	Franchisees That Left the System	J	Receipts
E	Table of Contents of Manual		
F	State-Specific Disclosures and Amendments to Agreements		

## **ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### **The Franchisor**

The franchisor is Bath Fitter Franchising, Inc. We are a Delaware corporation organized on March 5, 1992. In this disclosure document, Bath Fitter Franchising, Inc. is referred to by the terms “**franchisor**,” “**we**,” “**us**,” or “**our**”. Our principal place of business is 102 Evergreen Drive, Springfield, Tennessee 37172 (tel. 615.612.2940). We do business under our corporate name and the Marks as described below. We do not own or operate any businesses of the type being franchised, but we have affiliates, that are wholly-owned by our Parent, who operate Bath Fitter Businesses. Other than servicing and selling franchises for “Bath Fitter” Businesses, we are not involved in other business activities. We have not offered franchises in any other line of business. We began offering franchises in the United States and Canada in 1992.

Our agents for service of process are listed in Exhibit G-2.

### **Our Predecessor, Parent, and Affiliates**

Bath Fitter Holdings Inc., a Delaware corporation organized on December 23, 2014.	Bath Fitter Holdings Inc. (the “ <b>Parent</b> ”) is our parent company, located at 102 Evergreen Drive, Springfield, Tennessee 37172.
Bath Fitter Distributing Inc., a corporation organized under the Canada Business Corporations Act on June 4, 2001	This company maintains its offices at 225 rue Roy, St-Eustache, Québec J7R 5R5 Canada, and since 2001 has been in the business of operating “Bath Fitter” businesses in Canada.

Except as noted above, we have no predecessor or parent, and no affiliates that offer franchises in any line of business or provide products or services to franchisees.

### **Description of the “Bath Fitter” Franchise Opportunity**

We offer you\* the opportunity, under a Franchise Agreement, to develop and operate a Bath Fitter Business that offers, sells, and installs showers, baths, bath liners and shower liners and directly related products (collectively, the “**Products**”) to commercial and residential customers located in a designated geographical area (a “**Franchised Business**”).

A Franchised Business will operate under the trade name and mark “Bath Fitter” and additional service marks, trademarks, trade names, logos, emblems, and indicia of origin. These marks and all other marks that we may designate in the future for use with the System (defined below) are referred to in this Disclosure Document as the “**Marks**” or “**Proprietary Marks**.”

Bath Fitter Businesses are established and operated under our distinctive system (the “**System**”) that includes (among other things): Products; Proprietary Marks, confidential information,

---

\* The person or entity that signs a Franchise Agreement is referred to in this disclosure document as “**you**,” “**your**,” or the “**franchisee**” (and if you are an entity, that term includes all of your owners and partners).

proprietary items, proprietary software, operational procedures, plans, directions, specifications, methods, management, marketing and advertising techniques part of which are contained in our Confidential Operations Manual (defined below) and policies; all of which we have the right to change, improve, and further develop as we see fit. Certain aspects of the System are more fully described in this Disclosure Document and the Confidential Operations Manual, which will evolve over time (as defined and described in Item 11). You must operate your Franchised Business in accordance with our standards and procedures, as set out in our Confidential Operations Manual and other written instructions relating to the operation of a Bath Fitter Business (the “**Confidential Operations Manual**”), which we will lend you, or make available electronically, for the duration of the Franchise Agreement.

### **Franchise Agreement**

We offer qualified parties a franchise agreement (the “**Franchise Agreement**”) under which they will establish and operate a Franchised Business at a specific location. The standard form of Franchise Agreement is attached as Exhibit B to this Disclosure Document. Under a Franchise Agreement, we will grant you the right, and you will accept the obligation, to establish and operate a Bath Fitter Business at an agreed-upon location.

### **Competition**

You can expect to compete in your market with local, regional and national businesses that provide bathroom renovation services. The market for these services is well established in the United States. These businesses compete on the basis of factors such as products and services offered, price, convenience and quality. These businesses are often affected by other factors as well, such as changes in economic conditions, product availability and supply chain issues, and population fluctuations.

### **Regulations**

Many of the laws, rules and regulations that apply to business generally also apply to Bath Fitter Businesses. You must comply with federal, state, and local laws applicable to the operation and licensing of a Bath Fitter Business, including obtaining all applicable approvals by municipal, county or state departments to perform the services offered and Products installed by a Bath Fitter Business. If applicable to the location at which you operate your Franchised Business, the Americans with Disability Act of 1990 and related state laws require readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, bathrooms, drinking facilities, etc. You should consult with your own lawyer and consider these laws and regulations when evaluating the requirements that you would have to meet if you become a franchisee.

You also must follow the Payment Card Industry Data Security Standards and comply with applicable data and privacy laws relating to customer payment card transactions.

You must comply with all local, state, and federal laws that apply to your operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. There are also regulations that pertain to handling consumer data, sanitation, and healthcare.

**ITEM 2****BUSINESS EXPERIENCE****President and Member of the Board of Directors****Glenn Cotton**

Mr. Cotton has been our President and a Member of our Board of Directors since 1984.

**Secretary and Member of the Board of Directors****Brian Cotton**

Mr. Cotton has been our President and a Member of our Board of Directors since 1984.

**Vice President Finance****Giuseppe Guadagnino**

Mr. Guadagnino has been our Vice President Finance since June 2016. From March 2015 to May 2016, he was our Corporate Controller, and from June 2009 to February 2015 he was our Controller.

**Chief Operating Officer****Brad Larson**

Mr. Larson has been our Chief Operating Officer since May 2022. Before that, he was Vice President Sales and Operations for TMX Finance in Phoenix, Arizona from June 2021 to May 2022. Mr. Larson was Regional Director for Dollar General in Raleigh, North Carolina from March 2017 to May 2021.

**Installation Training Manager****Adam Little**

Mr. Little has been our Installation Training Manager since February 2023. Before that, he was our Installer Coach from September 2018 to January 2023, and also our Lead Installer from September 2012 to January 2023.

**Director of Retail Operations/Sales Trainer****Patrick Bellavance**

Mr. Bellavance has been our Director of Retail Operations and Sales Trainer since May 2024. Before that, he was our Area Development Leader from January 2019 to April 2024. From September 2017 to January 2019, Mr. Bellavance was Branch Leader for Bath Fitter Tennessee in Nashville, Tennessee.

**ITEM 3****LITIGATION**

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

**ITEM 4****BANKRUPTCY**

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

**ITEM 5****INITIAL FEES**

**Franchise Agreement.** For each Bath Fitter Business, you must sign a Franchise Agreement and pay us an initial franchise fee (the "**Initial Franchise Fee**") at the time you sign the Franchise Agreement.

If at the time you sign the Franchise Agreement you do not directly or indirectly (such as through one of your affiliates or principals) operate a Bath Fitter Business, your Initial Franchise Fee will be \$80,000, plus all of our attorney fees if you request changes to the Franchise Agreement before it is signed.

If at the time you sign the Franchise Agreement you directly or indirectly (such as through one of your affiliates or principals) already operate a Bath Fitter Business, your Initial Franchise Fee will be \$40,000, plus all of our attorney fees if you request changes to the Franchise Agreement before it is signed.

The Initial Franchise Fee is not refundable and is uniformly applied.

**Other Fees.**

Before you open your Bath Fitter Business, if you do not already operate a Bath Fitter Business, we require you to purchase certain inventory for the Franchised Business that will range from \$20,000 to \$50,000, depending on the size of your Territory. In addition, you must purchase testers ranging from \$2,000 to \$5,000; proprietary tools (which we will continue to own but you may use in connection with the operation of the Bath Fitter Business) will cost for you to use will be between \$8,000 to \$10,000; and a display that will range from \$5,000 to \$30,000. You must also pay us an initial training fee that will range from \$14,000 to \$20,000.

These amounts are not refundable.

\*\*\*\*\*

Except as described above, there are no other purchases from or payments to us or any affiliate of ours that you must make before your Franchised Business opens.

**ITEM 6**

**OTHER FEES**

<b>Fees (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee (Note 2)	Currently \$0. However, we reserve the right at any time to impose a royalty fee in an amount not to exceed 2.5% of Gross Revenues.	If incurred. (Note 2).	If we impose a royalty fee, it will be payable when indicated in the Franchise Agreement, based on Gross Revenues for the prior period of time. We may withdraw amounts due by EFT from your designated bank account when due. See Note 2.
NMF Contribution (Note 3)	Calculated based on NMF Percentage. (Note 3)	Each month	See Note 3.
Additional Training or On-Site Training	Our then-current per diem training charges (currently, \$2,500), our other fees and our out-of-	As incurred	Only due if we provide (or require) additional training at your Franchised Business, or if you request that we perform on-site training, in which case you must pay these amounts.

<b>Fees (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
	pocket expenses for any training conducted at your Franchised Business or elsewhere.		
Interest	1.5% per month on overdue amounts	On demand	Only due if you do not make payments on time and in full. Interest on overdue amounts will accrue from the date originally due until you make payment in full. Interest will not exceed the legal limit (if any) that applies to you under state law.
Audit Fee	Cost of audit	When billed	Only due if we find that you have understated Gross Revenues or what you owe to us by 2% or more. Also due if we audit after you fail to submit sales reports to us or if you do not provide us with the required access to your Computer System. You may also be required to pay interest on any understated amounts.
Relocation Fee	The costs and expenses we incur in connection with the relocation request, which will not be less than \$5,000.	As incurred	You may not relocate the Approved Location for the Franchised Business without our prior written consent. If you do not obtain our prior written approval and comply with our other relocation requirements, you must pay this fee.
Renewal Fee	25% of the then current Initial Franchise Fee, plus our attorney fees if you request changes to the renewal Franchise Agreement	Upon renewal	You must pay this amount as a condition to renewal of the Franchise Agreement upon the expiration of the initial and any renewal term.
Transfer Fee	Note 4.	Submitted with transfer application	Only due if you propose to engage in a transfer.
Securities Offers	2/3 of the then-current Initial	On demand	We have the right to review materials required under federal or state law in

Fees (Note 1)	Amount	Due Date	Remarks
	Franchise Fee, or our reasonable costs and expenses, if greater.		connection any offer of stock, ownership and/or partnership interests, and in which case you must pay this fee for each proposed offering.
Usage Fee	Will vary under circumstances, based on the cost of replacement, or additional Proprietary Items	As incurred	You must pay us for the right to use " <b>Proprietary Items</b> " which you obtain before you begin operations. If, after opening, you are required to replace any Proprietary Items or add additional Proprietary Items, you must pay our then current amount for the use of such items.
Inspection and Testing	The reasonable cost of the inspection, as well as the actual cost of the test.	Will vary and must be paid upon request.	Only due if you ask that we evaluate a service, product, or supplier that we have not previously approved and that you want to use in your Franchised Business. Also payable if we test unapproved items from your Franchised Business that do not meet our specifications.
Customer Reimbursement	Will vary under circumstances, based on the amount reimbursable to a customer.	If incurred, within 30 days of receiving an invoice.	We have the right to determine that you did not adequately, fairly, or completely handle a customer complaint, in which case we may intervene, and have the right, in addition to other remedies, to refund the customer up to one 100% of the amount paid by the customer to you, and you must reimburse us for that refund.
Costs and Attorneys' Fees	Will vary under circumstances	On demand	Only due if you are default under your agreement; if so, you must reimburse us for our expenses (such as attorneys' fees) in enforcing or terminating your agreement.
Indemnification	Will vary under circumstances	On demand	Only due if we are sued or held liable for claims that arise from your operation of the Franchised Business or for costs associated with defending claims that you used the trademarks in an unauthorized manner.
Insurance	Reimbursement of our costs and premiums	If incurred	Only due if you do not maintain the required insurance coverages; if so, we have the right (but not the obligation) to obtain insurance on your behalf. If so,

Fees (Note 1)	Amount	Due Date	Remarks
			you must reimburse us for our costs as well as the premiums.
Reimbursement for amounts that we pay on your behalf	Varies	On Demand	Only due if you do not pay your vendors (including tech vendors) on time and in full. If so, we have the right (but not the obligation) to make those payments on your behalf and if we do so, you must reimburse us for our costs as well as the premiums.

Notes:

1. All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the amounts given may increase due to changes in market conditions, our cost of providing services and future policy changes. At present, we have no plans to increase payments over which we have control. We expect that we will uniformly apply the fees described above to new system franchisees, however, in instances that we consider appropriate, we may waive some or all of these fees.

2. For the purposes of determining the fees to be paid under the Franchise Agreement, including royalty fees if and when imposed, "**Gross Revenues**" means all gross revenue as reportable according to GAAP (before taxes of any kind) from all sources of the Franchised Business including from the sale of Products and other products and services offered by the Franchised Business and all other income of every kind and nature of the Franchised Business related to, derived from, associated with, or originating from, the Franchised Business, including barter, proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit and regardless of theft or collection in the case of check or credit.

3. For the period between signing the Franchise Agreement and the 12<sup>th</sup> full calendar month after that (the "**Initial NMF Period**"), the NMF Contribution is calculated as follows each month:

Territory Population	Monthly \$	Months	Yearly
<500K	\$2,000	12	\$ 24,000
500K-0.75M	\$2,500	12	\$ 30,000
750K-1.25M	\$5,000	12	\$ 60,000
1.25M - 1.75M	\$7,500	12	\$ 90,000
1.75M - 2.25M	\$10,000	12	\$ 120,000
2.25M+	\$12,500	12	\$ 150,000

For the period between the end of the Initial NMF Period and the end of the first calendar year after that ("**Calendar Year 1**"), the the NMF Contribution is calculated as follows: (the "NMF Percentage" as set out in the Franchise Agreement (currently 3% of Gross Sales) as it may be amended x (Franchised Business Gross Revenues for the Initial NMF Period x (the applicable set increase rate set out in the Franchise Agreement (currently 5%) ("**Set Increase**") + 100%)) divided by 12.

For each calendar year following Calendar Year 1 (each such calendar year, the “**Upcoming NMF Calendar Year**”), the NMF Contribution is calculated as follows promptly after the end of the immediately preceding calendar year (“**Immediately Preceding Calendar Year**”): (i) (the then prevailing NMF Percentage x (the Franchised Business’ Gross Revenues for the Immediately Preceding Calendar Year x (the Set Increase + 100%)) divided by 12; or, if higher, (ii) the highest monthly NMF Contribution ever due by you in connection with the Territory. Under no circumstance will the NMF Contribution with respect to any Upcoming NMF Calendar Year be less than the highest NMF Contribution ever due by you in connection with the Territory.

We have the right to periodically make changes to the NMF Percentage (up to 5% of Gross Revenues) by giving you written notice of the change, and those changes will take effect as of the date stipulated in the notice.

4. If the transferee is a new Bath Fitter franchisee (without other franchised Bath Fitter Businesses) the transfer fee is in the amount of the then-current Initial Franchise Fee that we charge to new Bath Fitter franchisees, but not less than \$80,000. If the transferee is not a new Bath Fitter franchisee (and has an existing franchised Bath Fitter Business), the transfer fee is in the amount of the then-current Initial Franchise Fee that we charge to existing Bath Fitter franchisees, but not less than \$40,000.

**ITEM 7 ESTIMATED INITIAL INVESTMENT**

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Franchise Fee (Note 1)	\$40,000	\$80,000	Lump Sum	On signing Franchise Agreement	Us
Rent (Note 2)	\$20,000	\$82,500	Lump Sum	On Signing the Lease	Landlord
Utility Deposits (Note 3)	\$2,000	\$4,000	Lump Sum	On Signing the Lease	Utility suppliers, Landlord
Leasehold Improvements (Note 4)	\$50,000	\$150,000	As Incurred	Before Opening Your Store	Designated Supplier / Vendor
Equipment and Vehicles (Note 5)	\$50,000	\$60,000	As Incurred	Before Opening Your Store	Us and Approved Suppliers
Insurance (Note 6)	\$2,500	\$4,000	Lump Sum	Before Opening	Insurance Carriers

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Permits and Licenses (Note 7)	\$500	\$5,000	As Incurred	Before Opening	Gov't Authorities
Grand Opening Marketing (Note 8)	\$15,000	\$50,000	As Incurred	During the First 60 days of operation	Third Parties
Initial Training and Travel Expenses for Training (Note 9)	\$14,000	\$25,000	As Incurred	Before Opening	Us and Third Parties
Professional Fees (Note 10)	\$1,500	\$5,000	As Incurred	Before Opening	Attorneys, Accountants
Additional Funds (3 months) (Note 11)	\$30,000	\$50,000	As Incurred	During the first 3 months of Operations	Third Parties
Total (Note 12)	\$225,500	\$515,500			

The expenses listed above are not refundable. We do not finance any portion of your initial investment.

Notes:

1. **Franchise Fee.** You must pay the Initial Franchise Fee when you sign the Franchise Agreement.
2. **Rent.** Unless you own appropriate real estate, you will need to lease property for your business. The typical size location for a Bath Fitter Business is 4,000 to 10,000 square feet.

The estimate in the table is for a location for six months (two months before opening, three months after opening, and one month security deposit), with base rent ranging from \$10 to \$30 per square foot (annually). Rent obviously varies among markets and can be different due to local demographics and economic conditions, location, population density, prevailing interest rates and financing costs, property conditions, and extent of alterations required for the property. You should thoroughly investigate all of these costs in the area where you wish to locate your Franchised Business.

The figures in the chart do not (and could not) provide an estimate of the costs associated with buying the real estate, which would likely be higher than the figure shown. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

3. **Utility Deposits.** We expect that you will need to pay deposits for your local utilities, such as telephone, electricity, water and gas. The amount of your deposits will depend, in part, on your

credit rating and the policies of the individual utility companies. The estimate also assumes that you will be able to negotiate with your landlord for no rent deposit.

4. **Leasehold Improvements.** You will need to install wiring to specifications, flooring, painting, racking, office set up, signage, showroom built out, and decor items which comply with our specifications. The cost of leasehold improvements will vary depending on numerous factors, including: (a) the size and configuration of the premises; (b) pre- construction costs (such as demolition of existing walls and removal of existing improvements and fixtures); (c) cost of materials and labor, which may vary based on geography and location; (d) requirement to use union workers; and (e) the tenant improvement allowance provided by the landlord. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish-out of the location and the cost of leasehold improvements.

5. **Equipment and Vehicles.** You must obtain vehicles for the Franchised Business (the estimate presumes that you will lease rather than buy two “express van” vehicles). The vehicles must meet our standards and specifications, including those relating to model and year, appearance, color, wrapping, etc. You are not permitted to use any vehicles used in connection with the Franchised Business for any other purpose. The equipment you will need for your Franchised Business includes Proprietary Items, forklift, hand jack, security system/surveillance and computer system. It may be possible to lease some of these items, which will lower the estimates provided.

6. **Insurance.** You must have the insurance that we specify for your Franchised Business at all times during the term of your Franchise Agreement. The estimate is for six months’ premium costs. Our insurance requirements are disclosed in Item 8.

7. **Permits and Licenses.** Our estimate includes the cost of obtaining local business licenses which typically remain in effect for one year. The cost of these permits and licenses will vary substantially depending on the location of your Franchised Business. We strongly recommend that you verify the cost for all licenses and permits required in your jurisdiction (and their availability) before signing the Franchise Agreement.

8. **Grand Opening Marketing.** You must conduct grand opening marketing to promote the opening of your Franchised Business according to the opening marketing plan that you develop and that we will review and must approve before you may implement. Please refer to Item 11 “Advertising” for details.

9. **Initial Training and Travel and Living Expenses While Training.** As indicated in Item 5, the initial training fee will range from \$14,000 to \$20,000. In addition to that, the estimates include your out-of-pocket costs associated with attending initial training, including travel, lodging, meals, and applicable wages for two trainees. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

10. **Professional Fees.** We expect that you will retain an attorney and an accountant to assist you with evaluating this franchise offering, and with negotiating your lease or purchase agreement for the approved location.

11. **Additional Funds.** This estimates your initial start-up expenses for an initial three-month period, such as including payroll costs, and does not include revenue that your Franchised Business may earn during the first three months of operation.

12. **Totals.** You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing arrangements for you. If you receive our consent to obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies, financial condition of the lender, regulatory environment, and other factors. We relied on our experience and information that we have gleaned from franchisees in preparing these estimates.

The figures in the table are estimates only; we cannot predict whether you will incur additional expenses building your Franchised Business location or starting your business. Your expenses will depend on factors such as whether you follow our methods and procedures, whether your Franchised Business is built within the specifications noted in the notes above, your management skill, experience and business acumen, local economic conditions (for example, the local market for our services and products), the prevailing wage rate, competition and your sales level achieved during the initial period. In preparing this estimate, we relied on our experience in other businesses. The estimates do not (and could not) account for the impact of future inflation or changes to interest rates.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **Required Purchases of Products and Other Material**

You must operate the Franchised Business in conformity with the methods, standards, and specifications that we require (whether in the Confidential Operations Manual or otherwise). Among other things, these standards require that you must:

- purchase or source all Products and Proprietary Items (including proprietary software) only from us or our affiliates. “**Products**” include tubs, tub liners, showers, shower liners, shower bases, wall enclosures, adhesive, soap dishes, valves, drains, shower doors, grab bars, shower seats and most other wet area remodeling materials;
- purchase or source all other products, materials, supplies, furniture, equipment and services (“**Other Material**”) used for the Franchised Business only from us or our affiliates if such Other Material or a substantially similar equivalent is offered by or through us or our affiliate;
- if any Other Material or a substantially similar equivalent is not offered by or through us or our affiliate, you must purchase or source such Other Material only from a Preferred Vendor (defined below);
- if no Preferred Vendor offers such Other Material or a substantially similar equivalent, then you must purchase or source the Other Material only from an Approved Supplier, if we have instituted an Approved Supplier Program (as each of those terms are defined below);
- if no Approved Supplier Program is in place, then and only then may you purchase or source the Other Material from a supplier of your choice; and

- pay all suppliers of goods and services sold or provided to you (including us, our affiliates, taxing authorities, and all others) in accordance with their terms of payment.

We have the right to establish one or more strategic alliances or preferred vendor programs ("**Preferred Vendors**") with one or more nationally or regionally known suppliers that are willing to supply all or some Bath Fitter Businesses with some or all of the Other Material. In this event, we may limit the number of Approved Suppliers with whom you may deal, designate sources that you must use for some or all Other Material, and/or refuse any of your requests for supplier approval if we believe that it is in the best interests of the System. If applicable, we will provide a list of approved suppliers (the "**Preferred Vendors List**"), which we may revise, amend, update and replace periodically.

We may institute an "**Approved Supplier Program**" in which case you must use the Approved Supplier Program for all of your purchases and sourcing of Other Material. We will determine the rules and parameters governing the operation of the Approved Supplier Program. Under the Approved Supplier Program, we may approve suppliers of Other Material on an ad hoc basis either by our own initiative or further to a franchisee upon request ("**Approved Suppliers**"). Under an Approved Supplier Program, we have the right to approve or disapprove any of the suppliers who may be permitted to sell/provide/supply Other Material to you.

In determining whether we would approve any particular supplier for any Other Material, we consider various factors, including whether the supplier can demonstrate the ability to meet our standards, whether the supplier has adequate quality controls and capacity, whether approval of the supplier would enable the System, in our opinion, to take advantage of marketplace efficiencies; and/or whether the supplier will sign agreements we deem necessary to protect the rights, goodwill and interests of the System and the Proprietary Marks. If applicable, we will provide a list of Approved Suppliers (the "**Approved Suppliers List**"), which we may periodically revise.

The Franchise Agreement also provides that you may not use any item bearing our Proprietary Marks without our prior written approval as to those items.

We estimate that the cost of your purchases and leases from sources that we designate, approve, or that are made in accordance with our specifications will be approximately 25% of the total cost of establishing a Franchised Business and approximately 22% to 28% of the cost of continued operation of the franchise.

You will be required to purchase or license certain hardware, software, computers, and related equipment for your Franchised Business. This information is summarized in Item 11 under the subheading "Computer Requirements."

If an Approved Supplier Program has been implemented and you want to buy or source any Other Material from a supplier not on the Approved Suppliers List, then you must first submit to us a written request asking for our approval. You may not buy or source from any supplier unless and until we have given you written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, as indicated in Item 6. We also have the right to require that the supplier comply with such other requirements that we has the may designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use

of the Proprietary Marks, and/or for services that we may render to such suppliers. We also reserve the right (without the obligation to periodically re-inspect the facilities and products of any Approved Supplier and to revoke our approval if the supplier does not continue to meet any of our then current criteria.

Our criteria for approving a proposed supplier include various quality related factors, including for example the supplier's history, its other production work, product quality, quality controls, and related benchmarks. We typically will provide you with our response to a proposed new supplier within 30-60 days, but that may vary depending on factors such as the nature of the item that is proposed for our consideration as well as the proposed the supplier's cooperation and response. We may charge a fee for reviewing and testing proposed supplier's products or services, which will be up to \$2,000.

None of our officers own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase or use in connection with the operation of your Franchised Business.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments, or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Other Material. These Allowances include those based on your or System-wide purchases of Other Material. We may retain Allowances without restriction. During our last fiscal year, we did not receive any such Allowances.

We and our affiliates will derive revenue based on franchisee purchases of Products. During our fiscal year ended December 31, 2024, we received revenues in the amount of \$90,403,232 from franchisees' purchases of Products, which represented 83.6% of our total revenues of \$108,081,235.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this disclosure document, there are no purchasing or distribution cooperatives for any of the items described above in which you must participate.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Bath Fitter Businesses in our System. If we establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the licensed network of Bath Fitter Businesses.

We do not provide material benefits to franchisees based on a franchisee's purchase of particular products or services or use of a designated or approved supplier.

When determining whether to grant new or additional franchises, we consider many factors, including compliance with the requirements described above.

All advertising and promotional materials, signs, paper goods (including all forms and stationery used in the Franchised Business) and other items we designate must bear the Marks in the form, color, location, and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and

requirements in the Confidential Operations Manual or otherwise as specified by us. You must obtain our prior written approval before you use any advertising and promotional materials and plans. Any advertising and promotional materials you submit to us for our review will become our property.

You must obtain our prior written approval of the site for the Franchised Business before you acquire that site.

### Insurance

Before you open your Franchised Business, you must obtain insurance coverages in at least the minimum amounts that we require. Our current minimum insurance requirements are described in general terms below (the details are found in Section XVI of the Franchise Agreement). We have the right to periodically modify our insurance requirements and will communicate any modifications to you in our Confidential Operations Manual or otherwise in writing.

All insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a reputable, duly licensed carrier or carriers that we have approved, having a rating of at least "A+" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide), and licensed and admitted to conduct business in the state in which your Franchised Business is located. All insurance must be on an "occurrence" basis and must include, at least, the following coverages:

1. Full replacement cost all risks insurance on the Franchised Business for property of every description, including, all equipment, supplies, products and other property in the care, custody or control of Franchisee and used in the operation of the Franchised Business (which coverage must include flood (including sinkhole collapse), earthquake, sewer backup, water damage, wind and hail and all without any co-insurance warranties.
2. Statutory workers' compensation insurance and the employer's liability insurance for a minimum limit of at least \$1,000,000, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated.
3. Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with limits of \$5,000,000 for each occurrence and a general aggregate annual limit of \$10,000,000, and \$250,000 fire legal liability limit.
4. Commercial umbrella liability insurance with limits which brings the total of all primary underlying coverages to not less than \$4,000,000 total limit of liability.
5. Business interruption insurance for actual loss sustained or its equivalent for a period of 12 months.
6. Products liability insurance in an amount of not less than \$1,000,000, which policy shall be considered primary.

7. Business automobile liability insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least \$1,000,000 per occurrence for both bodily injury and property damage.
8. Data security insurance as well as such other insurance as may be required in the ordinary course of business to insure the risk of data breaches and any disclosure of confidential records or personally identifiable information collected, stored or used by Franchisee.
9. Any other insurance coverage that is required by applicable law.

All of the policies must name us, those of our affiliates that we specify, and the respective officers, directors, shareholders, partners, agent, representatives, independent contractors, servants, and employees of each of them, as additional insureds on a primary and non-contributory basis.

We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes.

## ITEM 9

## FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in these agreements and in other item of this disclosure document.**

	Obligation	Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	III., XV.A.1	11, 12
b.	Pre-opening purchase/leases	IV.A., XIV.A, XV.A.6.	11
c.	Site development and other pre-opening requirements	III., XIV.A, XV.A.2.	5, 6, 7, 11
d.	Initial and ongoing training	IV., XV.A.9	11
e.	Opening	IV., XIV.A, XV.A.8.	5, 6, 7, 11
f.	Fees	II.B.12., V.E., VII.C., XII., XXII.C.14.	5, 6
g.	Compliance with standards and policies/operating manual	VII., XIV., XV.A.7.	8, 11, 15
h.	Trademarks and proprietary information	VI.	13, 14
i.	Restrictions on products/services offered	VIII., XIV.D	8, 16

	Obligation	Section in Franchise Agreement	Disclosure Document Item
j.	Warranty and customer service requirements	XIV.C., XIV.J., XIV.L.	15
k.	Territorial development and sales quotas	I.J., XIV.T.	12
l.	Ongoing product/service purchases	XIV.D.	8
m.	Maintenance, appearance, and remodeling requirements	XIV.B	11
n.	Insurance	XVI.	7, 8, 11
o.	Advertising	XI.	6, 11
p.	Indemnification	XXVI.C	14
q.	Owner's participation / management / staffing	XIV.I., XIV.Q.	11, 15
r.	Records and reports	XIII., XIV.R	6, 11
s.	Inspections and audits	XIII.F., XIII.G	6, 11
t.	Transfer	XXII., XXIII., XXIV.	17
u.	Renewal	II.B	17
v.	Post-termination obligations	XXI.	17
w.	Non-competition covenants	XVII.	17
x.	Dispute resolution	XXIX., XXXII.	17
y.	Taxes/permits	I.L., IV.B., XIV.H	Not applicable
z.	Other: Personal Guarantee	Ex. I.A	15

**ITEM 10****FINANCING**

We do not offer, either directly or indirectly, any financing arrangements to you. We do not guarantee your notes, leases, or other obligations.

**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 Assistance:

Before you open your Franchised Business, we will provide you with:

1. advice on finding and acquiring an approved location for the Franchised Business, including giving site selection criteria. (Franchise Agreement, Section XV.1.)
2. advice on alterations to and fixtures and fittings in the approved location, including providing plans and specifications for internal layout. (Franchise Agreement, Section XV.2.)
3. general advice on how to set up the Franchised Business. (Franchise Agreement, Section XV.3.)
4. the Proprietary Items identified in the start-up plan, on our standard terms and conditions. (Franchise Agreement, Section XV.4.)
5. a public relations-marketing launch as described in your start up plan. (Franchise Agreement, Section XV.5.)
6. guidance in formulating initial opening orders for inventory and supplies. (Franchise Agreement, Section XV.6.)
7. on-line access to the Confidential Operations Manual. (Franchise Agreement, Section XV.7.)
8. on-site pre-opening and opening supervision and assistance. (Franchise Agreement, Section XV.8.)
9. training for certain individuals involved in the Franchised Business all in accordance with your start up plan. (Franchise Agreement, Section XV.9.)
10. such advertising/marketing for the Franchised Business before the Franchised Business opening as we determine or as required by the start-up plan. (Franchise Agreement, Section XV.10.)

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

### Continuing Assistance:

We are required by the Franchise Agreement to provide certain assistance and service to you during the operation of your Franchised Business. We will:

1. Update the Confidential Operations Manual and System periodically and inform you of such updates. (Franchise Agreement, Section XV.B.1)
2. Supply equipment, material and products to you subject to availability on our standard terms and conditions applicable at the date of placing the order. (Franchise Agreement, Section XV.B.2)
3. Administer the National Marketing Fund in accordance with the applicable terms of the Franchise Agreement. (Franchise Agreement, Section XV.B.3)
4. Provide training in accordance with the terms of the Franchise Agreement. (Franchise Agreement, Section XV.B.4)
5. Periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives may periodically visit your Franchised Business and offer advice regarding your operations. (Franchise Agreement, Section XV.B.5)

We are not required by the Franchise Agreement to furnish any other service or assistance to you during the operation of your Franchised Business.

We may periodically provide suggested retail pricing (see Franchise Agreement, Section XIV.S), but you will set your own prices. We may establish reasonable restrictions on the maximum and minimum prices you may charge for the Products and services offered and sold at the Franchised Business and (subject to applicable law): (a) if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and (b) if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.

### Site Selection:

You must operate the Franchised Business only at, and from, one or more locations within the boundaries of the Territory suitable to the operation of the Franchised Business. You must obtain our prior written approval of any location you select. (Franchise Agreement, Section III.B.1.) We will typically take between two and four weeks to review and approve, or reject, a proposed location. Each location must include a showroom and space for offices and a shop. If you are awarded more than one Territory, we may require you to maintain a showroom and an office in each Territory.

You must provide us with a copy of the proposed lease, sublease, or purchase agreement for the Approved Location of the Franchised Business, and you may not enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under the Franchise Agreement.

We reserve the right to require you, at any time (unless you have already signed a lease for a location we or our affiliates do not own), to operate the Franchised Business at and from premises we or one of our affiliates own in the Territory and you agree, to promptly sign our lease for such premises and use such premises for the operation of the Franchised Business.

We will furnish site selection guidelines to you, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. When considering a site for a location, we consider factors such as density of population near the proposed site; ease of reception of inventory purchased; availability of utilities; the proposed lease or sublease; ingress and egress; size and features of location including warehouse; and zoning issues. We will make our site-selection criteria available to you upon request. We may own the premises for franchised Bath Fitter Business locations and lease those out to franchisees.

#### Typical Length of Time Before Start of Operations:

Your Franchised Business must be open within nine months after you sign the Franchise Agreement. If you do not begin operation of the Franchised Business by that time, then we will have the right to terminate your Franchise Agreement.

We estimate the length of time between the signing of the Franchise Agreement and the time you begin operation of the Franchised Business to range from three to six months. Factors that may affect this time period include your ability to acquire financing or permits, build out your location, have signs and equipment installed in your location, and complete the required training.

#### Advertising:

*The National Marketing Fund.* We have established a national marketing fund for the System within the United States (the "**National Marketing Fund**"). You must contribute to the National Marketing Fund, each calendar month, in the amounts indicated in Item 6. The following terms apply to the National Marketing Fund:

- (1) We will have the right to make all decisions and set all standards concerning all marketing programs, and any concepts, materials, and media used in such programs.
- (2) The National Marketing Fund may be used to provide rebates or reimbursements to franchisees or our affiliates' Bath Fitter Businesses for local expenditures on Products, services, or improvements we approve.
- (3) The National Marketing Fund will not be our asset. We will prepare and make available to you (upon your written request) an annual statement of the operations of the National Marketing Fund as shown on our books.
- (4) Although the National Marketing Fund is intended to be of perpetual duration, we will have the right to terminate the National Marketing Fund. The fund will not be terminated, however, until all monies in those funds have been expended for those funds' purposes.
- (5) None of the amounts in the National Marketing Fund will be used for marketing that is principally a solicitation for the sale of franchises.

- (6) As to the National Marketing Fund: (a) we will not be required to spend any particular amount on marketing in the area where your Franchised Business is located; and (b) if there are unspent amounts in the National Marketing Fund at fiscal year-end, those amounts will be carried over to the following year.
- (7) We do not currently have an advertising council composed of franchisees that advises us on advertising policies.
- (8) We will make an annual accounting of the National Marketing Fund available upon your written request. The fund will not be audited.
- (9) Company- or affiliate-owned Bath Fitter Businesses will contribute to the National Marketing Fund on the same basis as those that currently apply to franchised Facilities.
- (10) The National Marketing Fund will be used (among other things) to meet any and all costs of maintaining, administering, staffing, directing, conducting and preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will help enhance the image of the System, the Products, and the Marks (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeting, SEO and other search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising/marketing and/or public relations agencies to assist with such endeavors; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Bath Fitter Businesses and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; protecting and defending the Marks and the System from infringement or unauthorized or improper use by all means we deem appropriate, and providing promotional and other marketing materials and services to businesses operating under the System including Bath Fitter Businesses).

During our last fiscal year ended December 31, 2024, the National Marketing Fund made expenditures in the following manner: 7% on production of marketing materials, and 93% on media placement.

*Local marketing.* Local marketing has two possible components. The first and primary component will be your own local marketing (as described below). The second component may arise in areas where there is a concentration of Bath Fitter Businesses in the same marketing area, where we may create a regional fund (as also described below). We have the right to allocate your local promotion expenditures as between those two possible components.

- 1) *Local Marketing*. In addition to contributing to the National Marketing Fund and Grand Opening Marketing, you must spend each calendar year the greater of \$6,000 per month, or 7% of Gross Revenues based on the immediately preceding calendar year.
  - A. Local store marketing includes only the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying. None of the following will count toward meeting your local marketing expenditure requirement: (a) salaries and expenses of your staff; (b) charitable, political, or other contributions or donations; and/or (c) the value of discounts provided to customers.
  - B. Only when the marketing materials we provide you do not meet your needs will you be allowed to create your own marketing, promotion or advertising material for the Franchised Business or to materially depart from ours. In such cases, you must submit to us samples of such proposed material, and we will review. If you (or the Regional Fund) do not receive approval within 14 days, the materials will be deemed disapproved.
  - C. You must conduct the marketing activities that we periodically require, including e-mail campaigns directed to customers that have purchased (or might use) Products from your Franchised Business. You must use the specific vendors that we require (including e-mail distribution services) to conduct certain marketing activities.
  - D. The required contributions and expenditures are minimum requirements only. We encourage you to spend additional funds for local store marketing, which will focus on disseminating marketing directly related to your Franchised Business.
  - E. We reserve the right to allocate your local marketing expenditure to a Regional Fund for your geographic area.
- 2) *Regional Fund*. If we have two or more franchisees operating in the same geographic region, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that region. If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:
  - A. If a Regional Fund for the area in which your Franchised Business operates was already established when you start operating under the Franchise Agreement, then you will have to join that Regional Fund.
  - B. If a Regional Fund is later established for the geographic area in which the Franchised Business is located, then you must join that Regional Fund within 30 days after that Regional Fund is established. You will not be required to join more than one Regional Fund.
  - C. Each Regional Fund will be organized and governed in a form and manner, and start operations on a date that we have approved, in writing. Voting will be on the

basis of one vote per full-service Bath Fitter Business (regardless of number of owners or whether the shop is franchised or owned by us or our affiliates).

- D. Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing. Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written consent.
- E. Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to close any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund are spent for marketing purposes.

Currently, there are no Regional Funds.

*Grand Opening Marketing Program.* You must spend at least \$15,000 for grand opening marketing and promotional programs in conjunction with the Franchised Business' initial grand opening, pursuant to a grand opening marketing plan that you develop and must be submitted to us for our review and approval (the "**Grand Opening Marketing Plan**"). You are not allowed to implement a Grand Opening Marketing Plan unless we have approved the plan. Grand Opening Marketing Plan materials must be approved in the same manner as for local marketing.

#### Computer Requirements:

We do not specify a specific computer system that you must obtain and maintain, but you must obtain computer hardware (such as a laptop and an iPad) and accessories in order to operate the Franchised Business. If required, you must immediately implement and use proprietary software or other virtual/on-line/digital solution or service that is licensed or otherwise made available by us or on our behalf (the "**Proprietary Software**").

You must be able to maintain a continuous connection to the internet to send and receive data to us. You must establish merchant accounts and internet-based credit card authorization accounts that we designate for use with online card authorizations.

You must follow our guidelines and requirements with respect to technology that will be used at your Franchised Business (as further explained in Section VIII of the Franchise Agreement). You will bear the cost of meeting these requirements.

We estimate that the cost of purchasing the computer system and Proprietary Software will typically range from \$3,000 to \$4,000. We estimate that the current annual cost of maintenance, support, and upgrades will be in the range of \$2,000 to \$10,000. This does not include replacement for hardware, software, and other equipment. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with your computer system. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email

address or require you to use only an e-mail address that we provide for your Franchised Business' business e-mails.

You must afford us unimpeded access to your computer system in the manner, form, and at the times we may request. We will have the independent right at any time to retrieve and use this data and information from your computer system in any manner we deem necessary or desirable.

We have the right to require you to use one or more designated telephone and internet/network vendors. If we so require, you must use our designated telephone vendors for the phone service to your Franchised Business. We may designate, and own, the telephone numbers for your Franchised Business.

*Digital Sites.* Unless we have otherwise approved in writing, you may not establish nor permit anyone else to establish a Digital Site relating to your Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (including Facebook, Twitter, LinkedIn, YouTube, Snapchat, TikTok, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), the metaverse, and other applications, etc. However, if we approve a separate Digital Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Digital Site without our prior written approval; (2) before establishing any Digital Site, you must submit to us, for our prior written approval, a sample of the proposed Digital Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Digital Site (which is deemed marketing) without our prior written approval; (4) you must comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Confidential Operations Manual or otherwise in writing; (5) if we require, you must establish hyperlinks to our Digital Site and other Digital Sites; (6) we may require period updates to your Digital Site; and (7) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

*Data.* All of the data that you collect, create, provide, or otherwise develop (excluding all personally identifiable data about, relating to, or somehow associated with, your current, former and future employees or candidates (which will be and remain your sole and exclusive property) is and will be owned exclusively by us, and we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. All other data that you create or collect in connection with the System, and in connection with operating the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, the Franchise Agreement. ("Data" for this purpose will exclude customers' payment card information.) You will have to transfer to us all data (in the digital machine-readable format that we specify, including printed copies and originals) promptly upon our request, whether during the term of the Franchise Agreement, upon termination or expiration of this Agreement, or any transfer.

You must comply with all laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**"). You must also comply with our standards and policies concerning the privacy of consumer, employee, and transactional information.

Confidential Operations Manual:

We will loan you a copy of our Confidential Operations Manual (digital, on paper, or in the format that we deem appropriate) for your use during the term of the Franchise Agreement. The Confidential Operations Manual contains our standards and specifications for you to follow in the operation of your Franchised Business. The Confidential Operations Manual will at all times remain our sole property and you will agree under the terms of the Franchise Agreement to treat the Confidential Operations Manual as confidential and to promptly return any and all copies to us following termination or expiration of the Franchise Agreement (see Franchise Agreement Section 10).

We have the right to periodically update and modify the contents and format of the Confidential Operations Manual. The Confidential Operations Manual currently has 434 pages or digital screens, and its Table of Contents is found as Exhibit E to this FDD.

**Training**

The subjects covered in the initial training program are described below.

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Owner/Manager Training	160	80 - 480	Virtual and/or onsite at a Bath Fitter Business we operate or at your location
Installer Training	80	1,440	Onsite at a Bath Fitter Business we operate or at your location
Office Personnel Training	32	160	Virtual and at your location
Inside Sales Training	80	400 - 500	Virtual and at your location
Commercial Estimates/Sales	32	1,440	Virtual and/or onsite at a Bath Fitter Business we operate or at your location
Residential Estimates/Sales	32	160-320	Virtual and/or onsite at a Bath Fitter Business we operate or at your location
Total	416	3,680 – 4,340	

The initial training program, and the individuals to whom the above subjects are taught, is segmented among the roles those individuals will have with the Franchised Business. For example, only your installers will attend and complete the required training hours for “installer training.”

Currently, our training is supervised by Patrick Bellavance, who has 27 years' experience with us and 10 years' experience with the subjects taught, and Giuseppe Spiezia, who has over 16 years' experience with us and with the subjects taught. Other individuals under the supervision of Mr. Bellavance and Mr. Spiezia may assist with training programs.

Training will be conducted on a monthly basis, virtually, at a Bath Fitter Business we operate, and at a franchisee's location. We may also designate other sites for training, which may include our offices in Tennessee or in St-Eustache, Québec.

If you are a new franchisee (meaning, you do not at the time you enter into the Franchise Agreement already operate a franchised Bath Fitter Business), you must send your "key personnel" (that we designate) to attend initial training. These individuals will typically include your primary owner/principal (the "**Operating Principal**"), your Franchised Business manager (if the Operating Principal will not serve in that capacity), your residential sales consultants, and your installers.

The instructional materials for our training programs include the Confidential Operations Manual, digital training materials, discussions, and practice.

You must send your key personnel to attend and successfully complete the initial training program. Training would normally but not necessarily include at a minimum training of the following persons: (a) your Operating Principal, (b) a "Branch Leader" (manager), if the Operating Principal will not serve in that capacity, (c) your residential sales consultants, and (d) each of your installers.

If for any reason your Operating Principal or your manager stop active management or employment at the Franchised Business, or if we revoke the certification of your Operating Principal or manager to serve in those capacities, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty days after the former individual ended his/her full time employment or management responsibilities. The replacement must attend and successfully complete the basic management training program to our reasonable satisfaction as soon as it is practical to do so. You must pay us a training fee for each such person to be trained, with full payment due before training starts.

You and each of your Operating Principal, managers, sales consultants and/or installers may be required to be certified by us on an annual basis. Such certification may require successful attendance and participation at training sessions as we periodically determine including (i) attendance and participation at a refresher training at a location we designate and/or (ii) attendance and participation at an annual meeting at a location we designate. During an annual meeting, you and/or each of your Operating Principal, managers, sales consultants, and installers may be required to attend and participate in a minimum of two "micro-sessions" and successfully complete examinations at the end of each session.

You are responsible for making arrangements and paying all of the expenses, wages, and compensation for your personnel that attend the training program.

Franchise Agreement

Under the Franchise Agreement, you must operate the Franchised Business only at, and from, one or more locations within the boundaries of the Territory suitable to the operation of the Franchised Business. Once a location for the Franchised Business has been approved, you may not relocate that location without our prior written consent.

We will designate in the Franchise Agreement a geographic area within which you must operate the Franchised Business (the "**Territory**"). The Territory will be determined by population (according to most recent U.S. Census information) and density of the area. A Territory will typically have a population of between 600,00 and 850,000. The minimum sized Territory that we grant to franchisees will have a population of 600,000.

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

However, during the term of the Franchise Agreement, we will not own, operate, franchise, or license any party other than you to operate a Bath Fitter Business within the Territory, provided that Franchisee is in continuous compliance with all of its obligations under this Agreement and any other agreement(s) with us or our affiliates. We reserve the right, for ourselves and our affiliates, to do anything anywhere (including within the Territory) other than owning/operating, or granting the right to any person to operate, a Bath Fitter Business within the Territory without permission from, or compensation to, you, and notwithstanding the impact (if any) of these activities on the Franchised Business. Without limitation, each of us and our affiliates has the right, anywhere including within the Territory, to: (i) market, distribute, sell, and install in any setting (whether through wholesale and/or retail sales) any product other than Products, (ii) offer, sell and install any products and provide any services that are identified by any marks except the Marks, including products and services that are the same or similar to products and services offered, sold and installed by the Franchised Business, and (iii) advertise and promote the System and the Marks.

You may offer and sell services and products only: (a) according to the requirements of the Franchise Agreement and the procedures set out in the Confidential Operations Manual; and (b) to customers and clients of the Franchised Business.

You must operate the Franchised Business only within the Territory. You may not operate in whole or in part any of the Franchised Business outside the Territory. To be clear, this means that the Franchised Business may not engage in any marketing, install any products or provide any services at locations outside of the Territory. If you sell any Products outside the boundaries of the Territory, all revenues from such sales will belong to us, in addition to our other remedies under the Franchise Agreement.

The Franchised Business must purchase from us (and/or our affiliates), during each calendar year of the Franchise Agreement, at least the number of "Units" (defined below) that are set out in the Franchise Agreement. We may periodically set additional/different minimum purchases (all of the above, "**Anticipated Unit Purchases**"). If you fail to reach any of the Anticipated Unit Purchases, that would be a default under the Franchise Agreement and we would have the right to terminate the Franchise Agreement (or, alternatively, we will have the right to modify your Territory and increase your price for Products and/or other products or services we or our affiliates provide to

you). One “**Unit**” means any one of the following Products: (i) free-standing tub; (ii) tub liner; (iii) shower; or (iv) shower liner. We reserve the right, acting reasonably, to periodically increase the Anticipated Unit Purchases.

Except as noted above, you do not need to meet any particular sales or revenue volume in order to keep your Protected Territory as described above so long as you stay in compliance with the terms of your Franchise Agreement.

We do not have the right to modify your Protected Territory so long as you stay in compliance with the terms of your Franchise Agreement.

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or elsewhere.

#### *National Accounts*

We may periodically designate certain clients (or groups of clients) or potential clients (or groups of clients) or brands owning, controlling, operating or managing real estate within and outside the Territory to be of strategic importance to us (“**National Accounts**”). With respect to National Accounts:

- We have the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide Products to National Accounts clients including within the Territory.
- We have the exclusive right to develop, market, promote and solicit work in National Accounts’ commercial facilities.
- We may require you to provide the Products to any given National Account commercial facility within the Territory, provided that we are entitled to exclude you from doing so if: (i) you are in default under the Franchise Agreement or any other agreement with us or our affiliates, (ii) you have before refused to provide Products to a National Account commercial facility within or outside the Territory, (iii) you have before failed to provide Products to a National Account commercial facility within or outside the Territory in accordance with the terms of the contract with the applicable National Account, or our standards, or (iv) we determine you are not qualified to diligently and efficiently provide quality Products to such National Account.
- If you refuse to provide Products to any given National Account, or if we exclude you from doing so, we or our affiliates or designee may provide Products to the National Account without compensation to you.

[Remainder of Page Intentionally Left Blank]

Under a Franchise Agreement, we will license you to operate a Franchised Business under the trademark “Bath Fitter” (plus the designs, logos, and other current or future trademarks that we authorize you to use to identify your Franchised Business).

We own and have registered the following principal Proprietary Marks (among others) on the principal register of the U.S. Patent and Trademark Office (“**USPTO**”):

Mark	Registration Number	Registration Date
BATH FITTER	1875736	January 24, 1995
BATH FITTER	4976453	June 14, 2016

All affidavits and renewals have been or will be filed at the appropriate time.

There are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. Other than the License Agreement, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

We have the right to substitute different Proprietary Marks for use in identifying the System if our currently owned Proprietary Marks can no longer be used or if we determine that updated or changed Proprietary Marks will be beneficial to the System. If we do so, you will have to adopt the new Proprietary Marks (for example, update your signage) at your expense.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we would defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that, in our counsel's opinion, may be

necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

## **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

### **Copyrights**

We own common law copyrights in the Confidential Operations Manual and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

There are no currently effective determinations of the USPTO, U.S. Copyright Office, or any court concerning any copyright. There are no currently effective agreements under which we derive our rights in the copyrights and that could limit your use of those copyrighted materials. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

### **Confidential Operations Manual**

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Confidential Operations Manual. We will lend you one set of our Confidential Operations Manual, which we have the right to provide in any format we choose (including paper or digital), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Confidential Operations Manual, any other Confidential Operations Manual we create (or that we approve) for use with the Franchised Business, and the information contained in the Confidential Operations Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Confidential Operations Manual and the related materials, in whole or in part (except for the parts of the Confidential Operations Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Confidential Operations Manual will always be our sole property. You must always maintain the security of the Confidential Operations Manual.

We may periodically revise the contents of the Confidential Operations Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Confidential Operations Manual, the version of the Confidential Operations Manual (that we maintain) will be controlling.

## Confidential Information

Except for the purpose of operating the Franchised Business under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of the Franchised Business. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show that came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require each of your Principals and managers to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Business. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Once signed, you must provide us with a copy of each executed confidentiality agreement.

## Patents

No patents are material to the franchise.

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

---

The Franchise Agreement requires that you (or your Operating Principal or another of your Principals or one of your designated managers who will assume primary responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business. Your Franchised Business must be managed at all times by you (or your Operating Partner or manager). You must obtain personal covenants from your management personnel, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition. All of the owners of your entity (but not their spouses) must sign the personal guarantee that is attached to the Franchise Agreement.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

---

You must offer and sell only Products and services that we have approved. We may change the approved Product offerings at any time. You must use only displays, forms and other paper and plastic products imprinted with the trademarks.

You are not entitled to market, advertise, promote, offer, sell, install and/or service any products or services other than Products, those that are identified by the Marks or otherwise authorized by us for sale by Bath Fitter Businesses. The Franchised Business must never offer for sale or sell any Product if such Product is not also installed by the Franchised Business using its own

employees. The Franchised Business shall never sell or install products, or provide services, other than for/in properties owned by a Franchised Business client. You must never permit, allow or use a Franchised Business employee to solicit, offer for sale, sell or install any product or service for the benefit of any affiliate of your or any other business of yours, nor may you share or use any Franchised Business lead or customer information with any of your other businesses or affiliates.

**ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

<b>FRANCHISE AGREEMENT</b>			
	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	II.A	Term expires five years after the Effective Date of the Franchise Agreement.
b.	Renewal or extension of the term	II.B	Renewal of right to operate the Franchised Business for three additional five-year terms by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in “c” below
c.	Requirements for you to renew or extend	II.B.1 – II.B.13	Timely written notice of intent to renew; upgrades and renovations to Franchised Business, including vehicles; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and submission to us of business plan.
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	XVIII	Default under Franchise Agreement, abandonment, misuse of the Marks, and other grounds; see § XVIII of the Franchise Agreement.  Under the U.S. Bankruptcy Code, we may be unable to terminate the Franchise Agreement merely because you make a bankruptcy filing.

<b>FRANCHISE AGREEMENT</b>			
	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
g.	"Cause" defined – curable defaults	XVIII.D	All defaults not specified in §§ XVIII.B and XVIII.C of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	XVIII.B and XVIII.C	Abandonment, conviction of felony, and others; see § XVIII.B and XVIII.C of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	XXI and XVII.B	Stop operating the Franchised Business, pay all amounts due, and others; see §§ XXI.A to XXI.K, and § XVII.B of the Franchise Agreement.
j.	Assignment of contracts by us	XXII.A	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	XXII.B	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights or obligations under the Franchise Agreement; or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	XXII.B	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	XXII.C	Release, signature of new franchise agreement (which may contain terms and conditions materially different from those in your original agreement), payment of transfer fee, and others; see §§ XXII.C.1 to XXII.C.17.
n.	Our right of first refusal to acquire your business	XXIV	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	XXI.J and XXI.K	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.
p.	Your death or disability	XXIII	Representative must promptly (within six months) apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer.
q.	Non-competition covenants during the franchise term	XVII	Prohibits engaging in " <b>Competitive Business</b> " which is any business as to which 20% or more of its offerings and/or revenues involve the manufacturing,

<b>FRANCHISE AGREEMENT</b>			
	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			marketing, distribution, sale, and/or installation of tub liners, free-standing tubs, walls, shower bases, shower floors, free standing showers, shower liners, ceilings, end caps, adhesives, tub and/or shower doors, display tubs, related measuring and installation tools, and related goods and services, or otherwise competing with the Franchised Business, us or any of our affiliates or any other Bath Fitter Business.
r.	Non-competition covenants after the franchise is terminated or expires	XVII.B and XVII.C	Prohibits engaging in Competitive Business: (a) within the Territory; (b) within five miles outside of the Territory; (c) within five miles of where you served two or more customers within the one year period before expiration, termination, and/or transfer; and (d) within 10 miles of any other Bath Fitter Business. Applies for two years after expiration, termination, or a transfer.
s.	Modification of the agreement	XXX.B	Only with mutual agreement and in writing.
t.	Integration/merger clause	XXX.A	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations, prior statements, or promises will be binding (and supersede all prior agreements). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	XXXII.C	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) at the JAMS location nearest to New York, New York. The Franchise Agreement contains provisions that may affect your rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See § XXXII of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	XXXII.B	Any action you bring against us must be brought only within courts with jurisdiction over New York County,

<b>FRANCHISE AGREEMENT</b>			
	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			New York. Any action we bring against you may be brought in the jurisdiction where we maintain our principal place of business or elsewhere. Your state law may impact this provision.
w.	Choice of law	XXXII.A	New York law. Your state law may impact this provision.

**ITEM 18**

**PUBLIC FIGURES**

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

**ITEM 19**

**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a licensee’s future financial performance or the past financial performance of company-owned or licensed outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting us at 102 Evergreen Drive, Springfield, Tennessee 37172 (tel: 615.612.2940), the Federal Trade Commission, and the appropriate state regulatory agencies.

**Table No. 1**  
**Systemwide Outlet Summary**  
**For 2022 to 2024 (Note 1)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	97	97	0
	2023	97	98	+1
	2024	98	99	+1
Company-Owned (note 2)	2022	42	42	0
	2023	42	42	0
	2024	42	42	0
<b>Total Outlets</b>	2022	139	139	0
	2023	139	140	+1
	2024	140	140	0

Notes to Item 20 tables:

1. This reflects data as of our fiscal year ends, which fall on December 31st each year.
2. States that are not listed had no activity during the relevant years.

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For 2022 to 2024**

State	Year	Number of Transfers
OH	2022	0
	2023	1
	2024	0
<b>Total</b>	2022	0
	2023	1
	2024	0

**Table No. 3  
Status of Franchised Outlets  
For 2022 to 2024**

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
AR	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
CA	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
CO	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
CT	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
DE	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
FL	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
GA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
ID	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
IL	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
IN	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2

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
KY	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MD	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MI	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MN	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MO	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MT	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
NC	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
NJ	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
	2024	9	0	0	0	0	0	9
NV	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NY	2022	12	0	0	0	0	0	12
	2023	12	0	0	0	0	0	12
	2024	12	0	0	0	0	0	12
OH	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
	2024	9	0	0	0	0	0	9

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
OK	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
PA	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
RI	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
SC	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
SD	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TN	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
TX	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
UT	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
VA	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
WA	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
WI	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
WV	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2

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
<b>Total</b>	2022	97	0	0	0	0	0	97
	2023	97	1	0	0	0	0	98
	2024	98	1	0	0	0	0	99

**Table No. 4  
Status of Company-Owned and Affiliate-Owned Outlets  
For 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
AL	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
AZ	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
CA	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
CT	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
FL	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
GA	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
IL	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
IN	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
KS	2022	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
KY	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
LA	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
MA	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
ME	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
MI	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
MS	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
NE	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
NH	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
NM	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
NY	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
OR	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
SC	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
TN	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
TX	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
VT	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Total	2022	42	0	0	0	0	42
	2023	42	0	0	0	0	42
	2024	42	0	0	0	0	42

**Table No. 5  
Projected Openings for 2025 as of December 31, 2024**

State	Franchise Agreements Signed But Bath Fitter Business Not Open	Projected Franchised Bath Fitter Business Openings	Projected Company-Owned Bath Fitter Business Openings
Any State	0	0	0
Total	0	0	0

A list of the names of all franchisees and the addresses and telephones numbers of their franchises as of December 31, 2024 is provided in Exhibit C to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within ten weeks of the issuance date of this disclosure document will be listed on Exhibit D to this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Bath Fitter System.

During the last three fiscal years, no franchisees have signed confidentiality provisions that would restrict their ability to speak openly about their experience with Bath Fitter System.

There are no trademark-specific organizations formed by our franchisees that are associated with Bath Fitter System.

**ITEM 21** **FINANCIAL STATEMENTS**

---

Attached as Exhibit A are our audited financial statements for our fiscal years ended December 31, 2024, December 31, 2023 and December 31, 2022. Also attached as Exhibit A are our unaudited financial statements for the period ended April 30, 2025.

Our fiscal years end on December 31st each year.

**ITEM 22** **CONTRACTS**

---

Attached as exhibits to this disclosure document are the following contracts and their attachments:

Exhibit B	Franchise Agreement
Exhibit I	Form of General Release

**ITEM 23** **RECEIPTS**

---

Attached as Exhibit J are two copies of an acknowledgment of receipt of this Disclosure Document (the last two pages of this Disclosure Document). Please sign and date one copy of the receipt and send that back to us, and keep the other copy with this FDD for your records.



# **Bath Fitter Franchising, Inc.**

Financial Statements  
December 31, 2024, 2023 and 2022

## Contents

---

Independent Auditor's Report	1-2
Financial Statements	
Balance Sheets	3
Statements of Income	4
Statements of Stockholder's Equity	5
Statements of Cash Flows	6-7
Notes to Financial Statements	8-13

---



**GALLAGHER, FLYNN  
& COMPANY, LLP**

725 Community Drive  
Suite 401  
South Burlington, VT 05403  
802.863.1331

85 Mechanic Street  
Rivermill Commercial Center  
Box A-9, Suite E2-4  
Lebanon, NH 03766  
603.643.0043

[www.gfc.com](http://www.gfc.com)

## **Independent Auditor's Report**

To the Stockholder and Board of Directors  
Bath Fitter Franchising, Inc.

### **Opinion**

We have audited the financial statements of Bath Fitter Franchising, Inc. (the Company), which comprise the balance sheets as of December 31, 2024, 2023 and 2022, the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*Gallagher, Flynn & Company, LLP*

South Burlington, Vermont  
March 14, 2025

**Bath Fitter Franchising, Inc.**

**Balance Sheets**

**December 31, 2024, 2023 and 2022**

	2024	2023	2022
<b>Assets</b>			
Current assets:			
Cash	\$ 43,193	\$ 41,126	\$ 3,822,738
Restricted cash	1,845,554	1,166,264	1,530,228
Accounts receivable	6,427,036	8,610,071	7,769,838
Due from affiliate	38,725,851	31,622,592	26,948,056
Prepaid expenses and other assets	332,879	327,514	395,697
<b>Total current assets</b>	<b>47,374,513</b>	<b>41,767,567</b>	<b>40,466,557</b>
Vehicles and equipment	202,455	202,680	83,925
Right-of-use assets, operating leases	1,533,661	343,015	798,741
<b>Total assets</b>	<b>\$ 49,110,629</b>	<b>\$ 42,313,262</b>	<b>\$ 41,349,223</b>
<b>Liabilities and Stockholder's Equity</b>			
Current liabilities:			
Current maturities of operating lease liabilities	\$ 442,940	\$ 294,142	\$ 380,600
Accounts payable and accrued liabilities	4,038,800	3,969,329	6,464,360
Advertising fund liability	1,845,554	1,166,264	1,530,228
Current portion of deferred revenue	21,000	56,997	61,997
<b>Total current liabilities</b>	<b>6,348,294</b>	<b>5,486,732</b>	<b>8,437,185</b>
Long-term liabilities:			
Deferred revenue, less current portion	3,000	331,013	388,010
Operating lease liabilities, less current maturities	1,090,721	48,873	418,141
<b>Total long-term liabilities</b>	<b>1,093,721</b>	<b>379,886</b>	<b>806,151</b>
<b>Total liabilities</b>	<b>7,442,015</b>	<b>5,866,618</b>	<b>9,243,336</b>
Stockholder's equity:			
Common stock - \$1 par value; 10,000 shares authorized; 4,000 shares issued and outstanding	4,000	4,000	4,000
Additional paid-in capital	96,000	96,000	96,000
Retained earnings	41,568,614	36,346,644	32,005,887
<b>Total stockholder's equity</b>	<b>41,668,614</b>	<b>36,446,644</b>	<b>32,105,887</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 49,110,629</b>	<b>\$ 42,313,262</b>	<b>\$ 41,349,223</b>

The accompanying notes are an integral part of these statements.

**Bath Fitter Franchising, Inc.**

**Statements of Income**  
**Years Ended December 31, 2024, 2023 and 2022**

	2024	2023	2022
Product and service revenues	<b>\$ 90,403,232</b>	\$ 93,973,209	\$ 97,871,735
Advertising fund revenues	<b>17,678,003</b>	17,186,148	14,276,844
<b>Total revenue</b>	<b>108,081,235</b>	111,159,357	112,148,579
Product and service costs	<b>76,381,551</b>	80,036,798	83,184,785
Advertising fund costs	<b>17,678,003</b>	17,186,148	14,276,844
<b>Total cost of sales</b>	<b>94,059,554</b>	97,222,946	97,461,629
<b>Gross profit</b>	<b>14,021,681</b>	13,936,411	14,686,950
Franchise sales and other fees	<b>1,244,557</b>	765,291	737,244
<b>Income before operating expenses</b>	<b>15,266,238</b>	14,701,702	15,424,194
Operating expenses	<b>10,145,094</b>	10,101,741	9,685,942
<b>Income from operations before income taxes</b>	<b>5,121,144</b>	4,599,961	5,738,252
Provision for (benefit from) income taxes	<b>(100,826)</b>	259,204	40,785
<b>Net income</b>	<b>\$ 5,221,970</b>	\$ 4,340,757	\$ 5,697,467

**Bath Fitter Franchising, Inc.**

**Statements of Stockholder's Equity  
Years Ended December 31, 2024, 2023 and 2022**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 2021	\$ 4,000	\$ 96,000	\$ 26,308,420	\$ 26,408,420
Net income	-	-	5,697,467	5,697,467
Balance, December 31, 2022	4,000	96,000	32,005,887	32,105,887
Net income	-	-	4,340,757	4,340,757
Balance, December 31, 2023	4,000	96,000	36,346,644	36,446,644
Net income	-	-	5,221,970	5,221,970
<b>Balance, December 31, 2024</b>	<b>\$ 4,000</b>	<b>\$ 96,000</b>	<b>\$ 41,568,614</b>	<b>\$ 41,668,614</b>

The accompanying notes are an integral part of these statements.

**Bath Fitter Franchising, Inc.**

**Statements of Cash Flows**  
**Years Ended December 31, 2024, 2023 and 2022**

	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 5,221,970	\$ 4,340,757	\$ 5,697,467
Noncash items included in net income:			
Depreciation	75,949	50,577	35,969
Provision for expected credit losses	814,533	-	-
Amortization of deferred revenue	(409,010)	(61,997)	(64,498)
Amortization of right-of-use assets, operating leases	500,585	336,148	376,667
Changes in assets and liabilities:			
Accounts receivable	1,368,502	(840,233)	(354,912)
Due from affiliates	(7,103,259)	(4,674,536)	(9,564,655)
Prepaid expenses and other assets	(5,365)	68,183	714,982
Accounts payable and accrued liabilities	69,471	(2,495,031)	3,549,288
Advertising fund liability	679,290	(363,964)	(2,287,379)
Deferred revenue	45,000	-	-
Operating lease liabilities	(500,585)	(336,148)	(376,667)
<b>Net cash provided by (used in) operating activities</b>	<b>757,081</b>	<b>(3,976,244)</b>	<b>(2,273,738)</b>
Cash flows from investing activities:			
Acquisition of vehicles and equipment	(75,724)	(169,332)	-
<b>Net cash used in investing activities</b>	<b>(75,724)</b>	<b>(169,332)</b>	<b>-</b>
<b>Net increase (decrease) in cash and restricted cash</b>	<b>681,357</b>	<b>(4,145,576)</b>	<b>(2,273,738)</b>
Cash and restricted cash, beginning of year	1,207,390	5,352,966	7,626,704
Cash and restricted cash, end of year	\$ 1,888,747	\$ 1,207,390	\$ 5,352,966

(continued)

**Bath Fitter Franchising, Inc.**

**Statements of Cash Flows (continued)**  
**Years Ended December 31, 2024, 2023 and 2022**

	2024	2023	2022
Supplementary disclosures of cash flows information:			
Cash paid during the year for:			
Income taxes	\$ 96,950	\$ 85,199	\$ 152,369
Cash paid for amounts included in the measurement of operating lease liabilities:			
Operating cash outflows	\$ 540,200	\$ 341,613	\$ 387,099
Noncash investing and financing activities:			
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,724,378	\$ -	\$ -
Operating lease liabilities and right-of-use assets removed due to early lease termination	\$ 33,147	\$ 119,578	\$ -

## Bath Fitter Franchising, Inc.

### Notes to Financial Statements

---

#### Note 1. Operations

Bath Fitter Franchising, Inc. (the Company), incorporated in Delaware on March 5, 1992, is a wholly owned subsidiary of Bath Fitter Holdings, Inc. (BFH). The Company is in the business of marketing and selling franchises that sell acrylic bathtub liners in the United States. The Company derives substantially all of its revenue from the sale of bathtub liners and related supplies to individual and affiliated franchisees located in the United States.

#### Note 2. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

**Basis of presentation:** The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Cash and restricted cash:** The Company may have significant amounts of cash that are in excess of federally insured limits at any point in time. Although the Company has not experienced any losses to date and does not anticipate incurring any losses, it cannot be assured that the Company will not experience losses.

Restricted cash represents amounts required to be reserved by agreements between the franchisees and the Company for the advertising fund. For purposes of the statements of cash flows, restricted cash is included with cash.

The following table provides a summary of cash and restricted cash as presented for cash flow purposes as of December 31:

	2024	2023	2022
Cash	\$ 43,193	\$ 41,126	\$ 3,822,738
Restricted cash	1,845,554	1,166,264	1,530,228
	<u>\$ 1,888,747</u>	<u>\$ 1,207,390</u>	<u>\$ 5,352,966</u>

**Accounts receivable:** Receivables are customer obligations resulting from contracts with customers recorded initially at the transaction cost that are expected to be collected within three months. The Company evaluates the collectability of receivables and records an allowance for credit losses representing its estimate of the expected losses that will result from possible default events over the expected life of the receivable based on an assessment of historical collection activity, differences in current conditions, and reasonable and supportable forecasts. Additions to the allowance for credit losses are made by recording charges to credit loss expense, a component of operating expenses. Receivables are written off against the allowance for credit losses when the account is deemed to be uncollectible.

## Bath Fitter Franchising, Inc.

### Notes to Financial Statements

---

#### **Note 2. Summary of Significant Accounting Policies (continued)**

The Company's allowance for credit losses was approximately \$1,115,000 at December 31, 2024 and \$300,000 at December 31, 2023, 2022 and 2021. Additions to the allowance for credit losses were approximately \$815,000, \$0 and \$0 in 2024, 2023 and 2022, respectively, and there were no write-offs of receivables during 2024, 2023 or 2022.

**Vehicles and equipment:** The Company records vehicles and equipment at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes, but accelerated methods are used for tax purposes.

**Leases:** The Company determines if an arrangement is a lease or contains a lease and assesses lease classification at its inception. Lease classification is re-evaluated upon the occurrence of certain events requiring a lease modification. The Company has elected to account for lease and non-lease components separately.

Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of fixed lease payments over the lease terms, subject to remeasurement in the event of modification. Right-of-use assets also include any lease payments made to the lessor at or before the commencement or modification date and initial direct costs less lease incentives received. The lease term commences on the date the lessor makes the asset available to the Company and includes any renewal periods the Company is reasonably certain to exercise. The Company has elected to (1) apply the risk-free discount rate for leases in which there is no implicit rate and (2) not recognize short-term leases (with terms of one year or less) as lease liabilities and right-of-use assets; related expenses are recognized on a straight-line basis over the lease term. Certain leases include variable payments to reimburse the lessor for actual costs of mileage on vehicles, which are expensed as incurred.

For operating leases, the amortization of right-of-use assets and the accretion of lease liabilities are recognized as a single lease cost, on a straight-line basis, over the lease term. The Company does not have any finance leases.

**Impairment of long-lived assets:** Vehicles and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

**Revenue recognition:** Revenue is measured based on the amount of consideration that is expected to be received, reduced by estimates for cash discounts and returns and allowances, which were not significant in 2024, 2023 or 2022. These estimates are determined based on an analysis of historical experience and the terms in the customer contracts. Revenue includes freight billed to customers and excludes any amounts collected on behalf of third parties, including sales and indirect taxes. The Company's policy is to account for shipping and handling activities as fulfillment activities.

## Bath Fitter Franchising, Inc.

### Notes to Financial Statements

---

#### Note 2. Summary of Significant Accounting Policies (continued)

**Product and service revenues:** Revenue related to products and services is recognized when services are provided or products are shipped to customers.

The Company generally provides limited-assurance-type warranties for products and services performed under its contracts. The warranty periods typically extend for a limited duration following the transfer of control of the products. Historically, warranty claims have not resulted in material costs incurred. The Company does not consider these warranties to be performance obligations.

**Advertising fund:** Franchise agreements require the franchisee to pay a fixed fee on a monthly basis for the costs of national advertising campaigns, based on prior-year benchmarks as determined by the Company, which represents a portion of the consideration received for the performance obligations of the franchise license. Revenues related to national advertising campaigns are recognized as costs are incurred. In the event that advertising costs incurred are less than amounts billed to franchisees, the Company recognizes unspent advertising amounts as an advertising fund liability.

**Franchise fees:** The Company sells individual franchises that grant the right to own and operate businesses providing certain goods and services authorized and approved by the Company in designated areas. The franchise agreements require the franchisee to pay initial nonrefundable franchise fees prior to opening the respective business. The initial term of the franchise agreements is typically two to five years, with options for renewal, as stated.

Generally, the franchise rights granted to a new franchisee represent two separate performance obligations. The first performance obligation relates to goods and services, which are provided to a new franchisee and recognized at fair value when the Company provides the goods and services to the franchisee. The second performance obligation relates to amounts of initial franchise fees, which are not allocated to goods and services provided, but are recorded as deferred revenue and recognized as revenue on a straight-line basis. Deferred initial franchise fees are recognized over the initial franchise agreement term of two to five years, not including renewal periods that can range from one to five years at an additional cost as defined in the franchise agreement. Initial franchise fees paid by an existing franchisee for an additional designated area represent a single performance obligation since no goods or services are provided to the existing franchisees. Accordingly, initial franchise fees paid by existing franchisees are recognized over the specified term of the franchise agreement.

**Principal versus agent:** The Company acts as an agent for certain contracts with customers in which franchisees control all goods and services provided and the Company is responsible for certain administrative functions, including the execution of contracts, invoicing, and collections. The Company does not charge a fee for these services. Accordingly, no revenue was recognized, and all activity is presented as amounts due from customers in accounts receivable and amounts due to franchisees in accounts payable. At December 31, 2024, 2023 and 2022, there were outstanding amounts of approximately \$924,000, \$0 and \$0, respectively, for agent transactions.

## Bath Fitter Franchising, Inc.

### Notes to Financial Statements

---

#### Note 2. Summary of Significant Accounting Policies (continued)

**Advertising costs:** Advertising costs are expensed as incurred. In addition to general advertising costs, the Company incurs advertising costs related to national advertising campaigns, which are funded by amounts billed to franchisees, as noted above. Advertising costs, not including amounts related to national advertising campaigns, were approximately \$1,847,000 in 2024, \$2,373,000 in 2023 and \$1,884,000 in 2022.

**Income taxes:** The Company files tax returns on a consolidated basis with BFH, whereby income taxes are payable personally by the stockholders of BFH pursuant to an election under Subchapter S of the Internal Revenue Code not to have BFH taxed as a corporation. Accordingly, no provision has been made for income taxes other than certain state taxes, which are allocated based on the separate return method.

With few exceptions, BFH is subject to income tax examinations by U.S. federal, state or local tax authorities for the most recent three years.

**Use of estimates:** In preparing financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Evaluation of subsequent events:** In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 14, 2025, the date the financial statements were available to be issued.

#### Note 3. Vehicles and Equipment

Vehicles and equipment consist of the following at December 31:

	2024	2023	2022
Vehicles and equipment	\$ 958,373	\$ 882,649	\$ 713,317
Less accumulated depreciation	755,918	679,969	629,392
	<u>\$ 202,455</u>	<u>\$ 202,680</u>	<u>\$ 83,925</u>

**Bath Fitter Franchising, Inc.****Notes to Financial Statements****Note 4. Operating Leases**

The Company leases vehicles under operating lease agreements that expire through 2028.

The components of lease costs are as follows for the years ended December 31:

	<b>2024</b>	2023	2022
Operating lease costs	<b>\$ 540,200</b>	\$ 341,613	\$ 387,099
Variable lease costs	<b>119,212</b>	203,227	141,441
Short-term lease costs	<b>5,341</b>	64,095	-
	<b>\$ 664,753</b>	\$ 608,935	\$ 528,540

As of December 31, 2024, future lease payments for leases included in the measurement of lease liabilities are as follows:

Year ending December 31:		
2025		\$ 498,076
2026		468,996
2027		468,996
2028		211,636
<b>Total lease payments</b>		<b>1,647,704</b>
Less amount representing interest		114,043
<b>Present value of lease payments</b>		<b>1,533,661</b>
Less current maturities of operating lease liabilities		442,940
<b>Total operating lease liabilities, less current maturities</b>		<b>\$ 1,090,721</b>

Additional lease disclosures as of December 31 are as follows:

	<b>2024</b>	2023	2022
Weighted-average remaining lease term (years)	<b>3.4</b>	1.1	2.2
Weighted-average discount rate	<b>4.1%</b>	1.0%	1.0%

**Bath Fitter Franchising, Inc.**

**Notes to Financial Statements**

---

**Note 5. Related-Party Transactions**

The Company was charged approximately \$8,063,000 in 2024, \$8,698,000 in 2023 and \$8,423,000 in 2022 by an affiliate for various administrative and operational support services provided.

The Company purchased substantially all of its products from an affiliate in 2024, 2023 and 2022. The Company also provided advances to this affiliate, resulting in net amounts due from this affiliate of approximately \$38,726,000, \$31,623,000 and \$26,948,000 at December 31, 2024, 2023 and 2022, respectively.

The Company sold products to affiliates of approximately \$32,192,000 in 2024, \$35,065,000 in 2023 and \$35,309,000 in 2022. The amounts from these affiliates, included in accounts receivable, were approximately \$382,000, \$2,900,000 and \$2,551,000 at December 31, 2024, 2023 and 2022, respectively.

## UNAUDITED FINANCIAL STATEMENTS

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

**CONFIDENTIAL**

**BATH FITTER FRANCHISING INC.  
FINANCIAL STATEMENTS - UNAUDITED  
AS AT APRIL 30, 2025**

**BATH FITTER FRANCHISING INC.****BALANCE SHEET - UNAUDITED**

AS AT :

USD

	APRIL 30, 2025	DECEMBER 31, 2024
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	587,169	1,534,798
Accounts Receivable	11,413,397	5,890,262
Prepaid Expenses	313,407	348,601
Income Taxes	414,953	326,253
	12,728,925	8,099,914
<b>FIXED ASSETS</b>	170,455	202,455
<b>OTHER ASSETS</b>	38,279,867	39,246,903
	51,179,247	47,549,272
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	5,161,320	4,498,514
Customer Deposit	1,369,595	1,126,322
Sales Tax	8,327	15,744
	6,539,242	5,640,580
<b>LONG TERM LIABILITIES</b>		
Long Term Debt	-	-
	6,539,242	5,640,580
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b>	100,000	100,000
<b>RETAINED EARNINGS</b>	44,540,006	41,808,693
	44,640,006	41,908,693
	51,179,247	47,549,272

**BATH FITTER FRANCHISING INC.  
INCOME STATEMENT - UNAUDITED  
USD**

	<b>YTD 4 Months APRIL 2025</b>	<b>YTD 12 Months DECEMBER 31 2024</b>
<b>REVENUES</b>	27,699,888	84,425,591
<b>COST OF SALES</b>	22,948,041	70,562,926
<b>GROSS PROFIT</b>	4,751,847	13,862,665
<b>OPERATING EXPENSES</b>	2,020,534	9,095,530
<b>NET EARNINGS (LOSS)</b>	\$ 2,731,313	\$ 4,767,135



**BATH FITTER FRANCHISING, INC.**  
**FRANCHISE AGREEMENT**

**FRANCHISEE:**

**TERM:**

## TABLE OF CONTENTS

I.	Appointment, Exclusivity And Prohibitions .....	1
ii.	Term And Renewal.....	6
iii.	Business Location .....	7
iv.	Trucks, Vans, And Other Motor Vehicles .....	9
v.	Qualifications And Training .....	10
vi.	Marks And Intellectual Property .....	12
vii.	Confidential Operations Manual .....	16
viii.	Proprietary Items, Data, Electronic Communications And Technology .....	17
ix.	New Developments .....	21
x.	Confidential Information .....	21
xi.	Advertising .....	23
xii.	Fees, Other Financial Obligations And Reporting.....	27
xiii.	Reporting Requirements, Accounting And Records .....	29
xiv.	Standards Of Quality And Performance.....	33
xv.	Franchisor's Services .....	40
xvi.	Insurance .....	42
xvii.	Covenants.....	44
xviii.	Termination .....	46
xix.	Franchisor's Right To Operate The Business Upon Default.....	49
xx.	Suspension Of Services Upon Default.....	49
xxi.	Rights And Duties Of Parties Upon Expiration Or Termination.....	50
xxii.	Transferability Of Interest .....	51
xxiii.	Death Or Permanent Disability Of Franchisee.....	56
xxiv.	Rights Of First Refusal .....	56
xxv.	Operation In The Event Of Absence, Permanent Disability Or Death.....	57
xxvi.	Independent Contractor And Indemnification.....	57
xxvii.	Non-Waiver .....	59
xxviii.	Notice.....	59
xxix.	Cost Of Enforcement Or Defense.....	59
xxx.	Entire Agreement .....	60
xxxi.	Severability And Construction .....	60
xxxii.	Applicable Law, Cumulative Remedies And Limitations Of Liability .....	61
xxxiii.	No Third-Party Beneficiaries.....	62
xxxiv.	Force Majeure .....	62
xxxv.	Acknowledgments .....	63
xxxvi.	Acknowledgements, Representations And Warranties .....	65

## EXHIBITS

I.A	Guaranty and Assumption of Obligations	
I.A.iii	Description of Territory	
I.A.iv	Marks	
II.B.7	Form of General Release.	
XI.E.1	Initial NMF Period Monthly NMF Contribution	
XI.E.2.1	NMF Percentage	
XI.E.2.2	Set Increase	
XI.G	Franchisee Minimum Grand Opening Marketing Spend	
XI.H	Franchisee Minimum Local Marketing Expenditure	

XII.A Brand New Franchisee Initial Franchise Fee  
XII.B Existing Franchisee Initial Franchise Fee  
XIV.V Units  
XV.A Start-Up Plan  
XXI.K Assignment of Telephone Numbers, Email Addresses and Websites  
XXXI.D Franchisee Principals  
XXXVI.D Franchisee Ownership and Executive Information

**BATH FITTER FRANCHISING, INC.  
FRANCHISE AGREEMENT**

This Franchise Agreement (this "**Agreement**") is made on \_\_\_\_\_ ("**Effective Date**") by and between:

- BATH FITTER FRANCHISING, INC., a Delaware corporation, having a place of business at 102 Evergreen Drive, Springfield, Tennessee 37172 ("**Franchisor**" or "**we**"), and
- \_\_\_\_\_ a [resident of] [corporation organized in] [limited liability company organized in] the State of \_\_\_\_\_ and having offices at \_\_\_\_\_ ("**Franchisee**" or "**you**").

RECITALS:

- (A) Franchisor, as a result of extensive research and practical business experience, has developed directly and with its affiliates the Bath Fitter® business, which is carried on under the Trade Name.
- (B) Franchisor has built up a substantial reputation and goodwill in the Trade Name, which is associated with the highest standards of quality and service.
- (C) Franchisor is the exclusive owner or licensee of all rights in the Marks.
- (D) Franchisor and its affiliates have developed specialized products to be used in the Bath Fitter® business.
- (E) Franchisor is the owner of the Intellectual Property rights in the System.
- (F) Franchisor has registered the Marks which are associated with the System.
- (G) Franchisee wishes to acquire from Franchisor the right and franchise to operate a Bath Fitter® business in accordance with the terms of this Agreement.
- (H) Franchisee understands and acknowledges the importance of Franchisor's standards of quality, operations, and service, and the necessity of operating the Franchised Business in conformity with Franchisor's mandatory specifications, standards, operating procedures and rules (as same may be supplemented, modified, changed, replaced, abrogated or amended from time to time by Franchisor at its discretion) applicable to the network of Bath Fitter® businesses (such network, the "**Bath Fitter® Franchised Network**").

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

**I. APPOINTMENT, EXCLUSIVITY AND PROHIBITIONS**

A. **Appointment.** In consideration of (i) the timely payments to be made to Franchisor and/or its affiliates under this Agreement or any other agreement between Franchisor and/or an affiliate of Franchisor on the one hand and Franchisee, an affiliate of Franchisee or a Principal of Franchisee or of an affiliate of Franchisee on the other hand (each of such other agreement, "**Other Agreement**"), and (ii) execution by each Franchisee Principal of this Agreement and a Personal Guarantee in the form attached as **Exhibit LA**, Franchisor grants Franchisee the right, and Franchisee accepts the obligation: (a) to operate one Bath Fitter® business (the "**Franchised Business**"); and (b) to exclusively use, only in connection with the Franchised Business, the Intellectual Property, including the Marks, the System and the Trade Name, only at and from the Approved Location, in accordance with the System, within the Territory, during the Term and in accordance with the

provisions of this Agreement, the Confidential Operations Manual, any additional Franchisor requirements, directions and prescriptions and any Other Agreement.

For the purposes of this Agreement, (i) the term “**Bath Fitter® business**” means the business of marketing, offering for sale, selling, installing and servicing only Franchised Products exclusively to consumers and Commercial Facilities, carried on using the System and the Marks, (ii) the term “**Trade Name**” means the name BATH FITTER®, under which Bath Fitter® businesses are carried on, (iii) the term “**Territory**” means the area referred to, and described, in **Exhibit I.A.iii**, (iv) the term “**Mark(s)**” means the trademarks and service marks set out in **Exhibit I.A.iv** and any other trademarks and service marks designated in writing from time to time by Franchisor for use by Bath Fitter® businesses, (v) the term “**System**” means the distinctive business format and method developed and implemented by Franchisor in connection with the Bath Fitter® business using the Intellectual Property, Confidential Information, Proprietary Items, Proprietary Software, operational procedures, plans, directions, specifications, methods, management, marketing and advertising techniques part of which are contained in the Confidential Operations Manual and the Mandatory Policies, and (vi) the term “**Trademarked Products**” means all products developed and manufactured by or for Franchisor and/or its affiliates and authorized by Franchisor for sale by Bath Fitter® businesses, such products being generally identified by the Marks; the Trademarked Products are proprietary and a list thereof is available at [mybathfitter.com/price](http://mybathfitter.com/price) list; such list may not be exhaustive and may be updated from time to time by Franchisor as Franchisor deems fit.

**B. Types of Sales Prohibited; No Co-Branding.** Nothing in this Agreement shall be interpreted as allowing the Franchised Business or Franchisee, and Franchised Business and Franchisee are not entitled, to market, advertise, promote, offer, solicit, sell, install and/or service any products or services other than Trademarked Products, those that are identified by the Marks or otherwise authorized by Franchisor for sale by Bath Fitter® businesses (collectively, all such products and services, the “**Franchised Products**”). The Franchised Business/Franchisee shall never offer for sale or sell any Franchised Product if such Franchised Product is not also installed by the Franchised Business using its own employees only. All Franchised Business operations shall be performed by Franchisee employees only and Franchisee shall never subcontract any such performance except with the prior express written consent of Franchisor. The Franchised Business/Franchisee shall never sell or install products, or provide services, other than for/in properties owned by a Franchised Business client. Franchisee shall never permit, allow or use a Franchised Business employee to solicit, offer for sale, sell or install any product or service for the benefit of any affiliate of Franchisee or any other business of Franchisee, nor shall Franchisee share or use any Franchised Business lead or customer information with any of Franchisee’s other businesses or affiliates. Franchisee shall not (either itself or through any affiliates): (i) solicit, or offer services or products to, customers (or prospective customers) of the Franchised Business for the benefit of any business other than the Franchised Business, or (ii) combine or co-brand Franchised Products with any other products or services.

**C. Operation Limited to Territory.** Franchisee shall operate the Franchised Business only within the Territory. Franchisee acknowledges that it chose and conducted due diligence on the Territory as a proper location for the viable operation of the Franchised Business. Franchisee agrees that it shall not operate in whole or in part any of its Franchised Business outside the Territory without Franchisor's prior written consent, which Franchisor shall have the right to grant or deny. For clarity, the Franchised Business is not permitted to engage in any marketing, solicit customers or business, install any products, or provide any services, at locations outside of the Territory. Without limiting Franchisor’s rights and remedies otherwise available under this Agreement or at law, should Franchisee sell Franchised Products, or solicit customers or business, outside the limits of the Territory, all revenues from such sales or solicitations shall belong to Franchisor, and all liability associated with such installation shall be borne by Franchisee only.

**D. Rights of Other Franchisees.** Franchisee acknowledges that the scope and extent of protected rights granted to other franchisees in the Bath Fitter® Franchised Network may vary, including in respect of distribution channels or in population, geographic size and other dimensions or characteristics of territory, as compared to the Territory.

E. **Protected Area**. Franchisor agrees not to own, operate, franchise, or license any party other than Franchisee to operate a Bath Fitter® business within the Territory, provided that Franchisee is (and its affiliates and their respective Principals are) in continuous compliance with all obligations under this Agreement and any Other Agreement; subject to all of the other provisions of this Agreement (including the other provisions of **this Section**); and, provided that this **Section I.E** shall not prevent Franchisor and other authorized parties from using the Marks to advertise the Bath Fitter® business within the Territory.

F. **Rights of Franchisor Reserved**. Notwithstanding the rights granted to Franchisee under this Agreement, Franchisor reserves the exclusive right, for itself and its affiliates, to do anything anywhere (including within the Territory) other than owning/operating, or granting the right to any person to operate, a Bath Fitter® business within the Territory (subject to the terms of **Section I.D** above), the whole without permission from, or compensation to, Franchisee, and notwithstanding the impact (if any) of these activities on the Franchised Business. Without limitation, each of Franchisor and its affiliates has the right, anywhere including within the Territory, to: (i) market, distribute, sell, and install in any setting (whether through wholesale and/or retail sales) any product other than Franchised Products, (ii) offer, sell and install any products and provide any services that are identified by any marks except the Marks, including products and services that are the same or similar to products and services offered, sold and installed by the Franchised Business under this Agreement, and (iii) advertise and promote the System and the Marks.

G. **Franchisee Obligation to Refer**. If Franchisee receives a request or an inquiry from a customer or prospective customer in connection with Franchised Products, to be installed or performed outside the Territory, Franchisee shall immediately refer such request or inquiry to the Bath Fitter® business operating in the territory where the customer or prospective customer is located. If Franchisee cannot determine in whose territory that customer or prospective customer is located, then Franchisee shall immediately refer the request or inquiry to Franchisor who will then determine at its discretion what to do with same.

H. **No Diversion**. Franchisee shall not: (i) offer services to other Bath Fitter® franchisees or any of their respective Principals in connection with either the Franchised Business or other Bath Fitter® businesses, or (ii) solicit other Bath Fitter® franchisees or any of their respective Principals to participate in any way with Franchisee's or Franchisee's affiliates other businesses.

I. **No Right to Subfranchise**. Franchisee shall not be entitled to subfranchise, sublicense or relicense to anyone any right granted under this Agreement including any right to use the Intellectual Property, the System or the Marks.

J. **Commercial Customers**. Franchisee's right to provide Franchised Products to Commercial Facilities located in the Territory is subject, in addition to all terms and conditions of this Agreement applicable to the Franchised Business, to the following:

1. **"Commercial Facilities"** means properties located in the Territory where the owner(s)/manager(s) thereof do(es) not generally live.
2. Franchisee shall actively and diligently market, promote, solicit, offer for sale, sell and perform Franchised Products in/for Commercial Facilities.
3. Should Franchisor determine that Franchisee is not complying with its obligations under **Section I.J.2**, then **Section I.E** above shall no longer apply with respect to Commercial Facilities, meaning that Franchisor, in addition to its other rights and remedies under this Agreement and at law, shall be entitled, by written notice to Franchisee, to allow, for the period of time determined by Franchisor at its discretion, those of its affiliates or other Bath Fitter® businesses operators it designates, to market, promote, solicit, offer for sale, sell and perform Franchised Products in/for all or certain categories of Commercial Facilities, and to prohibit Franchisee from doing so in whole or in part. Such designated affiliate or other Bath Fitter®

businesses operator shall receive all compensation for the Franchised Products it sold/performed in Commercial Facilities, and Franchisee shall not be entitled to any compensation, payment or indemnification of any kind or nature in connection therewith.

4. Franchise shall immediately notify Franchisor in writing of any opportunity to sell/perform Franchised Products for 25 or more units in a Commercial Facility Franchisee intends to reject, rejects, is not interested in or has not been able to close ("**Open Commercial Jobs**").
5. Franchisor shall be entitled, but have no obligation, either to perform, manage and/or/sell such Open Commercial Jobs itself or attribute same to an affiliate or another Bath Fitter® business operator. Franchisor, such designated affiliate or other Bath Fitter® business operator shall receive all compensation in connection with its performance of such Open Commercial Jobs and Franchisee shall not be entitled to any compensation, payment or indemnification of any kind or nature in connection therewith.
6. Franchisor may, from time to time, designate certain clients (or groups of clients) or potential clients (or groups of clients) or brands owning, controlling, operating or managing real estate within and outside the Territory to be of strategic importance to Franchisor ("**National Accounts**"). With respect to such National Accounts, the following shall apply:
  - a. Franchisor will have the exclusive right, unless otherwise specifically delegated in writing, on behalf of Franchisor, Franchisee, and/or other Bath Fitter® businesses operators, to negotiate and enter into agreements or approve forms of agreement to provide Franchised Products to National Accounts clients including within the Territory.
  - b. Except as otherwise expressly consented to in writing by Franchisor, Franchisor shall have the exclusive right to develop, market, promote and solicit work in National Accounts Commercial Facilities.
  - c. Franchisor will require Franchisee to provide the Franchised Products to any given National Accounts Commercial Facility within the Territory, provided that Franchisor shall be entitled to exclude Franchisee if: (i) Franchisee is then in breach of this Agreement and the Other Agreements, (ii) Franchisee has before refused or failed to provide Franchised Products to a National Account Commercial Facility within or outside the Territory, (iii) Franchisee has before failed to provide Franchised Products to a National Account Commercial Facility within or outside the Territory in accordance with the terms and conditions of the applicable National Account contract, the terms and conditions of this Agreement and the guidelines contained in the Confidential Operations Manual, or (iv) Franchisor determines Franchisee is not qualified to diligently and efficiently provide quality Franchised Products to such National Accounts Commercial Facility. Except if Franchisee is excluded as per above, Franchisee will have the obligation to provide the Franchised Products in accordance with the terms and conditions of the applicable National Account contract, the terms and conditions of this Agreement and the guidelines contained in the Confidential Operations Manual. If Franchisor decides to exclude Franchisee in accordance with the above, then Franchisor shall be entitled to have the Franchised Products provided by an affiliate of Franchisor or another Bath Fitter® business operator designated by Franchisor and Franchisee shall not be entitled to any compensation, payment or indemnification of any kind or nature in connection therewith.
  - d. If Franchisee refuses to provide the Franchised Products to any given National Accounts Commercial Facility within the Territory referred to Franchisee by

Franchisor, Franchisor will have the right, in addition to any other Franchisor right or remedy under the Agreement, to provide, directly or through an affiliate of Franchisor or another Bath Fitter® business operator, Franchised Products to such and/or some other or all National Account Commercial Facilities within the Territory, and exclude Franchisee from the provision of Franchised Products to such Commercial Facilities, in which case(s) Franchisee shall not be entitled to any compensation, payment or indemnification of any kind or nature in connection therewith.

- e. If Franchisee fails to provide Franchised Products to any National Account Commercial Facility referred to Franchisee by Franchisor substantially in accordance with the terms and conditions of the applicable National Account contract, the terms and conditions of this Agreement and the guidelines contained in the Confidential Operations Manual, then Franchisor will have the right, in addition to any other Franchisor right or remedy under the Agreement, to:
  - i. Require Franchisee, and Franchisee agrees, to promptly fix any issue at its cost and expense or have any such issue fixed, at Franchisee's cost and expense, by any Franchisor affiliate or another Bath Fitter® business operator designated by Franchisor; and/or
  - ii. Remove Franchisee from the performance of such National Account contract and have the balance of the contract performed by a Franchisor affiliate or another Bath Fitter® business operator designated by Franchisor, in which case(s) Franchisee shall not be entitled to any compensation, payment or indemnification of any kind or nature in connection with the portion of the National Accounts contract not performed by Franchisee; and/or
  - iii. Exclude Franchisee from any or some National Account work within and outside the Territory, as determined by Franchisor, in which case, Franchisor will be entitled to have all such work performed by a Franchisor affiliate or another Bath Fitter® business operator designated by Franchisor, and Franchisee shall not be entitled to any compensation, payment or indemnification of any kind or nature in connection with the portion of the National Accounts contract not performed by Franchisee; and/or
  - iv. Have Franchisee, and Franchisee agrees to, pay on demand all Franchisor costs, expenses (including reasonable attorney fees), charges, penalties, fines, damages related to such Franchisee failure as referred to in **Section I.J.6.e**.
- f. Franchisor has the sole and exclusive right to determine the outcome of any dispute pertaining to any provision of **Section I.J** and Franchisor determination will be final and binding.

K. **Payments to Franchisor.** Except as otherwise expressly provided in this Agreement, Franchisee shall make all payments to Franchisor in the manner and to the account or address that Franchisor designates for such payments in the Confidential Operations Manual or otherwise in writing.

L. **Sales Taxes.** All fees/amounts due under this Agreement are exclusive of sales tax (or any equivalent), which shall, where applicable, be paid by Franchisee at the prevailing rate on the due date for payment or upon receipt of the relevant invoice from Franchisor (as the case may be). Franchisee agrees to pay Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax imposed on Franchisor with respect to any payments that Franchisee makes to Franchisor as required under this Agreement (except to the extent that such tax is credited against income tax that Franchisor otherwise must pay to a state or federal authority).

M. **Payment of Taxes Imposed on Franchisor.** Franchisee will pay to Franchisor the amount of all sales taxes, use taxes, personal property taxes and similar taxes that any taxing authority within Franchisee's jurisdiction seeks to collect from Franchisor on account of Franchisee's Gross Revenues or on account of fees collected by Franchisor from Franchisee, but excluding Franchisor's ordinary income taxes or Franchisor's receipts taxes arising out of fees due or paid from Franchisee or Franchisor. Franchisor is permitted to collect from Franchisee any imposed taxes in the same manner as royalties, or to direct Franchisee to make those payments directly to the applicable taxing authority or authorities. Franchisee shall pay all applicable non-resident withholding taxes, if any, imposed by the laws of the United States or any applicable tax convention or treaty on payments by Franchisee to Franchisor without deduction for any other taxes, and Franchisee shall remit to the appropriate taxing authorities all non-resident withholding or other taxes which would otherwise be due from Franchisor. Franchisee shall promptly (but not more often than monthly) deliver to Franchisor receipts of applicable governmental authorities showing that all taxes were properly withheld in compliance with applicable law and Franchisee shall fully and promptly cooperate with Franchisor to provide such information and records as Franchisor may request in connection with any application by Franchisor to any taxing authority with respect to any tax credits.

## II. TERM AND RENEWAL

A. **Initial Term.** This Agreement shall take effect on the Effective Date and shall expire (unless earlier terminated in accordance with the provisions of this Agreement) five years from the Effective Date (the "**Initial Term**").

B. **Renewal.** Franchisee may, at its option, renew its right to operate the Franchised Business for three (3) additional consecutive terms which shall be five (5) years each (each, a "**Renewed Term**") (the Initial Term and any Renewed Term shall be referred to as "**Term**"), subject to the following conditions, each of which must be met to Franchisor's satisfaction prior to each renewal:

1. Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the premises of the Approved Location for the duration of the requested Renewed Term, or shall obtain written approval by Franchisor of a new Approved Location.

2. Franchisee shall give Franchisor written notice of its election to renew no less than eight (8) months and not more than twelve (12) months prior to the end of the Initial Term or the first Renewed Term as the case may be.

3. at the end of the then current Term, there are no outstanding breaches by Franchisee or any Principal or any Franchisee affiliate of (i) this Agreement, and/or (ii) any Other Agreement, and there are no grounds on which Franchisor has a right to terminate this Agreement.

4. Franchisee and Principals have at all times performed their obligations under this Agreement, and Franchisee and Principals and Franchisee affiliates have at all times performed their obligations under any Other Agreement, to the reasonable satisfaction of Franchisor and Franchisee's Business meets Franchisor's requirements under the System including as set out in Franchisor's then current form of franchise agreement and Confidential Operations Manual.

5. Franchisee (and its affiliates) must have timely and fully satisfied all financial/monetary obligations under this Agreement or any Other Agreement, throughout the then-current Term.

6. Franchisee and its Principals must sign Franchisor's then-current form of franchise agreement for new franchisees of the Bath Fitter® business ("**New Franchise Agreement**") including all exhibits (such as personal guarantees to be signed by Franchisee's Principals), which New Franchise Agreement shall supersede this Agreement in all respects, and may include material changes from this Agreement (including material changes in duties, obligations, fees, costs, expenses, and renewal rights, as well as material changes to

the Territory, and in the format, appearance and operation of the Franchised Business). Any obligations unfulfilled by Franchisee under this Agreement shall remain enforceable and outstanding and survive notwithstanding the execution of said New Franchise Agreement.

7. Franchisee and its Principals shall sign and deliver to Franchisor: (a) a full general release; and (b) a renewal agreement, each in the form that Franchisor shall have the right to provide, in order to implement the renewal.

8. Franchisee and its personnel must meet Franchisor's then-current qualification and training requirements, prior to commencement of the Franchised Business operations under the New Franchise Agreement.

9. Franchisee must be current and in compliance with respect to its material obligations to lessors, suppliers, and any other third parties with whom Franchisee does business for the Franchised Business purposes.

10. Franchisee must have completed any necessary upgrading and renovations to the Franchised Business (including Motor Vehicles) to comply with Franchisor's then-current standards in effect for new Bath Fitter® businesses.

11. Franchisee must provide Franchisor with a business plan, to Franchisor's satisfaction, which shall include projected sales and operating costs and expenses, balance sheets and profit and loss statements for the projected Renewed Term, in a form satisfactory to Franchisor.

12. Franchisee must pay to Franchisor, in lieu of an initial franchise fee, a non-refundable renewal fee equal to 25% of Franchisor's then current Initial Franchise Fee for a new Bath Fitter® business, plus all Franchisor attorney fees should Franchisee have requested changes to the New Franchise Agreement prior to execution.

13. Franchisee must satisfy all additional conditions that Franchisor may impose on Franchisee (which Franchisor shall provide within thirty (30) days after receipt of Franchisee notice provided under **Section II.B.2**).

C. **Termination On Expiration of Term.** Unless it is terminated earlier under the applicable provisions of this Agreement, this Agreement shall terminate at the end of the Term, if not timely renewed.

### **III. BUSINESS LOCATION**

A. Franchisee shall operate the Franchised Business only at, and from, one or more locations within the boundaries of the Territory suitable to the operation of the Franchised Business, subject to the terms of this Agreement.

B. With a view to ensuring the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System:

1. Franchisee shall obtain prior written approval of any selected location from Franchisor (once approved by Franchisor, including under **Section III.B.4** hereinbelow, an "**Approved Location**");

2. Except where and to the extent a different set up is approved in advance in writing by Franchisor, each Franchised Business location must include a showroom and space for offices and a shop in compliance with Franchisor requirements as same may change from time to time (including as may be set forth in the Confidential Operations Manual);

3. If Franchisee is awarded more than one Territory, Franchisor may require a showroom and an office to be maintained by Franchisee in each Territory; and

4. Franchisee shall not move from an Approved Location without the prior written approval of Franchisor, which approval shall be subject to the new location satisfying Franchisor requirements. Franchisee shall notify Franchisor in writing of its intent to move from an Approved Location at least 90 days before signing any binding commitment pertaining to any new location. In order to be considered for a relocation under the provisions of this Agreement, the new location must remain in the Territory and must re-open within one (1) month of the original location's closure. Any approvals furnished by Franchisor pursuant to this **Section III** shall not be deemed to be a guarantee, representation, or assurance by Franchisor that the Franchised Business shall be profitable or successful or of suitability of the location. Should Franchisee fail to comply with the above, Franchisee shall pay Franchisor, on demand, in addition to all other Franchisor remedies under this Agreement or at law, a relocation fee in an amount determined by Franchisor which shall never be less than Five Thousand Dollars (\$5,000) to cover all Franchisor costs associated with management of such breach.

C. Franchisee shall be responsible, and will have the sole responsibility, for locating and obtaining the right to occupy, at least for the entire Term, suitable premises for the Franchised Business. Franchisor shall have no responsibility/liability of any kind or nature in connection with the lease for, or other legal right to occupy, such premises; it is Franchisee's sole responsibility to evaluate, negotiate and enter into such lease or obtain such other legal right to occupy the premises for at least the duration of the Term. The lease for any Approved Location shall name Franchisee only as the lessee, and Franchisee shall at all times make sure it is absolutely clear to landlord or any other stakeholder in location premises that none of Franchisor or any of its affiliates is involved to any degree or has any liability whatsoever in connection therewith.

D. You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Approved Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement.

E. You also agree:

1. to provide us with a copy of the fully signed lease, sublease or purchase agreement, before you begin construction or renovations at the Approved Location;

2. that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Approved Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Approved Location;

3. that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Approved Location does not constitute any guarantee, promise, representation or warranty, express or implied, of the successful operation or profitability of your Franchised Business operated at the Approved Location (and that our acceptance indicates only that we believe that the Approved Location and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria); you shall be solely responsible for the Franchised Business success at the Approved Location; and

4. that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.

F. We reserve our right to require you, at any time, to operate the Franchised Business at and from premises we or one of our affiliates own in the Territory and you agree, to promptly sign our lease for such premises and use such premises for the operation of the Franchised Business. If at the time of our request, you

already operate the Franchised Business from an Approved Location not owned by us or an affiliate of ours, then, you shall be exempted from signing a lease with us. However, if you then rent the premises of your Approved Location, you agree not to (i) renew the lease for such Approved Location, and/or (ii) not to exercise any extension option, and/or (iii) not to sign a new lease with anyone, and/or (iv) not to purchase any real estate for the Franchised Business, before notifying us in writing at least 90 days in advance. Should we inform you during that 90-day period that we have premises suitable for the operation of a Bath Fitter® business available for rental in the Territory, you shall then lease such premises from us and use same for the Franchised Business.

#### IV. TRUCKS, VANS, AND OTHER MOTOR VEHICLES

A. With a view to ensuring the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System:

1. Franchisee shall purchase or lease trucks, vans and other motor vehicles (collectively, "**Motor Vehicles**") required for the Franchised Business only in the actual corporate name of Franchisee in accordance with the provisions (if any) of the Confidential Operations Manual or other then-applicable Franchisor requirements pertaining to brands and types of Motor Vehicle(s) required for the Franchised Business, including Motor Vehicles to be used by Franchisee's installers, sales consultants and other Franchisee employees. For greater certainty but subject to applicable provisions of this Agreement about sourcing, Franchisee may purchase or lease original and replacement Motor Vehicle(s) required for the Franchised Business from any source, provided they comply with the standards set out in the Confidential Operations Manual (if any) or any other then-applicable Franchisor requirements relating to such Motor Vehicles (including requirements relating to sourcing, maintenance, appearance, upkeep, replacement, and operation). Franchisee is responsible for making sure that all persons who operate its Motor Vehicles (including staff that are passengers) do so in a safe, legal, and courteous manner, bearing in mind that the Motor Vehicles required for the Franchised Business may be seen as representing the Marks. Franchisee shall display its own entity name and details on the exterior of the Motor Vehicles required for the Franchised Business in accordance with the requirements of the Confidential Operations Manual (if any) and applicable laws. Franchisee shall not use any Motor Vehicles used in connection with the Franchised Business for any purpose, or in connection with any business venture, other than for the Franchised Business. In no instance shall the Franchisee permit a security interest be registered against the Franchisor in connection with the Motor Vehicles.

2. Franchisee, at its cost and expense, shall always maintain the interior and exterior of the Motor Vehicle(s) utilized in the Franchised Business in good repair, sound operating condition, having an attractive appearance, and equipped in accordance with the Confidential Operations Manual and/or any other then-applicable Franchisor requirements. Franchisee, at the request of Franchisor, shall promptly make necessary maintenance, repairs and equipment modifications or additions to Motor Vehicle(s) used in the Franchised Business at Franchisee's cost and expense.

3. The Motor Vehicle(s) used by Franchisee or its employees in conducting the Franchised Business must be capable of prominently providing the external display of *Bath Fitter*® advertising copy, including the *Bath Fitter*® logo graphics supplied and/or approved by Franchisor, and such logo and graphics must be maintained in good appearance. Additional sales, advertising or display information may be placed on the Motor Vehicle(s) required for the Franchised Business only with Franchisor's prior written approval.

B. Franchisee shall obtain and maintain in force all applicable registration, licenses, insurance coverages, inspection certificates, and other requirements for the maintenance of Franchisee's motor vehicle(s) and shall also ensure ongoing compliance with all such requirements.

C. At least every six (6) months and otherwise as may be required by Franchisor from time to time, Franchisee shall provide Franchisor with detailed pictures of the Motor Vehicles used for the Franchised

Business, in order to help Franchisor monitor compliance of Franchisee with some of the above requirements pertaining to Motor Vehicles.

D. All of the above provisions of **Section IV** shall apply mutatis mutandis to other vehicles used in connection with the Franchised Business, including personal vehicles used for the Franchised Business.

## V. QUALIFICATIONS AND TRAINING

A. **Initial Training.** With a view to ensuring the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System, only if the Franchised Business is operated by a Brand New Franchisee, Franchisee key personnel as identified by Franchisor will be required to attend and successfully complete to Franchisor's satisfaction, at Franchisee's cost and expense and upon prior payment of any applicable training fee, a training program designed by Franchisor based on the evaluation by Franchisor of the specific needs of Franchisee, the whole as set forth in Franchisee Start-Up Plan ("**Initial Training**"). Upon payment by Brand New Franchisee of the Initial Franchise Fee and applicable training fees, Franchisor shall make the Initial Training program available to Brand New Franchisee in accordance with the applicable terms of the Start-Up Plan. Such Initial Training would normally but not necessarily include at a minimum training of the following persons:

1. Franchisee's main Principal (the "**Operating Principal**");
2. Franchisee's Branch Leader (manager), if Franchisee's Operating Principal does notify Franchisor that he or she will not serve in that capacity;
3. Franchisee's Residential Sales Consultants ("**RSC**"); and
4. Each of Franchisee's installers, who will be trained in technical and best practices in accordance with Franchisor's brand standards.
5. We reserve the right, at any time, as we see fit, to designate any of your Principals as Operating Principal.
6. All Initial Training must be successfully completed to our reasonable satisfaction by no later than 30 days before opening of the Franchised Business. Should the Initial Training not be successfully and timely completed to Franchisor satisfaction, then in addition to its other rights and remedies under this Agreement and at law, Franchisor shall be entitled to terminate this Agreement by written notice to Franchisee. Franchisee shall not be entitled to refund of any fees paid to Franchisor or other expenses incurred by Franchisee. In addition, Franchisee agrees that Franchisor shall have no liability whatsoever for, or in connection with the exercise by Franchisor of the termination right above.

B. **No Initial Training for Existing Franchisee.** If Franchisee is an Existing Franchisee, no Initial Training will be provided. However, training may be mandated by Franchisor as deemed necessary to ensure the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System, and such training shall be successfully and timely completed by Franchisee and/or its personnel to Franchisor satisfaction.

C. **Operating Principal or Branch Leader.** If Franchisee is a Brand New Franchisee, it must inform Franchisor, in writing, before the beginning of the Initial Training, whether Franchisee's Operating Principal will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If not, then Franchisee agrees to immediately employ a full-time manager (a "**Branch Leader**") with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.

D. **Training other than Initial Training.** Franchisor may, from time to time (including upon Agreement renewals and Transfers), as Franchisor deems fit at its discretion, with a view to ensuring the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System, require Franchisee and/or some of its staff to attend compulsory training, which Franchisee agrees shall be successfully completed to Franchisor's satisfaction. For example:

1. We may require, and you agree, that you and your Operating Principal, Branch Leader, installers and other personnel attend (and successfully complete) such refresher courses, new product launches, seminars, and other training programs as we may reasonably require periodically.

2. We may require you, and you agree, to enroll each of your employees who need to know in web-based training programs relating to the Franchised Products that will be offered to customers of the Bath Fitter® business.

E. **Payment for Training.** Except where and to the extent otherwise stipulated by Franchisor, Franchisee shall pay to Franchisor before such training starts, for all training, whether mandated by Franchisor or not, the applicable training fee as determined from time to time by Franchisor.

F. **Training Formats.** Franchisor has the right to provide training using the formats (or combination of formats) and at the locations that Franchisor designates, which may include conducting training in-person at one of Franchisor's facilities (presently in Tennessee or St-Eustache, Québec), at Franchisee's location, online, using technology tools (such as Virtual Reality), or otherwise.

G. **Costs and Expenses Related to Training.** For all training, Franchisee agrees that it shall be solely responsible for all costs and expenses (including compensation, benefits, travel, per diem, meals, etc.) for itself and all other persons that attend training of any sort.

H. **Franchisee to Train its Staff.** Franchisee agrees that it will timely provide, at its cost and expense, all necessary training to all of Franchisee's personnel not trained in accordance with **Section V.A** above, including:

1. Administrative coordinators;
2. RSCs;
3. B2B sales consultants;
4. Installers; and
5. Inside sales representatives.

I. **Training of New Operating Principal or Branch Leader.** If for any reason your Operating Principal and/or Branch Leader cease active management or employment at the Franchised Business, you shall immediately notify us in writing and, or if we revoke the certification of your Operating Principal or your Branch Leader to serve in that capacity, then in all instances, we may require you ("**Training Notice**"), and you agree, to enroll, within 30 days of the Training Notice, a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in the training program we may require for such replacement. The replacement must attend and successfully complete such training program, to our reasonable satisfaction as soon as it is practical to do so. You agree to pay us a training fee as determined from time to time by Franchisor at its discretion for each replacement individual to be trained, with payment to be made in full before training starts.

J. **On-Site Training.** If you ask us to provide on-site training (in addition to that which we may provide to you in connection with the Initial Training and/or the opening of the Franchised Business in accordance with the Start-Up Plan), and if we are agree to do so, then you agree to pay us our then-current fees and/or per diem training charges as well as reimburse us for our out-of-pocket expenses. Additionally, if we find or have reasonable grounds to suspect that you that you may not be operating your Franchised Business in accordance with our brand standards, the System and/or the terms of this Agreement, then, in addition to our other rights and remedies under this Agreement and at law, we may require you and/or your employees to successfully and timely complete to our satisfaction additional training, at your expense, which may include our then-current per diem training charges, our other fees and our out-of-pocket expenses for any training conducted at your Franchised Business or elsewhere.

K. **Annual Certification and Annual Meeting.** Franchisee and each of its Operating Principal, Branch Leaders, sales consultants and/or installers may be required to be certified by Franchisor on an annual basis. Such certification may require successful attendance and participation at training sessions as determined by Franchisor from time to time including (i) attendance and participation at a refresher training at a facility designated by Franchisor and/or (ii) attendance and participation at the Annual Meeting at the place and date designated by Franchisor. During the Annual Meeting, Franchisee and/or each of its Operating Principal, Branch Leader, sales consultants, and installers as determined by Franchisor may be required to attend and participate in a minimum of two (2) micro-sessions and successfully complete examinations at the end of each session.

L. **Franchisor Under No Obligation to Provide Training.** Franchisor may, but will never be required to, provide individualized training to Franchisee's managers and officers, senior members of Franchisee's personnel, and/or any other employees of Franchisee.

M. **Excellence Reviews.** With a view to ensuring the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System, Franchisor reserves the right at its discretion to conduct excellence audits of the Franchised Business staff (including the Principals) at any time during the Term. You agree that you shall fully cooperate with Franchisor in the performance of those audits. Further to such audits, Franchisor may determine that some of the Franchised Business staff (including the Principals) require further training. Upon Franchisor request, Franchisee shall ensure that such staff promptly attend, and successfully complete, such further training at Franchisee's cost and expense.

N. **Franchisee Training-Related Obligations.** In addition to its other obligations under this **Section V** and for more clarity, Franchisee shall:

1. If Franchisee is a Brand New Franchisee, not start the Franchised Business until the Initial Training has entirely been successfully completed to Franchisor satisfaction.

2. not allow any employee or Principal to work in the Franchised Business until they have been successfully trained in accordance with the applicable provisions of this **Section V**.

3. ensure that, if any employee or Principal does not successfully complete training, such training is repeated until it has been successfully completed at Franchisee's cost and expense.

4. ensure that all employees or Principals attend such further training as Franchisor may reasonably require at Franchisee's cost and expense.

## **VI. MARKS AND INTELLECTUAL PROPERTY**

A. **Franchisor Rights in and to the Intellectual Property.** We represent to you that we are not aware of any reason why we might not be entitled to license the Intellectual Property and why the use of the Intellectual Property by Franchisee in accordance with the terms of this Agreement would constitute an

infringement of any third party's intellectual property. For the purposes of this Agreement, “**Intellectual Property**” means patents, rights to inventions, copyright and related rights, rights in software, trademarks and service marks (including the Marks), business names, trade names (including the Trade name) and domain names, rights in get-up, goodwill and the right to sue for passing off, rights in designs, database rights, rights to use, and protect the confidentiality of, confidential information (including know-how), copyrights and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world relating to the Franchised Products, the Proprietary Items, the Bath Fitter® businesses and the System, owned by Franchisor or acquired by Franchisor from time to time, that will be licensed to you under this Agreement.

**B. Franchisee Intellectual Property Obligations.** With respect to your use of the Intellectual Property, you agree that:

1. You will use only the Intellectual Property that we have designated in writing, and you will use such Intellectual Property only in the manner we have authorized and permitted in writing including in the Confidential Operations Manual;
2. All items bearing the Marks must bear the then-current logo.
3. You will use the Intellectual Property only for the operation of the Franchised Business, or in Franchisor-approved marketing for the Franchised Business and/or the Bath Fitter® Franchised Network (subject to the other provisions of this Agreement).
4. You will not use any intellectual property that is confusingly similar to the Intellectual Property, whether in association with the Franchised Products, the Franchised Business, the System or otherwise, and nor will any of your affiliates.
5. You will never tamper, or attempt to tamper, with Marks on Franchised Products or any other Intellectual Property registration/ownership markings.
6. You will not use any intellectual property in association with the Franchised Products, the Franchised Business or the System, other than the Intellectual Property and nor will your affiliates. Should you or your affiliates not comply with the above, then in addition to our other rights and remedies under this Agreement or at law, we shall instantly become the sole and exclusive owners of all rights, title and interest in such other intellectual property to the extent they were developed by or for you or your affiliates, and you shall, on demand, take all actions and sign all documents we will require to give full effect to such transfer of ownership rights in our favor. You shall not be entitled to any compensation of any kind or nature for such transfer of ownership rights.
7. Unless we otherwise direct you in writing to do so, you shall operate and advertise the Franchised Business only under the name “Bath Fitter®” (as we designate in writing) without prefix or suffix (except with our prior written approval).
8. You shall use the Marks and any other Intellectual Property in such a way that third parties (including customers, vendors, suppliers, potential customers, employees, candidates) will never confuse your Franchised Business with any other Bath Fitter® business or us or any of our affiliates, and you shall at all times identify yourself (in a manner reasonably acceptable to us) as Franchisee of the Franchised Business in conjunction with any use of the Trade Name, the Marks or other Intellectual Property visible to any third party (including customers, potential customers, your staff, candidates, contractors, vendors and suppliers) including, but not limited to, uses on websites, landing pages, social media pages, invoices, order forms, estimates, receipts,

and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as well as Motor Vehicles as we may designate in writing.

9. You shall use the Marks and any other Intellectual Property in such a way that third parties (including customers, vendors, potential customers, employees, candidates) will never confuse your Franchised Business and /or the Franchised Products with any other business you or any Principal or any of your affiliates may, directly or indirectly, in whole or in part, own or operate or any products and/or services such other business of yours may offer for sale.

10. You shall not do anything that may adversely affect the Intellectual Property or Franchisor's right or title to it.

11. You shall never copy, reproduce or reverse engineer, or attempt to copy, reproduce or reverse engineer, any Intellectual Property.

12. Your right to use the Intellectual Property is limited to such uses as are expressly authorized under this Agreement or otherwise expressly authorized by us in writing, and any unauthorized use thereof shall constitute an infringement of our rights.

13. You shall not use the Intellectual Property to incur, and you shall never incur, any obligation or indebtedness on our behalf, on behalf of any of our affiliates or on behalf of any other Bath Fitter® business.

14. You shall promptly comply with all requests by Franchisor as to the use of the Intellectual Property, including the Marks.

15. You shall not use any Intellectual Property including the Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise expressly provided in this Agreement or as expressly approved in writing by Franchisor); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.

16. You shall: **(a)** comply with our instructions in filing and maintaining requisite trade name domain names or fictitious name registrations; and **(b)** give assistance to enable Franchisor to protect its Marks and other Intellectual Property including by executing any documents that we (or our affiliates) deem necessary to obtain protection for the Intellectual Property or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Marks on the Internet or in other marketing.

C. **Intellectual Property Protection.** With respect to litigation involving the Intellectual Property, the parties agree that:

1. You agree to immediately notify us of any known, threatened, actual or suspected infringement of the Intellectual Property, any known, threatened, actual or suspected challenge to the validity of the Intellectual Property, or any known, threatened, actual or suspected challenge to our ownership of, or your right to use, the Intellectual Property licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, and your counsel regarding any such known, threatened, actual or suspected infringement or challenge. You acknowledge that only we have the sole and exclusive right to initiate, conduct, direct and control any administrative proceeding or litigation involving the Intellectual Property, including any settlement thereof, or to take any other action in connection with the protection of the Intellectual Property. We will also have the sole right, but not the obligation, to take action against uses by any person that may constitute infringement of the Intellectual Property.

2. Defense and Costs:

(a) *If You Used the Intellectual Property in Accordance with this Agreement:* If you have used the Intellectual Property in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand alleging intellectual property infringement arising out of such compliant use thereof, and we agree to reimburse you for your reasonable out-of-pocket litigation costs (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement).

(b) *If You Used the Intellectual Property, But Not in Accordance with this Agreement:* If you used the Intellectual Property in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us on demand for the cost of such litigation (or, upon our written request, pay our legal fees/expenses directly), including reasonable attorneys' and other expert fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

3. If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Intellectual Property, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's or our other experts' opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

D. Your Acknowledgements and Covenants. You agree that:

1. We own all right, title, and interest in and to the Intellectual Property including the Marks and the goodwill associated with and symbolized by them.

2. The Marks are valid and serve to identify the System and those who are authorized to operate under the System.

3. Neither you nor any of your affiliates (nor any of your and their respective owners, principals, or other persons acting on your or their behalf) will directly or indirectly contest the validity or our exclusive ownership of the Intellectual Property, including the Marks, nor will you, your affiliates or any of your and their respective owners, principals, or other persons acting on your or their behalf directly or indirectly, seek to register the Intellectual Property or any derivative thereof or any confusingly similar Intellectual Property with any government agency or other recognized registrar anywhere in the world.

4. Your use of the Intellectual Property does not give you any ownership interest or other right or interest in or to the Intellectual Property, except the license granted by this Agreement.

5. You do not have the right to grant sublicenses of, or any other rights in and to, the Intellectual Property to any party.

6. Any and all goodwill arising from your use of the Intellectual Property shall inure solely and exclusively to our benefit and shall be our sole and exclusive property, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Intellectual Property, and you will not be entitled to any compensation or indemnification of any kind or nature in connection with such goodwill or the loss thereof.

7. The license that we have granted to you under this Agreement to use our Intellectual Property is not exclusive, and therefore we have the right, among other things:

a. To use the Intellectual Property ourselves in connection with selling Franchised Products or in connection with any other purpose;

b. To grant other licenses for, or rights in and to, the Intellectual Property, to anyone in addition to licenses we may have already granted to you and other licensees; and

c. To develop and establish other systems using the same or similar Intellectual Property, or any other intellectual property, and to grant licenses or franchises in connection with, or for, those other systems, marks or intellectual property without giving/granting you any rights to those other systems, marks or intellectual property.

E. **Change to Marks.** We reserve the right to substitute different Marks for use in identifying, and in connection with, the System and the businesses operating as part of the System if our currently owned Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Marks and that your right to use the substituted Marks shall be governed by (and pursuant to) the terms of this Agreement.

## VII. CONFIDENTIAL OPERATIONS MANUAL

A. **You Agree to Abide by the Confidential Operations Manual.** In order to ensure the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System, you agree to conduct the Franchised Business in accordance with the written instructions that we provide from time to time, including the Confidential Operations Manual. We have the right to modify the Confidential Operations Manual at any time.

B. **Format of the Confidential Operations Manual.** We will provide to you, for the duration of the Term, electronic access to the Confidential Operations Manual through any format that we designate (including internet website, portal, intranet, and extranet), and we may change how we provide the Confidential Operations Manual from time to time. You shall use your electronic access to the Confidential Operations Manual only in connection with operating the Franchised Business during the Term. We have the right to modify the Confidential Operations Manual at any time.

C. **We Own the Confidential Operations Manual.** The Confidential Operations Manual will at all times remain our sole property and you agree to promptly return any and all copies of some or all of the Confidential Operations Manual when this Agreement expires and/or is terminated or otherwise on demand from us, without retaining any copy thereof in whole or in part whether in tangible or intangible form. You shall acquire no right of any kind or nature therein or thereto other than the revocable right to use it for the sole purposes of your Franchised Business.

### D. **Confidentiality and Use of the Confidential Operations Manual.**

1. The Confidential Operations Manual contains our proprietary information and is part of our Intellectual Property and you agree to keep the Confidential Operations Manual confidential during the Term and after this Agreement expires and/or is terminated. You agree to maintain at all times secure access to the Confidential Operations Manual in accordance with our security protocols and at a minimum in accordance with the security measures you would implement for your most sensitive information. You also agree to grant only authorized personnel of the Franchised Business with access to the security protocols for the Confidential Operations Manual.

2. You agree to never make or allow any unauthorized use, disclosure, and/or duplication of the Confidential Operations Manual in whole or in part, and never to share it or grant or allow access thereto in whole or in part with/to any third party.

3. You agree that at all times, you will treat the Confidential Operations Manual, any other manuals that we create (or approve) for use in the operation of Bath Fitter® businesses, and the information contained in those materials, as strictly confidential, and you also agree to use your best efforts to maintain such information as secret and confidential.

E. **Revisions to the Confidential Operations Manual.** We have the right to revise the contents of the Confidential Operations Manual whenever we deem it appropriate to do so at our entire discretion, and you agree to immediately comply with each new or changed terms of the Confidential Operations Manual. In the event of a discrepancy between our version of the Confidential Operations Manual and your version, our version shall govern.

F. **Modifications to the System.** We reserve and will have the right to make changes in the Confidential Operations Manual, the System, and the Marks at any time and without prior notice to you. You must promptly alter any signs, products, business materials, services provided, methods of operation and related items, at your cost and expense, upon receipt of written notice of such change or modification in order to conform with our revised specifications. If any improvement or addition to the Confidential Operations Manual, the System, or the Marks is developed by you, then you will grant us a perpetual, irrevocable, world-wide, exclusive, royalty-free licence, with the right to sub-license such improvement or addition.

Due to changes in competitive circumstances, industry trends, presently unforeseen changes in the needs and behaviour of customers, and/or presently unforeseen technological innovations, the System may not remain static, in order that it best serve the interests of the Franchisor, all franchisees and the System. Accordingly, we may, from time to time, change, update, and supplement the components of the System, including but not limited to: altering the products, programs, services, methods, standards, forms, policies, technology systems, information systems, and procedures of that System; adding to, deleting from or modifying the programs, products and services that the Franchised Business is authorized to offer; and changing, improving, modifying, or replacing the Marks, including the primary BATH FITTER name and mark, and/or otherwise rebrand the entirety of the BATH FITTER System (including the Franchised Business). You must promptly adopt and abide by all such modifications, changes, additions, deletions and alterations at your sole cost and expense.

## VIII. PROPRIETARY ITEMS, DATA, ELECTRONIC COMMUNICATIONS AND TECHNOLOGY

A. **List of Proprietary Items.** “**Proprietary Items**” means all equipment, tools and technology developed and/or manufactured by or for the Franchisor and/or its affiliates that Franchisor designates as required for the operation of Bath Fitter® businesses. A list of certain of the Proprietary Items may be found in the Confidential Operations Manual. With a view to ensuring the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System, Franchisor may make available to Franchisee, solely during the Term, either directly or through its affiliates, Proprietary Items. Franchisor and its affiliates will have the right, at their sole discretion, to materially amend, modify, change, replace, and further develop from time to time in any respect the list of Proprietary Items.

B. **Franchisor Ownership Rights in and to Proprietary Items.** Franchisor and/or its affiliates shall continue to be the sole owners of all rights, title and interest in and to the Proprietary Items and the Intellectual Property attached thereto. Where allowed by applicable law, Franchisor or an affiliate may register a security interest in said Proprietary Items in accordance with the applicable Personal Property Security Legislation. Franchisee shall fully cooperate with Franchisor and/or its affiliates in connection with, and facilitate, any such registration.

C. **Franchisee Right to Use Proprietary Items.** Franchisee acknowledges and agrees that, except where and to the extent other rights are expressly granted by Franchisor and/or its affiliates to Franchisee in and to any such Proprietary Items, it shall have no right whatsoever in and to any such Proprietary Items other than the right to use same for the Franchised Business in accordance with the terms of this Agreement. Franchisee's

right to use the Proprietary Items shall be subject to the following terms and conditions: (i) Franchisee shall timely pay to Franchisor in accordance with Franchisor payment terms, for the requested Proprietary Item, the then applicable usage fee (if any) that Franchisor shall have the right to set for such Proprietary Item (which Franchisor shall also have the right to change from time to time) ; (ii) risk of loss of Proprietary Items shall be borne by Franchisee during the Term and any replacement or repair thereof shall be at Franchisee's sole cost and expense; (iii) all Proprietary Items shall at all times remain the entire and absolute property of Franchisor; (iv) Franchisee shall never grant to anyone, nor tolerate that anyone acquire, any right of any kind or nature whatsoever in and to any Proprietary Item; (v) Franchisee shall take good care of the Proprietary Items at all times during the Term; (vi) Franchisee shall neither reverse engineer nor decompile any of the Proprietary Items or permit any person to do so; (vii) Franchisee shall at all times protect diligently the confidentiality of the Proprietary Items, and without limitation, never share any of the Proprietary Items with anyone, except with its employees on a strict need-to-know basis; (viii) at the end of Term, promptly upon Franchisor request, Franchisee shall return the Proprietary Items to Franchisor in good condition and working order, ordinary wear and tear excepted, the whole without retaining a copy and without compensation.

D. **Additional Franchisee Obligations.** Franchisee agrees that it shall not duplicate or otherwise use in an unauthorized manner any Proprietary Item of Franchisor or any affiliate during the Term and following the expiration or termination of this Agreement for any reason. Proprietary Items shall only be used in the ordinary course of business of the Franchised Business. Proprietary Items shall be kept at the Approved Location and, where applicable, only transported for the sale and performance of Franchised Products.

E. **Proprietary Software.** Proprietary Items may include Proprietary Software that Franchisor, its affiliates, and/or their vendors may provide. Franchisee agrees that if Franchisor so requires, it shall use without delay any proprietary software or other virtual/on-line/digital solution or service that is licensed or otherwise made available by or on behalf of Franchisor or any affiliate (the "**Proprietary Software**"). Whether Franchisee is required or elects to use Proprietary Software, Franchisee will use Proprietary Software only as required by Franchisor including in accordance with the Confidential Operations Manual and/or other written direction from Franchisor. Franchisee will also promptly sign, and always comply with, any agreement Franchisor may require in connection with Franchisee use of Proprietary Software. Franchisor shall have the right (directly or through an affiliate and/or a vendor) to amend, modify, change, further develop, update, replace, and/or remove Proprietary Software in whole or in part and from time to time as Franchisor deems fit, and Franchisee shall promptly adopt such changes as may be required by Franchisor. Franchisee shall not in any manner modify, tamper with, or duplicate the Proprietary Software (including reverse engineering, changing, adding code to, or otherwise altering). Franchisee shall be solely responsible, at the entire exoneration of Franchisor and its affiliates, for timely payment of all fees and charges associated with its use of any Proprietary Software.

F. **Data.**

1. Franchisee agrees that (i) all data relating to, or in any manner associated with, the Franchised Business and its operation and/or the System (including without limitation customer, potential customer, and transaction data) that Franchisee collects, creates, provides, or otherwise develops (whether or not uploaded to our system from Franchisee's system and/or downloaded from Franchisee's system to Franchisor's system), but excluding all personally identifiable data about, relating to, or somehow associated with, current, former and future employees or candidates of Franchisee (which shall be and remain the sole and exclusive property of Franchisee) ("**Franchisee HR Data**") (all of the above data, excluding Franchisee HR Data, is defined as the "**Franchised Business Data**") is and will be owned exclusively by, and is and shall be the sole and exclusive property of, Franchisor, and that (ii) accordingly, Franchisor will have the right, without limitation, to access, download, and use the Franchised Business Data in any manner that Franchisor deems appropriate without compensation to Franchisee.

2. Franchisor hereby licenses use of the Franchised Business Data back to Franchisee, at no additional cost, solely for the Term and only for Franchisee's use in connection with operating the Franchised Business. Franchisee agrees that except for the right to use the Franchised Business Data under this **Section**

**VIII.F.2.** Franchisee will not acquire, develop or have any ownership or other rights in or to the Franchised Business Data.

3. Franchisee agrees to transfer to Franchisor all Franchised Business Data (in the digital machine-readable format or other format that Franchisor specifies, and/or printed copies, and/or originals) promptly upon Franchisor's request when made, whether periodically during the Term, upon termination and/or expiration of this Agreement, or at the time of any Transfer.

4. Franchisee agrees to comply with our requirements as we may impose from time to time with respect to your use, protection, hosting and processing of all personally identifiable data about, relating to, or somehow associated with, current, former and future clients and potential clients of the Franchised Business ("**PII**") and Franchisee shall at all times strictly comply with all applicable laws and regulations (and Franchisor's policies) pertaining to PII.

5. For the limited purpose of **this Section**, references to "**Franchised Business Data**" exclude consumers' credit card and/or other payment information.

G. **Digital Sites.** Franchisee agrees not to own, establish, nor permit any other party to establish, nor to otherwise use a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Marks or the Franchised Products ("**Franchised Business Digital Site**"), except with Franchisor's prior written consent. Franchisor may determine at any time at its discretion that in order to ensure the consistency of Franchisor's standards of quality, operations and service, and the furtherance of the goodwill, public image and reputation associated with the Marks and the System, Franchisee shall only and exclusively use Franchisor Digital Sites, in which case Franchisee shall promptly comply at Franchisee's sole cost and expense. Franchisor will have the right, but not the obligation, to provide one or more references or Webpage(s), as Franchisor may periodically designate, within Franchisor's Digital Site(s). The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including current and future functions such as the Internet, World Wide Web, Webpages, microsites, social media and networking sites/pages (including Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, Yelp, Instagram, TikTok, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), the metaverse, and other applications, etc. (whether they are now in existence or developed in the future). However, if Franchisor gives prior written consent to allow Franchisee to have some form of separate Franchised Business Digital Site (which Franchisor are not obligated to approve), then Franchisor may condition its approval on the standards that Franchisor deems appropriate, in addition to all of the following:

1. Any Franchised Business Digital Site that Franchisee owns, uses or that is maintained by or for Franchisee's benefit will be deemed "marketing" under this Agreement, and will be subject to (among other things) Franchisor's right of review and prior approval.

2. Before establishing any Franchised Business Digital Site, Franchisee agrees to submit to Franchisor, for prior written approval, a sample of the proposed Franchised Business Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner Franchisor may reasonably require.

3. Franchisee may not use or modify such Franchised Business Digital Site without Franchisor's prior written approval as to such proposed use or modification.

4. In addition to any other applicable requirements, Franchisee agrees to immediately comply with the standards and specifications for Digital Sites that Franchisor may periodically prescribe in the Confidential Operations Manual or otherwise in writing (including requirements pertaining to designating Franchisor as the sole administrator or co-administrator of the Franchised Business Digital Site(s)).

5. Franchisee agrees that any digital identifier that it creates (including names on social networking pages) in connection with any Franchised Business Digital Site are uses of the Marks and shall belong, exclusively, to Franchisor. Franchisee agrees, at its sole cost and expense, to promptly execute such documents and take such actions as Franchisor may require in order to implement this provision.

6. If Franchisor requires, Franchisee agrees to promptly establish such hyperlinks to Franchisor's Digital Site(s) and others as Franchisor may request in writing.

7. If Franchisor requires Franchisee to do so, Franchisee agrees to immediately make weekly or other periodic updates to the Franchised Business Digital Site(s) to reflect information regarding specials and other promotions at the Franchised Business.

8. Franchisor may require that Franchisee, and Franchisee will then promptly, make Franchisor the sole administrator (or co-administrator) of any Franchised Business Digital Site including social networking pages that Franchisee maintains or that are maintained on Franchisee's behalf, and Franchisor will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.

9. Franchisee shall not post anywhere in any medium including any Digital Site any information relating to Franchisor, its affiliates, the System, the Marks, the Franchised Products, the Bath Fitter® Franchised Network, the Bath Fitter® businesses or the Franchised Business that (a) is derogatory, disparaging, or critical, (b) is offensive, inflammatory, or indecent, or (c) harms or is likely to harm the goodwill and public image of Franchisor, its affiliates, the System, the Marks, the Franchised Products, the Bath Fitter® Franchised Network and/or the Bath Fitter® businesses.

H. **Implementation of New Technology.** Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish in writing, at any time and from time to time, as it deems fit, new or updated requirements for the implementation of technology in the System; and Franchisee agrees that it shall abide by such requirements without delay at its sole cost and expense.

I. **Outsourcing.** You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of **this Section** are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent. You also agree not to implement, use, or otherwise engage with AI Sources unless we have given our prior written consent. "**AI Source**" means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.

J. **Telephone Service.** You agree to use the telephone service for the Franchised Business that we may require from time to time, which may be one or more centralized vendors that we may designate for that purpose.

K. **Electronic Communication – Including E-Mail, Texts, and other Messaging.** Franchisor may require Franchisee, at any time and from time to time, to use specific telephone numbers, email addresses, domain names and other methods for sending communication electronically, whether or not currently invented or used, including app- and/or internet-based communication, and faxes ("**Designated Communication Addresses**") for the Franchised Business, in which case Franchisee shall only use the Designated

Communication Addresses for the Franchised Business. In the absence of Designated Communication Addresses, Franchisee shall use for the Franchised Business only telephone numbers, email addresses, domain names and other methods for sending communication electronically, whether or not currently invented or used, including app- and/or internet-based communication, and faxes, approved by Franchisor (“**Approved Communication Addresses**”) (Designated Communication Addresses and Approved Communication Addresses are collectively referred to as “**Communication Addresses**”). The following terms all apply to Communication Addresses:

1. Where Communication Addresses and associated services are held in the name of Franchisor but for the benefit of the Franchised Business, Franchisee shall, on demand, reimburse Franchisor for all charges for the use of the Communication Addresses.

2. Franchisee shall not use the Communication Addresses for any purpose other than the operation of the Franchised Business.

3. Franchisee shall use the Communication Addresses and no other telephone numbers, email addresses or domain names or other communication methods in connection with the operation of the Franchised Business.

4. Franchisee shall be solely responsible (and agree that neither Franchisor nor its affiliates shall have any responsibility) for timely payment of all fees and charges associated with the Communication Addresses and the use thereof.

5. Franchisee shall use the Communication Addresses in strict compliance with applicable contractual and legal obligations and rules.

6. Franchisor owns all rights, title and interest in and to, Communication Addresses, and you agree, at your sole cost and expense, to promptly execute upon Franchisor request such documents and take such actions as Franchisor may require in order to implement this provision. Franchisor hereby licenses use of such Communication Addresses back to Franchisee, at no additional cost, solely for the Term and only for Franchisee’s use in connection with operating the Franchised Business.

## **IX. NEW DEVELOPMENTS**

A. You agree to promptly disclose to us all ideas, concepts, methods, techniques, services, products and new information conceived or developed by or for you, your affiliates, and your and their respective owners, shareholders, partners, members, managers, directors, officers and employees (“**Franchisee Group**”) during the Term relating to the Franchised Business and the development and/or operation thereof (“**Franchisee New Developments**”). All Franchisee New Developments will be deemed to be, and will instantly become, immediately upon their creation/development/conception our sole and exclusive property and works made-for-hire for us without any compensation to any Franchisee Group member. Without limitation and as a precaution, you hereby grant to us (and agree to obtain from the appropriate other Franchisee Group members), a perpetual, royalty-free, irrevocable, assignable, sublicensable, exclusive, and worldwide right to use any such Franchisee New Developments as we deem appropriate at our discretion including in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those Franchisee New Developments without compensation to and Franchisee Group member. You agree not to use, or allow any other person or entity to use, and you agree not to share with anyone, any such Franchisee New Developments without obtaining our prior written approval.

## **X. CONFIDENTIAL INFORMATION**

A. Franchisee acknowledges that its entire knowledge of the operation of a Bath Fitter® business is derived from information disclosed to Franchisee by Franchisor or any of its affiliates or otherwise accessed by Franchisee through its relationship with Franchisor or its affiliates and that such information, including without

limitation information relating to, associated with, derived from, embodied or contained in, the System, the Confidential Operations Manual, the Proprietary Software, the Intellectual Property, the Logo Items, the National Marketing Fund, the Proprietary Items, the Franchised Business Data, Franchisor Marketing Templates and the Franchised Products and all other know-how regarding the specifications, standards, operating procedures and rules applicable to the Franchised Business, is proprietary, confidential, and/or certain of such information constitutes trade secrets of Franchisor and/or its affiliates (collectively, all of the above, the “**Confidential Information**”). In this regard, at all times during the Term and after the expiration or termination of this Agreement:

1. Franchisee shall maintain the absolute confidentiality of all such Confidential Information, and shall not use, permit, allow, or otherwise tolerate the use of any such Confidential Information in any other enterprise and/or in any manner and/or for any purpose other than the operation by Franchisee of the Franchised Business. Franchisee acknowledges and agrees that maintaining the confidentiality of the Confidential Information is essential to the success of the System and the Bath Fitter® Franchised Network and critical for Franchisor and its affiliates. Franchisee shall not disclose the Confidential Information to anyone except and only to the extent and only to such of its employees and other representatives as must have access to it in order to operate the Franchised Business and shall at all times ensure that the Confidential Information is not shared with, accessed and/or in use by, unauthorized personnel.

2. Franchisee shall require anyone who may have access to the Confidential Information to agree in writing to be personally bound by a non-disclosure obligation to maintain the confidentiality of the Confidential Information they receive or access in connection with their association with Franchisee and not use any of such Confidential Information for any purpose other than as required by their association with Franchisee; and such covenants shall be in a form acceptable to or approved by Franchisor, and must designate Franchisor as a third-party beneficiary of that covenant with the independent right to enforce them. Franchisee shall be responsible for any violation of this **Section X** by any third-party accessing the Confidential Information through Franchisee, including its staff and employees.

3. Franchisor and/or its affiliates will disclose, or grant access to, Confidential Information to Franchisee, and Franchisee agrees it shall use such Confidential Information, solely for use in the operation of the Franchised Business. Franchisee acknowledges and agrees that it will not acquire any interest in any of the Confidential Information disclosed by, or accessed by Franchisee through, Franchisor and/or its affiliates, other than the right to utilize such Confidential Information in operating the Franchised Business solely during the Term, and that the use, sharing or duplication of any Confidential Information for any other purpose will constitute a breach of this Agreement.

B. As used in this Agreement, the term “**Confidential Information**” also includes our and our affiliates’, business information, business concepts and plans, business models, financial models, product specifications, methods for installation and service of products, equipment, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, contract terms, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or Exhibits, customer and potential customer information (including profiles, preferences, details, and/or statistics), itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, Franchisee New Developments, and all related trade secrets or other confidential or proprietary information treated as such by us and/or our affiliates, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

## XI. ADVERTISING

A. **Franchisor Marketing Templates.** For all proposed local marketing, promotion and advertising for the Franchised Business in the Territory, you shall only use the template material made available by Franchisor from time to time ("**Franchisor Marketing Templates**"). Franchisor Marketing Templates shall be Franchisor's sole and exclusive property and you shall never acquire any right of any kind or nature thereto or therein except for the limited right to use same for the Franchised Business in accordance with the applicable terms of this Agreement and any other guidelines, requirements and directions as may be provided by Franchisor from time to time.

B. **Franchisor Approval of Franchisee Local Advertising Material.** Exceptionally and only where Franchisor Marketing Templates do not materially meet your needs should you be allowed to create or have created for you your own local marketing, promotion or advertising material for the Franchised Business or to materially depart from a Franchisor Marketing Template (collectively, "**Franchisee Local Advertising Material**"). In such cases, you shall submit to us samples of such Franchisee Local Advertising Material by means we may direct in writing from time to time, for our review and prior written approval or disapproval, which we agree to provide within fourteen (14) days of receipt. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received the proposed Franchisee Local Advertising Material, then we will be deemed to have disapproved of them. You shall never use any Franchisee Local Advertising Material we have disapproved or are deemed to have disapproved. You agree that any and all copyright in and to advertising, promotion and marketing materials, and promotional plans developed by or on behalf of you in connection with the Franchised Business, including any Franchisee Local Advertising Material will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to promptly sign such documents) that we deem reasonably necessary to give effect to this provision. Franchisee agrees and acknowledges that any use of advertising or promotional materials that are not approved by Franchisor pursuant to this **Section XI.B** shall be a violation of this Agreement and will cause irreparable harm to the Marks and the System.

C. **Logo Items.** You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term "**Logo Items**" is agreed to mean all marketing materials, signs, decorations, and all forms and stationery used in the Franchised Business. You agree that all Logo Items that you use will bear the Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in **Section XI.B** above).

D. **Creation of the National Marketing Fund.** Franchisor has established a National Marketing Fund ("**National Marketing Fund**") for the Bath Fitter® Franchised Network.

E. **Contribution of Franchisee to the National Marketing Fund.** Except as provided in **Section XI.E.1**, Franchisee shall contribute to the National Marketing Fund, each calendar month, an amount calculated as follows ("**NMF Contribution**"):

1. For the period between the Effective Date and the end of the twelfth (12<sup>th</sup>) full calendar month thereafter ("**Initial NMF Period**"), and only with respect to the first year of operation of the Franchised Business in the Territory, the Franchised Business NMF Contribution shall be as per the applicable terms of **Exhibit XI.E.1**.

2. For the period between the end of the Initial NMF Period and the end of the then current calendar year ("**Calendar Year 1**"), the NMF Contribution shall be calculated as follows promptly after the end of the Initial NMF Period: (the percentage stipulated in **Exhibit XI.E.2.1** as same may be amended from time to time in accordance with **Section XI.4** ("**NMF Percentage**") x (Franchised Business Gross Revenues for the Initial NMF Period x (the applicable set increase rate for the Franchised Business set forth in **Exhibit XI.E.2.2** ("**Set Increase**") + 100%)) divided by 12.

3. For each calendar year following Calendar Year 1 (each such calendar year, the “**Upcoming NMF Calendar Year**”), the NMF Contribution shall be calculated as follows promptly after the end of the immediately preceding calendar year (“**Immediately Preceding Calendar Year**”): (i) (the then prevailing NMF Percentage x (the Franchised Business’ Gross Revenues for the Immediately Preceding Calendar Year x (the Set Increase + 100%))) divided by 12; or, if higher, (ii) the highest monthly NMF Contribution ever due by Franchisee in connection with the Territory. Under no circumstance shall the NMF Contribution with respect to any Upcoming NMF Calendar Year be less than the highest Franchised Business NMF Contribution ever due by Franchisee in connection with the Territory.

4. We have the right to periodically make changes to the NMF Percentage by giving you written notice of the change, and those changes will take effect as of the date stipulated in the notice.

5. No part of your NMF Contribution will be subject to refund or repayment under any circumstances.

6. For the purposes of **Section XI.E**, within five (5) business days following the end of each calendar month, Franchisee shall: (i) submit to Franchisor or its designee a report and/or statement (in the format required by Franchisor) calculating its monthly NMF Contribution; (ii) provide Franchisor with the financial information, statements and reports (including the Reports) as required by Franchisor to calculate the Franchised Business Gross Revenues and (iii) pay its NMF Contribution. Should Franchisee fail to timely provide the information required under **Section XI.E**, Franchisor, in addition to all other remedies available under this Agreement or at law, shall be entitled to estimate the Franchised Business Gross Revenues and calculate the Franchised Business NMF Contribution based on such estimate, and Franchisee shall then pay its NMF Contribution based on Franchisor estimate.

7. The reports and/or statements referred to above must be submitted using the formats, electronic systems and methods that we designate, and you agree that we will have the right to debit the amount of your NMF Contribution using ACH or similar bank debit procedures.

F. **The National Marketing Fund Administration.** The National Marketing Fund shall be used, managed, directed, maintained, and administered by Franchisor, or its designee, as follows:

1. We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the National Marketing Fund is intended to help maximize general public recognition, acceptance, and use of the Franchised Products, the Bath Fitter® Franchised Network, the Marks and more generally the System; and that we and our designee are not obligated, in administering the National Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular Bath Fitter® business benefits directly or pro rata from expenditures by the National Marketing Fund.

2. The National Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting and preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will help enhance the image of the Bath Fitter® Franchised Network, the Franchised Products, the Marks and the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeting, SEO and other search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising/marketing and/or public relations agencies to assist with such endeavors; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers;

purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Bath Fitter® businesses and their competitors; paying association dues (including the International Franchise Association); establishing third-party facilities for customizing local advertising; purchasing and installing signage; protecting and defending the Marks, the Intellectual Property and the System from infringement or unauthorized or improper use by all means we deem appropriate, and providing promotional and other marketing materials and services to businesses operating under the System including Bath Fitter® businesses).

3. The National Marketing Fund may also be used to provide rebates or reimbursements to franchisees or our affiliates' Bath Fitter® businesses for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will help promote general public awareness and favorable support for the Franchised Products, the Marks and the System. All sums you pay to the National Marketing Fund will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction, management and implementation of the National Marketing Fund and marketing/advertising/promotional/awareness programs for Bath Fitter® businesses, the Marks and the System. The National Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the National Marketing Fund.

4. The National Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual unaudited statement of the operations of the National Marketing Fund as shown in our books.

5. Although once established the National Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the National Marketing Fund at any time as we may see fit. The National Marketing Fund will not be terminated, however, until all monies in the National Marketing Fund have been expended in accordance with the terms hereof.

6. We will not use the National Marketing Fund for solicitations that are primarily for the purpose of promoting the offer of new Bath Fitter® businesses.

7. Franchisor and its designee shall have no direct or indirect liability or obligation of any kind or nature with respect to collecting amounts due in respect of the National Marketing Fund, or using, managing, directing, maintaining and administering the National Marketing Fund. Franchisor and /or any of its designee shall neither be a trustee or act in any fiduciary capacity with respect to the National Marketing Fund.

G. **Grand Opening Marketing.** In addition to the NMF Contribution, Franchisee agrees, upon Franchisor request, to spend at least the amount stipulated in **Exhibit XI.G** for grand opening marketing and promotional programs in conjunction with the Franchised Business' initial grand opening, pursuant to a grand opening marketing plan that you develop and must be submitted to us for our review and approval (the "**Grand Opening Marketing Plan**"). You are not allowed to implement a Grand Opening Marketing Plan unless it is approved in advance by us. The Grand Opening Marketing Plan must be realized/implemented by you in accordance with its terms. The terms of **Sections XI.A and XI.B** shall apply mutatis mutandis to the Grand Opening Marketing Plan.

#### H. **Local Marketing.**

1. In addition to the NMF Contribution and the Grand Opening Marketing Plan, Franchisee agrees to, and shall, make Local Marketing Expenditures at least in the amount stipulated in, or calculated in accordance with **Exhibit XI.H**. Franchisor reserves the right at any time by written notice to you, to prohibit or restrict or condition your use, for Local Marketing Expenditures, of some marketing/promotional/advertising channels, partners, tools or platforms, and you shall promptly comply. On

demand from Franchisor, Franchisee shall submit proof to Franchisor's satisfaction of the amount it spent in Local Marketing Expenditure. Should Franchisor determine that Franchisee does not spend enough in Local Marketing Expenditures or does not spend the amounts Franchisee should according to this **Section XI.H**, then Franchisor also reserves its other rights and remedies under this Agreement.

2. Franchisee agrees to conduct the marketing activities that Franchisor periodically requires, including e-mail campaigns directed to customers that have purchased (or might purchase) Franchised Products from your Franchised Business. Franchisor has the right to conduct those marketing activities on Franchisee's behalf at Franchisee's cost and expense. In all instances, Franchisee agrees to use the specific vendors that Franchisor requires (including e-mail distribution services) to conduct certain marketing activities.

I. **Regional Fund.** We have the right (but not the obligation) to designate any geographical area for the purpose of establishing a "**Regional Fund.**" If a Regional Fund including the Territory in whole or in part of the Franchised Business has been established, then the following provisions will apply:

1. When you start operations under this Agreement, if there is already a Regional Fund for your Territory, then you agree to immediately become a member of that Regional Fund. If a Regional Fund is later established for your Territory during the Term, then you agree to become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund starts operation. You will not be required to join more than one Regional Fund per Territory.

2. Only the Bath Fitter® businesses whose territory is included in whole or in part in the Regional Fund area shall be allowed to participate, but all such Bath Fitter® businesses must participate.

3. If we establish a Regional Fund, then all the following provisions will apply to that Regional Fund:

a. Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.

b. Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.

c. The terms of **Sections XI.A and XI.B** shall apply to all proposed Regional Fund marketing, promotion and advertising.

d. Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we may specify from time to time by written notice, at the time required by us (or the Regional Fund with our approval) in writing, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require.

e. Your financial contributions to the Regional Fund will be credited against your requirement to make Local Marketing Expenditures. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.

f. Voting will be based on one vote per full-service Bath Fitter® business, and any Bath Fitter® businesses that we (or our affiliates) operate in the region will have the same voting rights as those operated by franchisees.

g. Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated,

however, until all monies in that Regional Fund have been expended for marketing purposes in accordance with the terms hereof.

4. Franchisor and its designee shall have no direct or indirect liability or obligation of any kind or nature with respect to collecting amounts due in respect of any Regional Fund, or using, managing, directing, maintaining and administering the Regional Fund. Franchisor and /or any of its designee shall neither be a trustee or act in any fiduciary capacity with respect to Regional Funds.

J. **Local Marketing Expenditure.**

1. As used in this Agreement, the term “**Local Marketing Expenditure**” will consist only of your financial contributions to the Regional Fund, the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend locally for your Franchised Business, advertising agency fees and expenses, postage, shipping, telephone, and photocopying. The parties agree that none of the following shall count toward meeting Franchisee’s obligation to make the Local Marketing Expenditure: (a) salaries and expenses of your staff; (b) charitable, political, or other contributions or donations; and/or (c) the value of discounts provided to customers.

2. Except for the Grand Opening Marketing Plan, the obligation to make local advertising and promotional expenditures shall not apply in the first calendar month during which the Franchised Business is in operation.

XII. **FEES, OTHER FINANCIAL OBLIGATIONS AND REPORTING**

A. **Initial Franchise Fee.** If Franchisee or a Principal does not already operate directly or indirectly, including via an affiliate of Franchisee or of a Franchisee Principal, a Bath Fitter® business as of the Effective Date (“**Brand New Franchisee**”), Franchisee shall pay to Franchisor in full prior to or upon execution of this Agreement an initial franchise fee (“**Initial Franchise Fee**”) in the amount set forth in **Exhibit XII.A** to this Agreement plus all Franchisor attorney fees should Franchisee have requested changes to this Agreement prior to execution. If Franchisee or a Principal does already operate, directly or indirectly, including via an affiliate of Franchisee or of a Franchisee Principal, one or multiple Bath Fitter® business(es) other than in the Territory as of the date hereof (“**Existing Franchisee**”), Franchisee shall pay to Franchisor upon execution of this Agreement an Initial Franchise Fee in the amount set forth in **Exhibit XII.B** to this Agreement plus all Franchisor attorney fees should Franchisee have requested changes to this Agreement prior to execution. Such Initial Franchise Fee shall be non-refundable and fully earned when paid in consideration of (i) the right to operate the Franchised Business in the Territory subject to, under, and in accordance with, this Agreement, and (ii) the administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor’s lost or deferred opportunity to franchise others.

B. **Royalty Fee.** Franchisee is currently not required to pay a royalty fee of any kind. However, Franchisor reserves the right at any time to require Franchisee to begin paying a royalty fee, in an amount (not to exceed 2.5% percent of Franchised Business’ Gross Revenues) and on the terms, conditions, and schedule that Franchisor shall have the right to determine, and to implement that right, Franchisor must give Franchisee at least sixty (60) days’ prior written notice of when the royalties will be imposed. Should Franchisor implement a royalty fee, Franchisee shall timely and fully pay same and failure to do so shall constitute an event of default allowing Franchisor to terminate this Agreement.

C. **Gross Revenues.** For the purpose of calculating fees, contributions and other amounts based on “Gross Revenues” under this Agreement, “**Gross Revenues**”, shall mean all gross revenue as reportable according to GAAP (before taxes of any kind) from all sources of the Franchised Business including from the sale of Franchised Products and other products and services offered by the Franchised Business and all other income of every kind and nature of the Franchised Business related to, derived from, associated with, or

originating from, the Franchise Business, including barter, proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit and regardless of theft or collection in the case of check or credit. Franchisor reserves the right to modify its policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from Gross Revenues.

D. **Other Fees, Penalties and Contributions.** All other fees, penalties and contributions to be paid by Franchisee under this Agreement shall be paid by Franchisee in accordance with the terms stipulated for those other fees, penalties and contributions in the applicable provisions of this Agreement.

E. **Technology Fee.** You may be charged fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business. (If we pay a vendor, including a tech vendor, on your behalf, then you agree to reimburse us on demand for the payments that we make on your behalf.) We have the right to (i) determine the amount of the technology fee and (ii) collect the technology fee once each month, once each quarter, or annually.

F. **Purchases from Franchisor.** When Franchisee purchases Franchised Products, other products, or services from Franchisor or any of its affiliates, Franchisee must fully pay for such products and/or services within 30 days of date of invoice for such product or service (unless Franchisor and/or its affiliates have established other and shorter or longer payment terms). Neither Franchisor nor any of its affiliates are required to extend any particular payment terms and/or credit to Franchisee. Any breach by Franchisee of this payment obligation shall constitute a breach of this Agreement and, without any requirement for notice or other formality, Franchisee will be thereafter automatically required to make all further product and services payments to Franchisor or its designated affiliate upon delivery of the product or service, if Franchisor or such affiliate in its discretion elects to sell Franchisee further products or services, without limiting all other rights and remedies of Franchisor or its affiliates at law, in equity or contractually.

G. **Interest.** If any payment is late, then Franchisee agrees to pay Franchisor and or the appropriate Franchisor affiliate, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to Franchisee, then not more than that maximum rate). Franchisor's and/or the appropriate affiliate's entitlement to such interest will be in addition to any other remedies that Franchisor and/or the appropriate affiliate may have.

H. **Payments.** Franchisee's obligations for the full and timely payment of all fees, contributions, and other amounts described in/under this Agreement and/or any Other Agreement are absolute and unconditional. Payment of all fees, contributions, and other amounts will be deemed fully earned and non-refundable on payment. Franchisee shall make suitable arrangements for on time delivery of payments due to or collected by Franchisor or any affiliate under this Agreement or any Other Agreement. To implement these arrangements, you also agree:

1. to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement or any Other Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," (and any replacements for that form that we deem to be periodically needed to implement **this Section XII.H**), and you agree to: (a) comply with the payment and reporting procedures that we may specify in the Confidential Operations Manual or otherwise in writing; and (b) maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement or any Other Agreement. If we elect to use ACH withdrawal to sweep payment of fees, contributions and other amounts described in/under this Agreement or any Other Agreement, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: (i) you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all the fees contributions and other amounts that are due under this Agreement or

any Other Agreement; and (ii) if you do not do so, then you agree to pay us upon demand the amounts due and reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the applicable due date so that the funds are actually transferred by the bank into our account on the applicable due date.

2. that your obligations to make full and timely payment of all other sums due under this Agreement or any Other Agreement are absolute, unconditional, fully earned (by us), and due as soon as the Franchised Business is first open to the public.

3. not to, for any reason including based on any alleged non-performance by us or any affiliate, (i) delay or withhold the payment of any amount due to us or any of our affiliates under this Agreement or any Other Agreement; (ii) put into escrow or deposit in court any amount owing to us or any of our affiliates; (iii) set-off payments due to us against any claims or alleged claims that you may allege against us, the National Marketing Fund, any other fund created under this Agreement, our affiliates, suppliers, or others.

I. Application of Payments. Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for contributions to the National Marketing Fund, purchases from Franchisor and its affiliates, interest or any other indebtedness, or any other obligation of Franchisee to Franchisor or any affiliate, and in the manner chosen by Franchisor.

J. Payments on Behalf of Franchisee. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by substantiating material, any monies which Franchisor or an affiliate has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement or any Other Agreement.

K. Index. Franchisor has the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which the parties signed this Agreement. The term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982 84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then Franchisor will have the right to designate a reasonable alternative measure of inflation.

L. Funds. Franchisee agrees to make all payments to Franchisor in U.S. Dollars and as Franchisor periodically designates in writing. All references to dollars in this Agreement mean U.S. dollars.

M. No Subordination. Franchisee agrees not to subordinate to any party the obligation of Franchisee and/or its affiliates to pay funds due to Franchisor and/or its affiliates under this Agreement and/or any Other Agreement.

### **XIII. REPORTING REQUIREMENTS, ACCOUNTING AND RECORDS**

A. Gross Revenues Reporting. On or before the 3<sup>rd</sup> day of each calendar month, Franchisee shall and agrees to submit to Franchisor on a form approved by Franchisor a monthly report on: (i) Gross Revenues recognized and accounted for in accordance with GAAP during the preceding calendar month, (ii) the number of Unit installations completed during the preceding calendar month, (iii) the number of Unit installation jobs sold during the preceding calendar month, (iv) marketing dollars booked during the preceding calendar month and (ii) such other additional information as may be required by Franchisor as it deems necessary in its sole discretion to properly evaluate the progress of Franchisee. Each monthly Report on Gross Revenues shall separately delineate each material component of Gross Revenues including, without limitation: (i) Gross Revenues from Commercial Facilities customers, (ii) Gross Revenues from the sale, performance and installation of products and services other than Franchised Products, (iii) Gross Revenues from the sale, performance and installation of Franchised Products and (iv) such other information as may be required from

time to time by Franchisor upon prior written request. Franchisor shall have the right to require that the Reports be submitted in the form and manner designated by Franchisor (for example, digital, printed, or otherwise). All of the above shall be also required on a yearly basis. Such yearly Reports shall be provided to Franchisor within 15 days of the end of the then current calendar year with respect to the just ended calendar year. Franchisee shall pay a late fee up to \$100 per Report and/or other required reporting information not submitted on time or per instance where an incomplete Report or incomplete information is provided. For the purposes of this **Section XIII**, "**Report**" shall mean any of the above monthly and/or yearly Reports.

You shall timely submit the Reports in the form we specify and/or using our required software for the immediately preceding period. You agree to submit the Reports to us by whatever method that we reasonably require (whether electronically through your use of our required software or otherwise, and in a manner that we designate so that it is compatible with our computer systems). You agree that if you do not provide us, as requested for any period ("**Period X**"), with timely access to your computer system to obtain Report information or, if you fail to timely provide, any Report, then, in addition to our other rights and remedies under this Agreement or at law: (i) in the case of a Report on Gross Revenues, we will have the right to impute your Gross Revenues for Period X using (among other things) your Gross Revenues from any periods that we choose (which may be those with your highest Gross Revenues period), and we will have the right to add to that amount the growth percentage we established for that Period X, and to infer that any or all of your Gross Revenues are Gross Revenues from the sale, performance and installation of products and services other than Franchised Products; and/or (ii) in all instances, we will have the right to audit your records and to charge you for the costs that we incur in performing such audit.

**B. Accounting Records.**

1. With respect to the operation and financial condition of the Franchised Business, we will have the right to designate if and as we deem fit, and you agree to adopt, without delay, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

2. With respect to the Franchised Business, you agree to maintain during (as well as for at least three (3) years after) the Term (and also after any termination and/or Transfer), full, complete, and accurate books, records, and accounts prepared in accordance with GAAP, as required by law, and in the form and manner we may prescribe periodically in the Confidential Operations Manual or otherwise in writing.

3. We have the right, if and as we deem fit, to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us.

a. All of the records, books and accounts required under this **Section XIII.B** and in **Sections XIII.C and XIII.D** below must be maintained in digital form, accessible to us and/or our designee (for example, our accountants) remotely and in that digital form, and using a software program or online site (such as "QuickBooks"), so that the data can be reviewed and/or downloaded to our computer system in a compatible and comparable manner.

b. Nothing in this Agreement requires your CPA to share with us its advice or guidance to you.

**C. Financial Statements.**

1. You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis (if required by Franchisor) by an independent certified public accountant (as to whom we do not have a reasonable objection) within sixty (60) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to GAAP, include a fiscal year-end balance sheet, an income statement of the

Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

2. In addition, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal year-to-date profit and loss statement and balance sheet (which may be unaudited) for the Franchised Business; **(b)** monthly or quarterly profit and loss statements and balance sheets (which may be unaudited) for the Franchised Business, if and as may be requested by us in writing from time to time as we may deem fit; **(c)** reports of those income and expense items of the Franchised Business for any given period that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(d)** a fiscal year-end written certificate signed by Franchisee attesting that Franchisee is in full compliance with all state/provincial/federal sales/use and equivalent tax requirements for the Franchised Business and that such taxes remittances are current; and **(e)** a fiscal year-end written certificate signed by Franchisee attesting that Franchisee is in full compliance with all applicable withholding remittances requirements for the Franchised Business and that all such remittances are current. You agree to provide to us the materials required above within fifteen (15) days after the end of each applicable period.

3. Upon our request, you agree to take a physical inventory of the stock at your Franchised Business and to provide us with a written report on the results of that inventory.

4. You must certify as correct and true all reports and information that you submit to us pursuant to this **Section XIII.C**. Upon our specific request, you also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days after you file those but not more than one hundred and eighty (180) days after each fiscal year end. If you do not meet your obligation to timely provide us with a copy of your annual financial statement as required by **Section XIII.C.1**, then, in addition to our other rights and remedies under this Agreement or at law, we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us at your cost and expense (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared at your cost and expense on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).

5. You agree that upon our request, and for a limited period of time (as determined by us), you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your computer system in order to conduct the inspections of your books, records, accounts and reports (including the Reports) as permitted by this Agreement. You also agree that you will change all passwords and pass codes after the inspection is completed.

D. **Additional Information.** You also agree to submit to us (in addition to the Reports required above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Confidential Operations Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or us. The reporting requirements of this **Section XIII.D** will be in addition to, and not in lieu of, the reporting otherwise required under this Agreement.

E. **PCI Compliance and Credit Cards.** With respect to processing customer payments by credit and debit cards, you agree to do all of the following:

1. In addition to the other requirements of this Agreement to provide us with various information and reports (including the Reports), you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.

2. You agree to comply with our requirements, if any, concerning data collection, processing and protection, as specified in this Agreement, the Confidential Operations Manual, the Mandatory Policies or otherwise in writing.

3. You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

F. **Our Right to Inspect Your Books and Records.** We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books, accounts and records. You agree to cooperate with us and our auditors and provide the access and assistance that they may reasonably need in order to implement this **Section XIII.F**. If an inspection should reveal that you have understated the Franchised Business Gross Revenues in any Report to us, or that you have materially misrepresented the facts in any report or information shared with, or submitted to, us about the Franchised Business (including any Report), this will constitute a default under this Agreement. In addition, should you have understated the Gross Revenues in any Report, you agree to immediately pay us the difference between the fees or other amounts you should have paid us based on actual Gross Revenues and the amounts you actually paid based on the understated Gross Revenues, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you, then not more than that maximum rate). If we conduct an inspection because you did not timely provide Gross Revenues Reports, and/or any other, reports (including any Report) to us, or if an inspection discloses that you understated your Gross Revenues, in any report to us (and/or underpaid any associated fees, contributions or royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this **Section XIII** directly or by engaging outside professional advisors (for example, a CPA) to represent us.

G. **Operational Inspections.** In addition to the provisions of **Section XIII.F** above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the Marks, and verifying your compliance with this Agreement (and any Other Agreement) and the policies and procedures outlined in the Confidential Operations Manual and/or the Mandatory Policies. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary and at your cost and expense to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current fee (currently \$500 per visit) for our representative(s) and to reimburse us for our reasonable related travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request.

H. **All Franchised Business Information Is Accurate.** Franchisee agrees and represents and warrants that all financial information and other information Franchisee provides to Franchisor is accurate and complete as of the date it is provided.

#### XIV. STANDARDS OF QUALITY AND PERFORMANCE

Franchisee acknowledges that every aspect of the Franchised Products, System and operation of the Franchised Business is important to protect Franchisor's reputation and goodwill and to maintain operating standards under the Marks. Any standards established by Franchisor in respect of the Bath Fitter® Franchised Network exist to protect Franchisor's interest in the System and the Marks, and are not for the purpose of establishing any control, or the duty to take control, over those matters that are reserved to Franchisee. With a view to ensuring the consistency of Franchisor's standards of quality, operations, and service and the furtherance of the goodwill, public image and reputation associated with the Marks and the System, Franchisee agrees to comply with all provisions of the Confidential Operations Manual as well as all such other guidelines, policies, manuals, procedures and processes that Franchisor periodically establishes as they relate to the Franchised Products, the Marks, the System, the Intellectual Property and operation of a Bath Fitter® business (collectively, "**Mandatory Policies**"), and Franchisee agrees to operate the Franchised Business with never less than the highest professional standards. Franchisee further agrees to the following:

A. **Starting Operations.** Franchisee shall commence operation of the Franchised Business no later than nine (9) months after execution of this Agreement or as otherwise approved in writing by Franchisor. Prior to the opening of the Franchised Business, Franchisee shall have fully and satisfactorily executed the Start-Up Plan (if any) and complied with all of the provisions of the Confidential Operations Manual relating to pre-opening, including (i) the submission of a Uniform Sales and Use Tax Certificate, or other state-recognized form indicating Franchisee's responsibility for all local sales tax liabilities, (ii) having provided Franchisor with copies of all required insurance policies and evidence of coverage and premium payment, (iii) having prepared and submitted to Franchisor, as per Franchisor request, a business plan acceptable to Franchisor, including projected sales and operating costs and expenses, balance sheets and profit and loss statements (not audited prepared in accordance with GAAP) for the Initial Term, and (iv) Franchisee and all required personnel having successfully completed applicable pre-opening training requirements (if any), including as per Start-Up Plan.

B. **Maintenance of Franchised Business Premises and Motor Vehicles.** Franchisee shall at all times maintain the premises of the Franchised Business in a professional, presentable, and clean manner. Franchisee shall comply with Franchisor's reasonable requirements with respect to maintenance, upkeep, and periodic remodeling of the premises of the Franchised Business. Franchisee shall provide to Franchisor reasonably detailed pictures or videos showing the appearance of the premises of the Franchised Business at least once per calendar year, or as often as otherwise reasonably required by Franchisor.

Franchisee shall at all times maintain the Motor Vehicles in good working order and in a professional, presentable, and clean manner. Franchisee shall comply with Franchisor's reasonable requirements with respect to maintenance, upkeep, and periodic replacement of the Motor Vehicles. Franchisee shall provide to Franchisor reasonably detailed pictures or videos showing the appearance of the Motor Vehicles at least once per calendar year, or as often as otherwise reasonably required by Franchisor.

C. **Warranty on Franchised Products.** All warranties provided by Franchisee to its customers on the Franchised Products covered by Franchisor's manufacturing affiliates' warranties shall at the very least be strictly aligned with the terms of such warranties, as same may be amended from time to time. Should Franchisee offer better warranty terms on such Franchised Products to its customers, the "better" portion of such better warranty terms shall be Franchisee's sole responsibility and such better warranty terms shall clearly convey that the "better" portion of such warranty terms is offered by Franchisee, not Franchisor or any of its affiliates. Warranty terms on all other products of the Franchised Products should at a minimum comply with the directions provided from time to time by Franchisor, if any. Should Franchisee offer better warranty terms on such other products to its customers, the "better" portion of such better warranty terms shall be Franchisee's sole responsibility and such better warranty terms shall clearly convey that the "better" portion of such better warranty terms is offered by Franchisee, not Franchisor or any of its affiliates. Warranties on the services portion of the Franchised Products (i.e., mostly Franchisee installation services for the Franchised Products) ("**Services**") shall be Franchisee's sole responsibility. Franchisor reserves the right to mandate warranty terms on Services from

time to time at its discretion, in which case, Franchisee shall promptly comply. Franchisee shall diligently conduct, complete and report upon such warranty work and/or other customer-care work needed to satisfy its clients. As between Franchisor and Franchisee, Franchisee shall comply with all written directions/instructions provided from time to time by Franchisor and/or its affiliates, including the Mandatory Policies.

D. **Purchasing and Supply.**

1. Franchisee shall:

(a) purchase or source all Franchised Products and Proprietary Items (including Proprietary Software) only from Franchisor or its affiliates;

(b) purchase or source all other products, material, supplies, furniture, equipment and services ("**Other Material**") used for the Franchised Business only from Franchisor or its affiliates if such Other Material or a substantially similar equivalent is offered by or through Franchisor or an affiliate of Franchisor;

(c) if any Other Material or a substantially similar equivalent is not offered by or through Franchisor or an affiliate of Franchisor, Franchisee shall purchase or source such Other Material only from a Preferred Vendor;

(d) if no Preferred Vendor does offer such Other Material or a substantially similar equivalent, then Franchisee shall purchase or source the Other Material only from an Approved Supplier (if Franchisor has instituted an Approved Supplier Program);

(e) if no Approved Supplier Program is in place, then and only then Franchisee may purchase or source the Other Material from a supplier of its choice; and

(f) pay all suppliers of goods and services sold or provided to Franchisee (including Franchisor, Franchisor's affiliates, taxing authorities, and all others) in accordance with their terms of payment.

2. Franchisee agrees that Franchisor has the right to establish one or more strategic alliances or preferred vendor programs ("**Preferred Vendors**") with one or more nationally or regionally known suppliers that are willing to supply all or some Bath Fitter® businesses with some or all of the Other Material, notwithstanding anything to the contrary contained in this Agreement. In this event, Franchisor may limit the number of Approved Suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Other Material, and/or refuse any of Franchisee requests for supplier approval if Franchisor believes that it is in the best interests of the System or the Bath Fitter® Franchised Network. If applicable, Franchisor will provide a list of approved suppliers (the "**Preferred Vendors List**"), which Franchisor shall be entitled to revise, amend, update and replace periodically.

3. Franchisor may institute an **Approved Supplier Program** and Franchisee shall then use the Approved Supplier Program for all its purchases and sourcing of Other Material under **Section XIV.D.1(d)**. Franchisor shall determine all rules and parameters governing the operation of the Approved Supplier Program as Franchisor sees fit. Under the Approved Supplier Program, Franchisor may approve suppliers of Other Material on an ad hoc basis either by its own initiative or further to a franchisee written request ("**Approved Suppliers**"). Under an Approved Supplier Program, Franchisor would have the right to approve or disapprove any of the suppliers who may be permitted to sell/provide/supply Other Material to Franchisee. In determining whether Franchisor would approve any particular supplier for any Other Material, Franchisor would consider various factors, including: (a) whether the supplier can demonstrate, to its continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such Other Materials; (b) whether the supplier has adequate quality controls and capacity to supply Franchisee needs promptly and

reliably; (c) whether approval of the supplier would enable the System, in Franchisor sole opinion, to take advantage of marketplace efficiencies; and/or (d) whether the supplier will sign agreements Franchisor deems necessary to protect the rights, goodwill and interests of the System, the Marks and the Bath Fitter® businesses. If applicable, Franchisor will provide a list of Approved Suppliers (the "**Approved Suppliers List**"), which Franchisor shall be entitled to revise, amend, update and replace periodically. Under such Approved Supplier program, Franchisor would be under no obligation whatsoever to provide to any prospective supplier any information about or related to, directly or indirectly, Franchisor, its affiliates, the System or the Bath Fitter® businesses.

4. Subject to the terms of **Section XIV.D.1**, if an Approved Supplier Program has been implemented by Franchisor and Franchisee wants to buy or source any Other Material from a supplier not on the Approved Suppliers List, then Franchisee must first submit to Franchisor a written request asking for Franchisor's prior written approval. Franchisee agrees not to buy or source from any such supplier unless and until Franchisor has given Franchisee its prior written consent to do so. Franchisor has the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory that Franchisor has designated for testing. Franchisee (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. Franchisor has the right to also require that the supplier comply with such other requirements that Franchisor has the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use of Franchisor trademarks, and/or for services that Franchisor may render to such suppliers. Franchisor also reserves the right (without the obligation to periodically re-inspect the facilities and products of any such Approved Supplier and to revoke Franchisor approval if the supplier does not continue to meet any of Franchisor then-current criteria.

5. If Franchisee is in default under this Agreement, in addition to Franchisor other rights and remedies under this Agreement or otherwise, Franchisor reserves the right not to sell or procure Other Material to Franchisee and/or to direct Franchisor affiliates not to sell or procure Other Material to Franchisee, and/or to withhold certain discounts that might otherwise be available to Franchisee.

6. Franchisor has the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments, or benefits (collectively, "**Allowances**") offered by suppliers to Franchisee or to Franchisor (or our affiliates) based upon Franchisee purchases or sourcing of Other Material. Franchisee assigns to Franchisor or its designee all of Franchisee right, title, and interest in and to any and all such Allowances and authorizes Franchisor (or its designee) to collect and retain any or all such Allowances without restriction.

7. Franchisee acknowledges and agrees that in connection with purchasing, leasing, licensing, sourcing or otherwise obtaining any service or item from a third-party supplier (including Approved Suppliers, Preferred Vendors and those that Franchisor has otherwise approved or required): (a) Franchisor has no responsibility (and Franchisee expressly disclaims any recovery against Franchisor) for those suppliers' services, items, contract terms, or otherwise in connection with those suppliers' performance; (b) if there are any shortcomings in the services, items, or terms of purchase, lease, or license from those suppliers, that Franchisee will seek recovery and/or compensation only from the supplier that sold, leased, licensed, or otherwise provided that service and/or item to Franchisee (and not from Franchisor and/or its affiliates).

8. Franchisee acknowledges and agrees that Franchisor cannot and does not guarantee that Franchisee will be able to obtain and/or maintain payment or credit terms from any supplier (including Franchisor and its affiliates, and any Preferred Vendor or Approved Supplier).

E. **Franchised Products.** You agree that we have the right to determine whether any particular item (now or in the future) is or will be deemed a "**Franchised Product**".

F. **Specifications.** In addition to the provisions of **Section XIV.D**, as to those Other Material that we do not require you to buy or otherwise source from Preferred Vendors or Approved Suppliers and that are not Franchised Products, you agree to purchase or otherwise source such Other Material only in accordance with the standards and specifications that we specify in the Confidential Operations Manual or otherwise in writing (if any).

G. **Manufacturing.** You agree not to produce or otherwise manufacture or have produced or manufactured any items in, or in connection with, or offered for sale in, your Franchised Business (except for items that we have otherwise authorized and approved for production in the Confidential Operations Manual or otherwise in writing).

H. **Compliance.** Franchisee shall secure and at all times maintain in force, and cause each of its Principals, managers, employees, contractors, and representatives to secure and at all times maintain in force, all required licenses, permits and certificates relating to the operation of the Franchised Business and operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including all privacy laws and regulations, all government regulations relating to occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes. Upon request, Franchisee shall provide Franchisor with copies of all required licenses, permits, and certificates, and shall certify in writing to Franchisor that all such permits, licenses and certifications have been obtained, and shall provide Franchisor with any other requested evidence regarding whether Franchisee is acting in compliance with all applicable laws, ordinances, and regulations. Without limiting the generality of the foregoing or any other provision of this Agreement, it shall be the sole responsibility of Franchisee to investigate all applicable rules, regulations, laws, licenses, permits, insurance, inspection and other requirements relating to the operation of the Franchised Business and the sale of Franchised Products and performance of services including Services by Franchisee at and from the Franchised Business including any authorizations required to perform household, commercial or industrial renovations and/or engage in any work or services relating to plumbing or drainage systems, and to ensure ongoing compliance with all such requirements throughout the Term.

I. **Franchisee's Staff.** In relation to Franchisee's staff members that are engaged in the Franchised Business, for the purpose of meeting the brand standards that Franchisor has established for the System, Franchisee shall, at all times:

1. ensure that all staff members are well-dressed and are clean and polite, the whole in accordance with the applicable provisions of the Confidential Operations Manual and the Mandatory Policies, if any;
2. where applicable, require all staff members to successfully complete the applicable Franchisor's training program (if any) as provided in this Agreement or the Confidential Operations Manual (and not allow those persons to perform their work unless and until that training is successfully completed);
3. not allow the Franchised Business to start trading until all relevant employees are trained in accordance with the applicable provisions of this Agreement; and
4. employ a sufficient number of skilled and trained employees to fulfil Franchisee's obligations under this Agreement and to meet customer demand.

In addition, Franchisee agrees that Franchisor has the right to require Franchisee (including its Principals) and Franchisee's employees to pass from time to time, as Franchisor deems appropriate (to Franchisor's satisfaction) a background bank, credit, driving, and/or criminal check ("**Background Checks**"), and/or to be bonded, all at Franchisee's cost and expense. Franchisor or its designated agents shall have the right to search all appropriate/required records and reports of Franchisee and of Franchisee's Principals as well as its officers, directors, members, and managers for such Background Checks. Franchisee agrees to sign upon

Franchisor's request and return any consents or other documents required to facilitate a search of such records or reports for Background Checks purposes. Franchisee also agrees to cause its Principals as well as its officers, directors, members, and managers to sign corresponding consents upon Franchisor's request. Notwithstanding the foregoing, Franchisee hereby consents and authorizes Franchisor and/or its designated agents to search any such records or reports concerning Franchisee and of Franchisee's principals as well as its officers, directors, members, and managers.

J. **Customer and Lead Information.** Franchisor has the additional right to require that Franchisee maintain a list with all information about Franchised Business Data as Franchisor may require (including customers' name, address, telephone number, e-mail address, each product or service purchased, and date of each sale, installation and service) as well as details concerning leads of the Franchised Business ("**Customer List**"). Franchisee shall provide written notice to customers and leads that it will be providing this information to Franchisor and/or any affiliate of Franchisor, with such notice to be in a form satisfactory to Franchisor. Franchisee shall constantly update and maintain the Customer List in a form satisfactory to Franchisor and supply a copy of same to Franchisor (and/or its affiliates) on demand, which Franchisor (and/or its affiliates) shall have the right to require Franchisee to deliver. Such Customer List and all of its content shall be deemed Franchised Business Data. Franchisee shall not offer, sell, or use any Customer List information in connection with any business venture other than the Franchised Business. As used in this clause and elsewhere in this Agreement, Franchisee shall not be required to keep, maintain, and/or report to Franchisor any customer's payment information (such as credit card, debit card, or bank information).

K. **Forms.** Franchisor shall have the right to require (by giving notice or publishing its requirement in the Confidential Operations Manual or elsewhere) that Franchisee use only Franchisor-approved warranty and guarantee forms, work order forms, invoices, and other Bath Fitter® business forms.

L. **Customer Experience.**

1. Franchisee acknowledges that each and every detail of the quality of workmanship, customer service, customer relations, warranty and guarantee service, appearance and demeanor of Franchisee and its employees, and materials utilized by Franchisee, is important to Franchisor, the System, and to the Marks. Franchisee agrees to cooperate with Franchisor by respecting and complying with the provisions of the Confidential Operations Manual, any applicable Mandatory Policies, and any other written directions that Franchisor periodically provides (including those relating to customer service and the operation of the Franchised Business). Franchisee also agrees: (a) to provide prompt, courteous, and efficient service to its customers; (b) that all work performed by the Franchised Business will be performed competently and in a workmanlike manner; and (c) that the Franchised Business shall, in all dealings with its customers, suppliers, and the public, adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct.

2. Franchisor shall have the right to determine that Franchisee did not adequately, fairly, or completely handle a customer complaint, in which case Franchisor and/or its affiliates shall have the right to intervene and take action to satisfy the customer. In such event, Franchisor shall have the right, in addition to all other remedies and recourses available to Franchisor under this Agreement or at law, to reimburse the customer up to one hundred percent (100%) of the amount paid by the customer to Franchisee, and if so, Franchisee agrees to reimburse Franchisor and/or its affiliates for any such payment within thirty (30) days of receipt of invoice from Franchisor and/or any affiliate. Franchisor shall have the right to determine that a pattern of poor customer service is established by Franchisee that threatens or otherwise negatively impacts, or is likely to threaten or negatively impact, the reputation of the Marks in the Territory or elsewhere, is a breach of this Agreement.

3. Franchisee shall have the right to respond to a consumer review and/or consumer review site (including sites such as "Yelp"), but Franchisee agrees to do so only in a professional and respectful manner. Franchisor shall have the right to take over those responses if Franchisor determines that to be necessary or prudent, including the right to resolve consumer complaints at Franchisee's expense, as provided in **Section**

**XIV.L.2** above. Franchisee agrees that it shall abide by Franchisor's determination with respect to such resolutions of consumer complaints.

M. **Leads.** Franchisee shall promptly and diligently follow-up on all customer leads generated through advertising, referrals, walk-in inquiries and other sources. Franchisee shall contact each and every prospect lead without delay following Franchisee's receipt of such lead. Franchisee shall not refer or share any such leads to any other business or third party, including any Franchisee affiliate. In the event Franchisee receives a lead from a prospect that is located outside the Territory, then Franchisee shall refer that lead to Franchisor immediately or as otherwise directed by Franchisor.

N. **Promotion.** Franchisee shall, in addition to, in accordance with, and subject to, the applicable provisions of this Agreement, the Confidential Operations Manual and the Mandatory Policies:

1. use its best endeavors to promote and extend the Franchised Business within the Territory;
2. use its best endeavors to protect and promote the goodwill in the Bath Fitter® business, the Franchised Products, the System, and the Marks within the Territory, including by operating the Franchised Business in such a way that the Franchised Business gets favorable reviews on social media or otherwise in public from the Franchised Business customers, leads, employees and candidates to the satisfaction of Franchisor;
3. not do anything that could or might bring the Bath Fitter® business, the Franchised Products, the System, and/or the Marks into disrepute or damage the reputation of the Bath Fitter® Business, the Franchised Products, the System, and/or the Marks;
4. not promote or co-brand the Franchised Business, Franchised Products and/or the Marks in connection with any other business, products or services; and
5. not provide any information to the media about the Franchised Products, the System, the Marks, the Bath Fitter® business or the Franchised Business without Franchisor's prior written consent.

O. **Disclosure of Information.** Franchisee shall:

1. without delay, inform Franchisor of any possible or actual improvement or modification to the Bath Fitter® business or System or business opportunity which comes to its attention;
2. notify Franchisor in writing within five (5) days of having been made aware of any action, suit, or proceeding or threatened action, suit or proceeding, or of the issuance of any notification, inquiry, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality in any manner connected to the Franchised Business, including action or investigation or inquiry or threatened action, suit or proceeding concerning Franchised Business and/or the credentials or conduct of any employee or contractor associated with Franchisee;
3. promptly give Franchisor any information that Franchisee may obtain in relation to: (i) potential sales outside the Territory; and/or (ii) any matter that could or does affect, in Franchisee's reasonable opinion, sales favorably or unfavorably inside or outside the Territory;
4. supply Franchisor with such information relating to the Franchised Business in such form and at such times as Franchisor may from time to time require or as specified in this Agreement, the Confidential Operations Manual or the Mandatory Policies;
5. at the request of Franchisor, provide potential franchisees of Bath Fitter® businesses with truthful information as reasonably requested; and

6. promptly notify Franchisor in writing of any material adverse change Franchisee becomes aware of (i) affecting or likely to affect the Franchised Business, the Mark, the System, and/or the Bath Fitter® businesses, (ii) to any material information provided to Franchisor about the Franchised Business; and/or (iii) to any representation or warranty of Franchisee or Principal about or related to the Franchised Business.

P. **Customer Satisfaction Programs.** Franchisee shall participate in any customer satisfaction or customer survey programs designated by Franchisor or any affiliate. Franchisee shall pay promptly the designated vendor or Franchisor or an affiliate any required fees in connection with such programs.

Q. **Full Time Efforts.** Franchisee agrees that during the Term, a Principal (or a Branch Leader acceptable to us) will devote full time, energy, and best efforts to the management and operation of the Franchised Business. Franchisee shall never license or otherwise subcontract any other person to operate the Franchised Business, as the Franchised Business shall always be operated by a Principal or a Branch Leader being a full-time employee of Franchisee. As used here, the term “**full-time**” means forty (40) or more hours each week working in the premises of the Franchised Business, at job sites, and/or with customers.

R. **Procedures, Finance and Accounting.** Franchisee shall:

1. comply with ordering, invoicing and accounting procedures as required by Franchisor or set out in the Confidential Operations Manual or the Mandatory Policies;
2. pay all third party suppliers promptly in accordance with the terms of supply agreed with them;
3. ensure that adequate finance is available to Franchisee to enable Franchisee fully to develop the Franchised Business in accordance with this Agreement; and
4. accept all of the credit cards and other payment methods (including Visa and Mastercard) that are set out in the Confidential Operations Manual and/or the Mandatory Policies.

S. **Pricing.**

1. Franchisor may periodically provide suggested retail pricing for Franchised Products, however (subject to the following below), Franchisee will always have the right to set its own prices.
2. Franchisee agrees that Franchisor may set reasonable restrictions on the maximum and minimum prices Franchisee may charge for Franchised Products. Franchisee will have the right to set the prices that it will charge to customers; provided, however, that (subject to applicable law): (a) if Franchisor has established a maximum price for a particular item, then Franchisee may charge any price for that item up to and including the maximum price Franchisor has established; and (b) if Franchisor has established a minimum price for a particular item, then Franchisee may charge any price for that item that is equal to or above the minimum price Franchisor has established.
3. Franchisee shall not discuss and/or enter into any arrangement with any other franchisee concerning the prices that any Franchised Business advertises, offers, and/or charges.

T. **Supplies to Customers.** Franchisee shall:

1. maintain sufficient stocks and maintain staffing levels to meet reasonably anticipated demand from customers of the Franchised Business;

2. promptly repair, replace or refund, in accordance with the Confidential Operations Manual and/or the Mandatory Policies, the price of any Franchised Product which does not conform with the high standards required by the System; and

3. promptly reperform or refund, in accordance with the Confidential Operations Manual and/or the Mandatory Policies, the price of any Services supplied by Franchisee which does not conform with the high standards required by the System.

U. **Signs and Notices.** Franchisee shall:

1. promptly attach any notices that Franchisor requires to stationery, products and packaging;

2. use only signs and packaging in connection with the Franchised Business as have been approved by Franchisor; and

3. give such notices in such places as required by law and as Franchisor may require to the effect that Franchisee is operating the Franchised Business under license from Franchisor.

V. **Franchised Business Anticipated Unit Purchases.** The Franchised Business shall purchase from Franchisor (and/or its affiliates), during each calendar year of the Term, at least the number of “**Units**” stipulated in **Exhibit XIV.V.** Additional/different minimum purchases (all of the above, “**Anticipated Unit Purchase**”) may be set by Franchisor from time to time as Franchisor deems fit, and Franchisee agrees that, beginning on the date it is notified by Franchisor of any such additional/different minimum purchases, it shall be bound by such additional/different minimum purchases. Should Franchisee fail to reach any of the Anticipated Unit Purchases, it shall be deemed a breach of this Agreement and Franchisor shall be entitled to terminate the Agreement; alternatively, and without limitation, Franchisor shall also be entitled to modify the Territory boundaries as it deems fit, increase the price to be paid by Franchisee for Franchised Products and/or other products or services to be provided by Franchisor or its affiliates to Franchisee in connection with the Franchised Business and/or otherwise modify, limit or reduce Franchisee rights under this Agreement, all by simple written notice. Should the Franchised Business meet the Anticipated Unit Purchase in any given calendar year of the Term, Franchisor may (but shall have no obligation to), as Franchisor deems fit, grant, for the benefit of the Franchised Business, discounts on the purchases of Franchised Products by the Franchised Business during that calendar year, such discounts to be applied in the form of credits on the purchases of Franchised Products by the Franchised Business in the immediately following calendar year. One “**Unit**” means any one of the following Franchised Products: (i) free-standing tub; (ii) tub liner; (iii) shower; or (iv) shower liner. Franchisor reserves the right, acting reasonably, to increase the Anticipated Unit Purchase at any time and from time to time.

## **XV. FRANCHISOR'S SERVICES**

A. **Franchisor's Initial Services.** Franchisor shall, promptly after the Effective Date and prior to the opening of the Franchised Business, provide, in accordance with the “**Start-Up Plan**” attached as **Exhibit XV.A** designed by Franchisor for the Franchised Business, support and services to Franchisee (which may include the following) for which Franchisee may be required to pay additional fees to Franchisor as may be set forth in the applicable Start-Up Plan:

1. advice on finding and acquiring an Approved Location, including giving site selection criteria.

2. advice on alterations to and fixtures and fittings in the Approved Location, including providing plans and specifications for internal layout.

3. general advice on how to set up the Franchised Business as Franchisor may deem advisable.
4. the Proprietary Items listed in the Start-Up Plan, on Franchisor's standard terms and conditions applicable at the Effective Date, such terms and conditions to be set out in the Start-Up Plan.
5. a public relations-marketing launch as described in the Start-Up Plan if any.
6. guidance to Franchisee in formulating initial opening orders for inventory and supplies as Franchisor may deem advisable.
7. on-line access to the Confidential Operations Manual.
8. on-site pre-opening and opening supervision and assistance as Franchisor may deem advisable.
9. training as Franchisor may deem necessary for certain individuals involved in the Franchised Business all in accordance with the Start-Up Plan.
10. such advertising/marketing for the Franchised Business before the Franchised Business opening in such manner as it may, in its absolute discretion, think fit, or as required by the Start-Up Plan.

Franchisor will evaluate the Franchised Business before it first opens for business. Franchisee agrees to not open the Franchised Business to customers or otherwise start operation until Franchisee has received Franchisor prior written approval to do so. Franchisee agrees to provide Franchisor with written notice of the date that Franchisee intends to start operating at least forty-five (45) days before the planned opening date.

Franchisor shall have no obligation whatsoever under this **Section XV.A** if Franchisee is not a Brand New Franchisee as of the Effective Date.

**B. Franchisor's Continuing Services.** Franchisor may provide to Franchisee throughout the Term and as Franchisor sees fit general advice, guidance and know-how relating to the marketing, management and operation of the Franchised Business or of Bath Fitter® businesses in general. Franchisor will/may for example:

1. update the Confidential Operations Manual and System from time to time as Franchisor deems appropriate and inform Franchisee of such updates.
2. supply equipment, material and products to Franchisee subject to availability on Franchisor's standard terms and conditions applicable at the date of placing the order.
3. administer the National Marketing Fund in accordance with the applicable terms of this Agreement.
4. training in accordance with the applicable terms of this Agreement.
5. periodically offer Franchisee the services of certain of Franchisor representatives, such as a field consultant, and these representatives may periodically visit your Franchised Business and offer advice regarding your operations, as Franchisor deems necessary to meet its own standards.

**C. Franchisor Decision-Making.** In fulfilling its obligations under this Agreement, and in conducting any activities or exercising its rights pursuant to this Agreement, Franchisor (and its affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised

and company-owned or affiliated businesses and systems, including the System, other Bath Fitter® businesses and the Marks; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which Franchisor (or our affiliates) have an interest, and/or with Franchisor affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or Franchisor affiliates, as Franchisor sees fit. Franchisee understands and agrees that all of Franchisor obligations under this Agreement are subject to this **Section XV.C**, and that nothing in **this Section** will in any way affect Franchisee obligations under this Agreement.

D. **Lead Referral Programs.** Franchisor may arrange for lead referral programs under which Franchisee would pay fees to Franchisor or the referral source in return for sales leads in the Territory. Franchisor will give Franchisee information about these programs as and if they are developed and Franchisee might have the option to participate. If Franchisee participates in any such lead referral programs, Franchisee will be required to comply with the terms and conditions of the program, and Franchisor may require that Franchisee enter into an agreement governing Franchisee participation.

E. **Delegation of Duties.** Franchisor has the right to provide any or all of its services under this Agreement directly and/or through affiliates (and, to the extent the services are provided through affiliates, that will not change the parties' respective rights and obligations under this Agreement).

## **XVI. INSURANCE**

A. **General Insurance Requirements.** Before starting any activities or operations under this Agreement, you shall procure and maintain in full force and effect during the Term (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term), at your expense, at least the following insurance policy or policies in connection with the Franchised Business, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies having at all times a rating of at least "A" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide), and licensed and admitted to do business in the state in which the Franchised Business is located and operated, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Confidential Operations Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this **Section XVI**):

1. All Risks insurance on the Franchised Business for property of every description, including, all equipment, supplies, products and other property in the care, custody or control of Franchisee and used in the operation of the Franchised Business (which coverage shall include flood (including sinkhole collapse), fire, earthquake, sewer backup, water damage, wind and hail and all without any co-insurance warranties/penalties. Coverage shall not contain any coinsurance penalties. Such policy shall include the Franchisor as loss payee as interests may appear.

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

rule of the state in which the Franchised Business is located and operated. Franchisee shall be required to provide to Franchisor a certificate of insurance stating coverage as per above.

3. Comprehensive general liability insurance (CGL) with limits as follows:

- a) General Aggregate Limit: \$2,000,000
- b) Products and Completed Operations Aggregate: \$2,000,000
- c) Each Occurrence Limit – Bodily Injury and Property Damage: \$1,000,000
- d) Personal and Advertising Injury: \$1,000,000
- e) Fire Damage: \$250,000
- f) Medical Payments Coverage: \$5,000.

The CGL shall include coverage for “insured contracts” as defined in the policy.

4. Commercial umbrella liability insurance with limits which brings the total of all primary underlying coverages to not less than \$4,000,000 total limit of liability.

5. Business interruption insurance for actual loss sustained or its equivalent for a period of twelve (12) months.

6. Business automobile liability insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least One Million Dollars (\$1,000,000) per occurrence for both bodily injury and property damage.

7. Such additional insurance and types of coverage as may be required by federal, state, or municipal law, or by any lease for the premises in which the Franchised Business is operated, or as Franchisor may specify from time to time, in its sole discretion.

**B. Specific Characteristics of Required Insurance.** All insurance required in this **Section XV.E:** (i) may provide for reasonable and customary deductibles; (ii) shall include cross liability and severability of interests clauses, independent contractors extension and waivers of subrogation against Franchisor and its former, current and future affiliates, and their former, current and future employees, shareholders, members, directors, managers and officers; (iii) shall designate us and each of our affiliates, and our respective officers, directors, employees, partners, members, subsidiaries, employees and agents as additional insureds and include a duty to defend as well as a duty to indemnify on behalf of Franchisor, in respect of all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage, including indirect damage, resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Business; and (iv) shall be primary and non-contributing and not be limited in any way by reason of any insurance that may otherwise be maintained by Franchisor.

**C. Franchisor and Others Additional Insureds.** In addition to the requirements of **Section XVI.B,** Franchisee agrees that additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) our negligent acts, errors or omissions or other additional insureds. You shall maintain such additional insured status for us on your general liability policies continuously during the Term. Additional insured status shall include coverage for ongoing and completed operations.

D. **Certificates of Insurance.** At the earliest of fifteen (15) days prior to the signing of this Agreement or fifteen (15) days prior to the date on which Franchisee acquires an interest in or the right to occupy any property on which it will develop and operate the Franchised Business, whichever comes first, certificates of insurance showing compliance with the foregoing insurance requirements shall be furnished by Franchisee to Franchisor for approval. Such certificates shall state that said policies will not be canceled, not renewed or materially altered without at least thirty (30) days' prior written notice to Franchisor. You shall arrange for a copy of such notifications to be sent to us by the insurance companies. All certificates of insurance shall expressly provide that any interest of additional insureds therein shall not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

E. **No Waiver of Obligations.** Maintenance of the insurance, and the performance by Franchisee of the obligations, under this **Section XV.E** shall not relieve or diminish in any manner and to any degree Franchisee of any liability under this Agreement including the indemnity provisions of this Agreement.

F. **Failure of Franchisee to Procure Insurance.** Should Franchisee, for any reason, not procure and/or maintain the insurance coverage required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so), in addition to Franchisor other remedies and rights under this Agreement and at law, to immediately procure such insurance coverage on Franchisee's behalf and to charge the premiums for same to Franchisee, which charges, together with a reasonable fee for costs and expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon demand.

G. **Franchisor Centralized Insurance Program.** If Franchisor (in its sole discretion) makes available a centralized insurance program for the *Bath Fitter*® Franchised Network, Franchisee must join the program promptly upon availability thereof. However, if any such program is cancelled or is no longer available to Franchisor at terms and conditions that Franchisor deems reasonable, the foregoing provisions of this **Section XV.E** shall apply.

H. **Additional or Modified Insurance Requirements.** The minimum insurance requirements set forth in this **Section XV.E** may be materially amended, modified, changed and further developed from time to time in any respect by Franchisor or any of its affiliates in their sole discretion, by specifying the requirements in the provisions of the Confidential Operations Manual or otherwise as Franchisor sees fit, and Franchisee shall immediately comply with such changes.

## XVII. COVENANTS

### A. **Understandings.**

1. You agree that: (a) pursuant to this Agreement, you will have access to valuable trade secrets, specialized training, Proprietary Items and Confidential Information from us and our affiliates including regarding the development, operation, management, purchasing, sales and marketing methods and techniques of Bath Fitter® businesses and/or the System; (b) the System, the Confidential Information and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; (c) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (d) we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and (e) restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

2. As used in this **Section XVII**, the term "**Competitive Business**" is agreed to mean any business as to which twenty percent (20%) or more of its offerings and/or revenues involve the manufacturing, marketing, distribution, sale, and/or installation of tub liners, free-standing tubs, walls, shower bases, shower

floors, free standing showers, shower liners, ceilings, end caps, adhesives, tub and/or shower doors, display tubs, related measuring and installation tools, and related goods and services, or otherwise competing with the Franchised Business, Franchisor or any of its affiliates or any other Bath Fitter® business.

**B. Covenant Not to Compete or Engage in Injurious Conduct.** Accordingly, you covenant and agree that, during the Term and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a Transfer, you will not in any manner whatsoever (including directly, indirectly, for yourself, and/or through, on behalf of, or in conjunction with any person) do any of the following:

1. Divert or attempt to divert any actual or potential business or customer of any Bath Fitter® business to any Competitive Business or otherwise take any action injurious or prejudicial to the goodwill associated with the Franchised Business, the Marks and/or the System; and/or

2. Own (in whole or in part), maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any interest whatsoever in, and/or render services or give advice to, any Competitive Business.

**C. Where Restrictions Apply.**

1. During the Term, there is no geographical limitation on the restrictions set forth in **Section XVII.B** above.

2. During the two-year period following the expiration or earlier termination of this Agreement and/or a Transfer, these restrictions will apply only (a) within the Territory; (b) within five (5) miles outside of the Territory; (c) within five (5) miles of where Franchisee served two or more customers within the one year period before expiration, termination, and/or Transfer; and (d) within ten (10) miles of any other Bath Fitter® business location that is then-currently operated elsewhere in the United States or Canada. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.

**D. Post-Term.** You further covenant and agree that, during the Term and for a continuous period of two (2) years after (a) the expiration of this Agreement, (b) the termination of this Agreement, and/or (c) a Transfer:

1. You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, sublease, and/or transfer the Approved Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to or could operate a Competitive Business using the Approved Location; and

2. By the terms of any conveyance, selling, assigning, subleasing, leasing or transferring your interest in the Approved Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate **this Section** is not operated using the Approved Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.

**E. Non-Compliance.** You agree that any period of time during which you do not comply with the requirements of this **Section XVII** (whether that non-compliance takes place after termination, expiration, and/or a Transfer) will not be credited toward satisfying the total two-year obligation specified above (and that it will be your responsibility to complete the total two-year obligation).

**F. Publicly-Held Entities.** **Section XVII.B** of this Agreement will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held entity. As

used in this Agreement, the term “**publicly-held entity**” means an entity that has securities that are registered under the Securities Exchange Act of 1934.

G. **Personal Covenants.** To the extent permitted by law, you agree to require and obtain execution of covenants similar to those set forth in this **Section XVII** (as modified to apply to an individual), from your Operating Principal, Branch Leader, and other managerial and/or executive staff, as well as your other Principals. Unless prohibited by law, if you do not obtain execution of the covenants required by this **Section XVII** and deliver to us those signed covenants by no later than 15 days from the date they start in their respective role, that failure will constitute a default under this Agreement.

H. **Construction.** The parties agree that each of the covenants in this **Section XVII** will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce or expand the scope of any covenant set out in this **Section XVII** and, if we do so, you agree to comply with the obligations as we have reduced or expanded them.

I. **Claims Not a Defense.** You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this **Section XVII** or any other covenant or obligation of yours under the Agreement or any Other Agreement. You agree to pay all costs and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this **Section XVII**.

J. **Covenant as to Anti-Terrorism and Anti-Corruption Laws.** You and your Principals agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism and Anti-Corruption Laws (as defined below). In connection with such compliance, you and the Principals certify, represent, and warrant that: (i) none of their respective property or interests are “blocked” under any of the Anti-Terrorism and Anti-Corruption Laws, (ii) neither you nor them are in violation of any of the Anti-Terrorism and Anti-Corruption Laws, (iii) neither you nor them have been designated as suspected terrorists under Anti-Terrorism and Anti-Corruption Laws, (iv) neither you nor them are identified, either by name or an alias, pseudonym or nickname, on the lists of specially designated nationals or blocked persons maintained under the Anti-Terrorism and Anti-Corruption Laws, (v) neither you nor them have violated or will violate any law in effect now or which may become effective in the future prohibiting corrupt business practices, money laundering or the aid or support of persons who conspired to commit acts of terror against any person or government. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism and Anti-Corruption Laws. The term “**Anti-Terrorism and Anti-Corruption Laws**” means Executive Order 13224 issued by the President of the United States, as supplemented, the USA Patriot Act, the Foreign Corrupt Practices Act and all other similar laws and regulations.

## XVIII. TERMINATION

A. [reserved]

B. **Automatic With No Notice and No Opportunity to Cure.** If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: (a) if you or a Principal will become insolvent or make a general assignment for the benefit of creditors; (b) if a bill in equity or other proceeding for the appointment of a receiver for you or a Principal or another custodian for your or a Principal assets or property, or any part thereof, is filed and consented to by you or the affected Principal; (c) if a receiver or other custodian (permanent or temporary) of your or a Principal assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (d) if proceedings for a composition with creditors under any state, provincial or federal law is instituted by or against you or a Principal or if you or a Principal otherwise enters bankruptcy proceedings or a bankruptcy petition is filed against you or a Principal; (e) if a material final judgment against you or a Principal remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); (f) if you or a Principal other than an individual are dissolved; or if execution is levied against

your or a Principal business or property, or any part thereof; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment or other assets is instituted and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable. You shall immediately notify us in writing upon you becoming aware that any of the above happened or is likely to happen.

C. **With Notice and No Opportunity to Cure.** If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you if Franchisee (and/or any Principal, director, officer, manager or other representative of Franchisee):

1. Fails to establish the premises and Motor Vehicles as provided in **Sections III and IV** and other related provisions hereof, or fails to satisfactorily complete the training program as provided in **Section V** and other related provisions of this Agreement;

2. Fails to obtain and maintain in force at all times all required licenses, permits and certificates relating to the operation of the Franchised Business in accordance with **Section XIV.H** hereof;

3. Fails to obtain and maintain the insurance coverage required pursuant to, and otherwise comply with, **Section XV.E** hereof;

4. Made any material misrepresentation or omission in its application to operate the Franchised Business or to renew its right to operate the Franchised Business, or otherwise in connection with such application;

5. Engages in fraud against Franchisor or any of its affiliates or any customer or supplier of Franchisee, or is grossly negligent in the operation of the Franchised Business in the opinion of Franchisor;

6. Is charged with, convicted of, or pleads no contest (or its equivalent) to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, the Marks, the System, the Franchised Products, Franchisee or the Bath Fitter® Franchised Network;

7. Breaches any of the provisions of **Section XVII**;

8. Makes any unauthorized use, appropriation, disclosure or duplication of all or any portion of (i) the Confidential Operations Manual or (ii) the Confidential Information including any trade secret and any information provided to Franchisee by anyone on the Preferred Vendors List or an Approved Suppliers List;

9. Abandons or fails or refuses to actively operate the Franchised Business for five (5) or more business days in any twelve (12) month period, unless the Franchised Business has not been operational for a reason approved by Franchisor, or fails to relocate to a new Approved Location within an approved period of time following the date Franchisee ceases having access to the previous Approved Location for the operation of the Franchised Business for any reason including expiration or termination for any reason of the lease for the premises of the Franchised Business;

10. Fails or refuses to comply with any of the provisions of **Sections XXII, XXIII, XXIV or XXV** of this Agreement;

11. Submits to Franchisor on two (2) or more separate occasions at any time during the Term any reports (including the Reports) or other data, information or supporting records which misrepresent

by more than two percent (2%) any financial information for any period of, or periods aggregating, three (3) or more months;

12. Misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to materially impair the goodwill associated with any of the Marks or the System;

13. Fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports (including the Reports) or other information or supporting records, or to pay when due any amounts due or payable to Franchisor or any of its affiliates for purchases or any other reason/purpose, or otherwise fails to comply with this Agreement or any Other Agreement, whether or not such failures to comply are cured after notice thereof is given to Franchisee;

14. Fails to strictly comply at all times with the obligations of **Sections I.B, I.C, I.I, XIV.D, XIV.G and XIV.Q** of this Agreement;

15. Engages in conduct which reflects, or is likely to reflect, materially and unfavorably upon the operation and reputation of the Franchised Business, the System, the Marks, or the Bath Fitter® Franchised Network;

16. After curing any breach described in **Section XVIII.D** below, engages in the same or similar breach (whether or not such breach is cured after notice) one or more times within twelve or fewer months;

17. Breaches any provision of this Agreement or any Other Agreement where such breach cannot be cured;

18. Engages in acts or omissions such that Franchisor makes a reasonable determination that continued operation of the Franchised Business by Franchisee will result in an imminent danger to public health or safety.

**D. With Notice and Opportunity to Cure.** Except as otherwise provided in **Sections XVIII.B and XVIII.C** above, if Franchisee (and/or any Principal, director, officer, member, manager or other representative of Franchisee) is in breach of any of its obligations under this Agreement or any Other Agreement, then Franchisor shall have the right to terminate this Agreement by giving Franchisee written notice of termination stating the nature of the breach at least thirty (30) days before the effective date of termination; provided, however, that Franchisee may avoid termination by: (a) immediately initiating a remedy to cure such breach; (b) curing the breach to Franchisor's satisfaction; and (c) promptly providing proof of the cure to Franchisor, all within the thirty (30) day period. If Franchisee does not cure any such breach within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

**E. Cross-Default.** If any one or more of the above events occur with respect to any other Bath Fitter® business that you or your affiliates operate, then you will also be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement under the same terms as under the other franchise agreement(s) you or your affiliates are in breach of (that is, if the defaults under the other franchise agreement(s) are curable, then you will have the same cure period under this Agreement, but if the defaults under the other franchise agreement(s) are not curable, then this Agreement will terminate effective immediately upon the delivery of our written notice to you.)

**F. Notice Periods Prescribed by Law.** To the extent that the provisions of this Agreement provide for periods of notice and/or cure that do not meet the minimum applicable standards under law, then the

provisions shall be deemed to be reformed to include notices and/or cure periods that are consistent with said laws.

G. **Franchisor Right Not To Terminate**. If Franchisor is entitled to terminate this Agreement in accordance with this **Section XVIII**, then Franchisor will also have the right to take any lesser action instead of terminating this Agreement, which lesser action shall neither be deemed, nor operate as, a waiver by Franchisor of its rights under this **Section XVIII**.

H. **Franchisee To Pay For All Franchisor Damages and Costs**. Franchisee agrees to pay Franchisor on demand all damages, costs, and expenses (including reasonable attorneys' and other experts'/consultants' fees, court costs, discovery costs, and all other related expenses) that Franchisor incurs as a result of, or in connection with, any default by Franchisee under this Agreement and any Other Agreement (in addition to other remedies that Franchisor may have).

I. **Not a Defense**. Franchisee agrees that it shall not be a defense to any alleged default under this Agreement if the action/omission constituting the breach was undertaken by (or an omission occurred due to the action of) an individual working for, representing, or otherwise associated with Franchisee, and not by Franchisee itself.

XIX. [reserved]

## **XX. SUSPENSION OF SERVICES UPON DEFAULT**

A. **Suspension or Changes to Provision of Services**. In addition to Franchisor's other rights under this Agreement or at law, if Franchisor issues a notice of default to Franchisee and Franchisee fails to cure such default within the applicable time period, or in the event Franchisor is otherwise entitled to terminate this Agreement as per the terms thereof, Franchisor has the right in Franchisor's reasonable business judgment, without the obligation, to temporarily or permanently limit, condition, curtail, or remove, or otherwise change or modify the terms relating to the provision of, certain services, products or benefits provided or required to be provided to Franchisee hereunder or otherwise by Franchisor or any affiliate thereof in connection with the Franchised Business (each, a "**Suspension/Change of Services**"), including, but not limited to:

1. not to accept orders to sell, install, provide, and/or ship any products or services to Franchisee or not to maintain current terms of payment for such products or services;
2. increasing pricing of products and services to be provided to the Franchised Business;
3. restricting Franchisee's or any of its staff's attendance at any training, meetings, workshops, or conventions;
4. not to furnish to Franchisee any advertising or promotional materials;
5. not to provide Franchisee with ongoing advice, assistance, or guidance; and/or
6. not to provide any Franchisor approval contemplated by this Agreement.

B. **Franchisee Not Relieved of Its Obligations**. Franchisee agrees that if Franchisor exercises its rights under **Section XX.A** above, that shall not be considered a constructive termination of this Agreement, change in competitive circumstances, or similarly characterized, and also shall not be deemed a breach of any provision of this Agreement by Franchisor or of any Other Agreement. Franchisee agrees that it will not be relieved of any obligations under this Agreement or any Other Agreement because of any such Suspension/Change of Services.

## XXI. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

Upon expiration or termination of this Agreement for any reason, this Agreement and all rights granted hereunder to Franchisee shall forthwith terminate, and all the following will immediately apply:

A. **Cease Operation.** You agree to: (a) immediately and permanently stop operating the Franchised Business; and (b) never directly or indirectly represent to the public that you are a present or former franchisee of ours (other than as a former franchisee of ours in a personal resume, c.v., or similar job descriptions, such as for employment and banking purposes).

B. **Stop Using Marks and IP.** You agree to immediately and permanently stop making use, in any manner whatsoever, of any current or former aspect of the System (including any confidential methods, procedures and techniques associated with the System), our Marks (including any former Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System), and any and all other current or former Intellectual Property including all intellectual property associated with the System. Without limiting the above, you agree to stop making any further use of any and all current and former signs, printed and/or digital marketing materials, displays, stationery, forms, and any other articles that display the Marks or form part of the System, including all Logo Items.

C. **Cancel Assumed Names.** Franchisee shall, at its cost and expense, take such action as may be necessary to cancel or assign to Franchisor or Franchisor's designee, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "*Bath Fitter*®" or any of the other Marks or any confusingly similar name or derivative thereof, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration.

D. **Franchisee Operating Other Business.** In the event Franchisee continues, directly or indirectly, to operate or subsequently begins to operate, directly or indirectly, any other business, Franchisee agrees not to use any reproduction, counterfeit, copy or colorable imitation of the Marks or any derivative thereof, either in connection with such other business or the promotion thereof. For greater certainty, this provision is not intended as an approval of Franchisee's right to operate other businesses.

E. **No Connection with the System.** Franchisee shall never use, in any manner, any designation of origin, description, trademark, service mark or representation that suggests, implies, or represents, directly or indirectly, in whole or in part, a past or present association (or connection) with Franchisor, the Services, any of Franchisor's affiliates, the Franchised Products, the System, and/or the Marks.

F. **Changes to Approved Locations.** Franchisee shall, at its sole cost and expense, promptly make such modifications or alterations to the premises of the Franchised Business (including the changing of the telephone number) and the Motor Vehicles as may be necessary to prevent any association between Franchisor or the System or any affiliate of Franchisor on the one hand, and any business thereon subsequently operated by Franchisee or others, and shall promptly make, also at Franchisee's sole cost and expense, such specific additional changes thereto as Franchisor may reasonably request for that purpose, including removal of all distinctive physical and structural features identifying or likely to identify, or otherwise related to, the System. In the event Franchisee fails or refuses to comply with the requirements of this provision, Franchisor shall have the right to enter upon the premises where the Franchised Business was conducted, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the sole cost and expense of Franchisee, which shall be paid upon demand.

G. **Payment of Amounts Owing to Franchisor.** Franchisee shall immediately pay all sums owing to Franchisor and its affiliates, including, all damages, costs, and expenses, including reasonable attorneys' fees, incurred or sustained by Franchisor or any affiliate as a result of, or in relation to, any default or breach under this Agreement or incurred by Franchisor in obtaining injunctive or other relief for the enforcement of any

provisions of this Agreement or in connection with any failure of Franchisee to comply with any obligation toward Franchisee or an affiliate.

H. **Payment of Amounts Owing to Others.** Franchisee shall pay on demand all sums owing to all creditors, government agencies, subcontractors and others, including Franchisor affiliates having a bona fide claim in respect of the Franchised Business.

I. **Obligation of Franchisee to Turn Over Material.** Franchisee shall immediately stop using, and turn over to, Franchisor all originals and all copies of all Confidential Information including manuals (including the Confidential Operations Manual), all Communication Addresses, all Franchised Business Digital Sites, all Intellectual Property, all Proprietary Items, all Customer Lists, all Franchised Business Data, all Proprietary Software, all Franchisor Marketing Templates, all Logo Items and any and all other customer lists, brochures, advertising, and promotional materials and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business. Franchisee shall provide a sworn certification to Franchisor upon demand affirming that Franchisee has returned all such materials in its or in any of Franchisee's Principals', directors', officers' and employees' possession or control, without retaining a copy.

J. **Our Option to Buy Your Assets.** We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration and/or termination of this Agreement and/or your lease/sublease for the Approved Location(s), to buy from you (and/or your affiliates), and you and your affiliates shall then sell to us, any or all of your (or your affiliates') furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business (other than Proprietary Items), at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in **this Section**, we will have the right to set off all amounts due from you or your affiliates to us or any of our affiliates. You agree to clear all liens (at your expense). We have the right to impose a reasonable restocking fee for any inventory that we repurchase.

K. **Assignment to Franchisor.** Upon expiration or termination of this Agreement for any reason, Franchisee shall promptly assign to Franchisor or its designee (at no cost to Franchisor) all telephone numbers, domain names, digital identifiers, social network/media logins, e-mail addresses and Websites, as well as all related domains and listings (including all Communication Addresses and Franchised Business Digital Sites), formerly or currently used in the operation of the Franchised Business pursuant to the form of assignment attached hereto as **Exhibit XXI.K**.

L. **Surviving Franchisee Obligations** All provisions of this Agreement that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination for any reason and until they are satisfied or by their nature expire.

## **XXII. TRANSFERABILITY OF INTEREST**

A. **Transfer by Franchisor.** Franchisor has the right to transfer or assign this Agreement and/or all or any part of its rights or obligations under this Agreement to any person or legal entity, and any assignee of Franchisor's, which assignee will become solely responsible for all of Franchisor's transferred obligations under this Agreement as of the date of assignment.

B. **Transfer by Franchisee.** Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that Franchisor has entered into this Agreement and granted the rights under this Agreement to Franchisee in reliance upon the specific or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee and its Principals. Accordingly, you shall not, whether voluntarily or not, without our prior written consent:

1. Engage in and/or proceed with any sale, transfer, assignment, conveyance, lien, security interest, pledge or other encumbrance of, or of any direct or indirect interest in: **(i)** this Agreement; **(ii)** any or all of Franchisee's rights and/or obligations under this Agreement; **(iii)** all or substantially all of the assets of the Franchised Business; **(iv)** the leases or any other interest in the Approved Locations; **(v)** the Proprietary Items and/or Franchised Business Data; and/or **(vi)** any direct or indirect ownership interest in you.

2. Engage in any action and/or transaction and/or operation (including the issuance of additional interests in Franchisee and the signature of a shareholder agreement) whose purpose or result would be a change, direct or indirect, (i) in who controls Franchisee, or (ii) in the then proportional shares of ownership or control of Franchisee, including without limitation, if you are a corporation or limited liability company, the issuance any voting securities or securities convertible into voting securities to anyone including to current Principals, or if you are a general partnership, a limited liability partnership or a limited partnership, the admission of additional limited partners or general partners or members, the removal of a partner including a general partner, or otherwise materially altering the powers of any partner including a general partner.

3. Each of the above transactions/actions is deemed and defined as a "**Transfer**" for the purposes of this Agreement.

4. For clarity, Franchisee agrees that Franchisor exclusively owns, and that Franchisee shall neither attempt to (nor actually) Transfer to any party, any or all of the: Proprietary Items; the Logo Items; the Customer Lists; the Franchised Business Data; the Intellectual Property; the Communication Addresses; the Franchised Business Digital Sites; and/or any other Franchisor assets.

5. Any Transfer (purported or actual) that does not have Franchisor's prior written consent as required by this **Section XXII.B** will be null and void and will also constitute a breach of this Agreement, for which Franchisor may immediately terminate this Agreement without opportunity to cure, pursuant to **Section XVIII.C.10** above.

6. Franchisee agrees (unless Franchisee is a partnership) that: (a) without Franchisor's prior written approval, Franchisee will not issue any voting securities or interests, or securities or interests convertible into voting securities; and (b) the recipient of any such security or other interest must sign and deliver to Franchisor a personal guarantee of Franchisee's obligations under this Agreement at the same time as the Transfer. If Franchisee is a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without Franchisor's prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership must sign and deliver to Franchisor at the same time as the Transfer a personal guarantee of Franchisee's obligations under this Agreement. This clause is in addition to and not in lieu of **Sections XXII.B.2** and **XXII.B.7** of this Agreement.

7. Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you, in whole or in part. Any such transaction (purported or actual) shall also be deemed a transfer under this Agreement.

8. In the case of any proposed Transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Franchised Business (such as sales reports) (although we will have the right not to provide any or all such information).

C. **Transfer Conditions.** Franchisor will not unreasonably withhold any consent required by **Section XXII.B** above; provided, that with respect to any proposed Transfer, Franchisor will have the right to require at a minimum that any and/or all of the following conditions of Franchisor approval to the proposed Transfer are satisfied:

1. Franchisee shall notify Franchisor in writing at least 90 days before the anticipated date of any proposed Transfer (“**Transfer Notice**”).

2. You shall comply with our then-current Transfer policies. You and the proposed transferee shall timely provide us with all information and documents requested by us for our evaluation of the proposed Transfer and the transferee, including the business and financial terms of the proposed Transfer including financial and operational information regarding the proposed transferee, and evidence of any financing that may be required to complete the Transfer and/or fund the transferee’s operation after the Transfer.

3. The transferor and Franchisee must have signed and delivered to Franchisor a transfer agreement including among other things a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor (and Franchisor’s affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities) including claims arising under (a) this Agreement, (b) Other Agreement, and (c) federal, state, and local laws and rules.

4. Franchisor will have the right to require that Franchisee (or the new franchisee, as the case may be) execute, for a term ending on the expiration date of the then current Term of this Agreement, the then current form of franchise agreement for Bath Fitter® businesses, and such other ancillary agreements with Franchisor or any Franchisor affiliates that Franchisor may require for, or in connection with, the Franchised Business, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement and its ancillary documents/agreements including, if applicable, higher royalties and marketing fees.

5. Any person who is or becomes a shareholder or member of Franchisee or has or acquires beneficial ownership of any shares or stock of, or of any membership interest in, Franchisee including the recipient/holder of any security or other interest under a **Section XXII.B** Transfer (including without limitation, the transferee of a Principal of Franchisee) will be required to sign and deliver to Franchisor at the same time as the Transfer a joint and several personal guarantee of all Franchisee’s obligations under this Agreement, any New Franchise Agreement, and Other Agreements (as may be required under **Section XXII.C.4** above) in the form and substance that Franchisor shall have the right to designate for that purpose, the whole at Franchisee’s sole cost and expense.

6. [reserved]

7. The proposed new Principals of Franchisee (and/or the new franchisee, as the case may be) must at all times meet Franchisor educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.

8. The price, consideration, and other proposed terms of the proposed Transfer must not, in our reasonable business judgment, have the effect of materially negatively impacting the future viability of the Franchised Business.

9. If Franchisor requests, then Franchisee must, at its expense, upgrade the Franchised Business to meet Franchisor’s then-current standards and specifications of new Bath Fitter® businesses then-being established in the System within the time period that Franchisor reasonably specifies.

10. All of Franchisee’s and its affiliates’ monetary obligations to Franchisor and Franchisor affiliates, and to all vendors (whether arising under this Agreement or otherwise) shall be paid in full on a current basis.

11. Franchisee and its affiliates must not be otherwise in default of any of Franchisee's obligations under this Agreement or any Other Agreement (including Franchisee's reporting obligations).

12. The transferor shall remain liable for all of Franchisee's and its affiliates' obligations to Franchisor and/or its affiliates in connection with the Franchised Business that arose before the effective date of the Transfer, and any covenants that survive the termination or expiration of this Agreement or any other agreement between Franchisee or a Franchisee affiliate and Franchisor or a Franchisor affiliate, and must execute any and all instruments that Franchisor reasonably requests to evidence such liability.

13. The transferor and Franchisee have signed an agreement with Franchisor, in form and substance acceptable to Franchisor, subordinating payment of any amount between the parties to the Transfer ("**Transfer Payment**") to the payment of all amounts payable/due to Franchisor or its affiliates at time of each Transfer Payment.

14. Franchisor has the right to require that a Principal of the transferee must successfully complete (to Franchisor's satisfaction) all training programs that Franchisor requires upon such terms and conditions as Franchisor may reasonably require. You and/or the transferee shall pay our then-current charges for such training. You and/or the transferee shall also be responsible for all travel-related and other expenditures for the trainees, including salaries and all fees, costs and expenses associated with transportation, lodging, meals, wages, benefits, and other out-of-pocket expenses.

15. Franchisee shall have paid to Franchisor, on or before the date of the Transfer Notice, a transfer fee. If the transferee is a Brand New Franchisee, the transfer fee will be the then-current Initial Franchise Fee that Franchisor charges to Brand New Franchisees, but not less than \$80,000.00. If the transferee is not a Brand New Franchisee, the transfer fee will be the then-current Initial Franchise Fee that Franchisor charges to Existing Franchisees, but not less than \$40,000.00. If any party has engaged a broker with respect to the Transfer, Franchisee also must pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the Transfer, also on or before the date of the Transfer Notice. The Transfer fee is non-refundable. In addition, you or the proposed transferee shall reimburse us for all our costs and expenses incurred in connection with our evaluation of the proposed Transfer, including attorneys' and accountants' fees, background checks, site evaluation and training, if applicable, to the extent the Transfer fee does not cover those costs and expenses. Notwithstanding the above, Franchisor may, as Franchisor deems fit, discount the transfer fee to Five Thousand Dollars (\$5,000) in the case of a proposed Transfer: (i) which does not involve any parties which were not already signatories of this Agreement or (ii) to an entity that is exclusively owned and controlled by an existing Principal who has already signed a personal guarantee.

16. Franchisee and its Principals must execute all required documentation and be responsible for and pay all transfer fees which may be required to transfer to transferee all contracts and agreements for products and services used in the operation of the Franchised Business (including licenses for software). Franchisee acknowledges and agrees that any fees relating to the licensing or use of such software paid by Franchisee prior to the transfer are non-refundable.

17. The Transfer will be subject to Franchisor's right of first refusal as specified in **Section XXIV** below.

18. The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in **Section XVII** above and all other provisions of this Agreement surviving its expiration or termination.

D. **Consent to Transfer.** Franchisor's consent to a transfer that is the subject of this **Section XXII** will not constitute a waiver of any claims that Franchisor may have against the transferring party, nor will it be deemed a waiver of Franchisor right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

E. **Bankruptcy Issues.** If Franchisee or any Principal of Franchisee become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any Transfer of (i) Franchisee, (ii) Franchisee's obligations and/or rights under this Agreement, (iii) any material assets of Franchisee and/or (iv) any indirect or direct interest in Franchisee, will be subject to all of the terms of this **Section XXII**, and without limitation, to Franchisor's prior written consent.

F. **Securities Offers.** All materials for an offering of stock, ownership, and/or partnership interests in Franchisee or any of Franchisee's affiliates that are required by federal, provincial or state law must be submitted to Franchisor for review and approval as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to Franchisor for such review and approval before their use. This **Section XXII.F** applies, among other things, to an initial public offering, crowdfunding and an offering through a private placement memorandum. You must obtain our prior written consent (which we have the right to withhold) before undertaking any securities offering

1. Franchisee agrees that: (a) no offering by Franchisee or any of Franchisee's affiliates may imply, directly or indirectly, by use of the Marks or otherwise, that Franchisor is participating in any manner whatsoever in an underwriting, issuance, or offering of Franchisee's securities or Franchisee's affiliates; (b) Franchisor review of any offering will be limited solely to the relationship between Franchisee and Franchisor or any of its affiliates (and, if applicable, any of Franchisee's affiliates and Franchisor); and (c) Franchisor will have the right, but not obligation, to require (and you shall then immediately make sure) that the offering materials contain a written statement that Franchisor require concerning the limitations stated above.

2. Franchisee (and the offeror if Franchisee are not the offering party), Franchisee's Principals, and all other participants in the offering must fully indemnify Franchisor and all of the Indemnified Parties (as defined in **Section XXVI.C** below) in connection with the offering.

3. For each proposed offering, Franchisee agree to pay us a non-refundable fee of two-thirds (2/3) of the then-current Initial Franchise Fee that Franchisor charges to new Bath Fitter® business franchisees or such greater amount as is necessary to reimburse Franchisor for Franchisor reasonable costs and expenses (including legal and accounting fees) for reviewing, documenting, and discussing the proposed offering with Franchisee and Franchisee's representatives.

4. Franchisee agrees to give Franchisor written notice at least 90 days before starting any offering or other transaction described in this **Section XXII.F**. Any such offering will be subject to all of the other provisions of this **Section XXII**; and further, without limiting the foregoing, it is agreed that any such offering will be subject to Franchisor's prior written approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee are not the offeror) after the financing is completed.

5. Franchisee also agrees that after Franchisee's initial offering, described above, for the remainder of the term of the Agreement, Franchisee will submit to Franchisor, at least 60 days in advance, for Franchisor's review and prior written approval, all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that Franchisee prepare and file (or use) in connection with any such offering. Franchisee agrees to reimburse Franchisor for the reasonable costs and expenses (including legal and accounting fees) that Franchisor incurs in connection with its review of those materials.

G. **Franchisee Is an Individual.** If Franchisee is an individual, upon thirty (30) days' prior written notice to Franchisor, this Agreement and the assets and liabilities of the Franchised Business may be assigned, without any fee for the Transfer (so long as Franchisee reimburses Franchisor on demand for the costs that Franchisor incurs in connection with the Transfer), by signing a transfer agreement in a form and substance that Franchisor shall have the right to require to a newly-formed corporation or limited liability company that conducts no business other than the Franchised Business, that is actively and directly managed by Franchisee, and in which Franchisee owns, controls, and maintains 100% of the shares, interests, and voting power of that entity. Franchisee shall also sign a personal guarantee of the new entity's obligations under this Agreement. Any

such assignment shall not relieve Franchisee of its obligations, and Franchisee remains jointly and severally liable for all obligations.

### **XXIII. DEATH OR PERMANENT DISABILITY OF FRANCHISEE**

A. **Transfer Upon Death.** If Franchisee or any Principal in Franchisee dies, that person's executor, administrator or other personal representative must immediately notify Franchisor in writing of the death and apply to Franchisor in writing within six (6) months after the event (death or incapacity) for consent to transfer the person's interest to anyone, including to any Franchisee or such Principal heir or successor. The Transfer will be subject to the provisions of **Sections XXII and XXIV**, as applicable. In addition, if the deceased person is the Franchisee or the Operating Principal of Franchisee, then Franchisor will have the right (but not the obligation) to take over operation of the Franchised Business until the Transfer is completed. The provisions of **Section XIX.A** shall apply mutatis mutandis should Franchisor take over the operation of the Franchised Business.

B. **Transfer Upon Permanent Disability.** Upon your Permanent Disability or the Permanent Disability of any Principal, we may require your (or the Principal's) interest to be transferred to a third party approved by us within six months after notice to you. That person's administrator or other personal representative must immediately notify us in writing of the situation. Any transfer to anyone in whole or in part, direct or indirect, temporary or permanent, of the control over such person's interest will be deemed a Transfer and will be subject to the provisions of **Sections XXII and XXIV**, as applicable.

C. **Permanent Disability.** For purposes of this Agreement, "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least 6 consecutive months and from which condition recovery within six consecutive months from the date of determination of disability is unlikely. If we disagree as to whether a person has a permanent disability, the existence of the permanent disability shall be determined by a licensed practicing physician selected by us upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Agreement as of the date of refusal. We shall pay the cost of the required examination.

D. **Right of Franchisor to Terminate.** If an interest is not disposed of under, and in accordance with, this **Section XXIII** and **Section XXII** within six (6) months after the date of death or Permanent Disability, Franchisor may terminate this Agreement under **Section XVIII.C** above.

### **XXIV. RIGHTS OF FIRST REFUSAL**

A. **Right of First Refusal.** If Franchisee or any of Franchisee's Principals wish to accept any *bona fide* offer ("**Offer**") for a Transfer, including to purchase Franchisee, any of the Franchised Business' material assets, or any direct or indirect interest in Franchisee, then all of the following will apply:

1. Franchisee (or the Principal who proposes to sell his/her interest) ("**Seller**") must promptly notify Franchisor in writing of the Offer and promptly provide to Franchisor a copy of the Offer and all other information and documentation relating to the Offer that Franchisor may require. Franchisor will have the right and option, exercisable within thirty (30) days after Franchisor has received a copy of the Offer and all such other information that Franchisor has requested, to send written notice to the Seller that Franchisor intends to purchase, directly or through an affiliate, the Seller's interest on the same economic terms and conditions offered by the third party ("**Acceptance Notice**"). After the Acceptance Notice is sent, Franchisor (and/or its affiliate) will have the right to conduct additional reasonable due diligence (during a maximum of 30 days following the Acceptance Notice) and to require the Seller to enter into a purchase agreement in a form mutually acceptable to Franchisor (and/or its affiliate) and to the Seller. If Franchisor (and/or its affiliate) elects to purchase the Seller's interest, then the closing on such purchase will occur within 90 days from the date of the Acceptance Notice ("**Closing Deadline**").

2. If and only if (i) Franchisor does not timely send an Acceptance Notice, (ii) at any time between the Acceptance Notice date and the Closing Deadline, Franchisor notifies the Seller in writing that it does not intend to purchase, or (iii) Seller and Franchisor have failed to sign a purchase agreement by the Closing Deadline (or such later date agreed upon by Seller and Franchisor), then Franchisor shall be deemed to have waived its right of first refusal and Seller shall be entitled to proceed with the transaction with the person who made the Offer, provided the terms of the Offer do not materially change and conditional upon strict compliance with the other applicable terms of this **Section XXIV** and the provisions of **Section XXII**. Any material change in the terms of the Offer before closing will constitute a new Offer subject to Franchisor same rights of first refusal (as set forth in **Section XXIV.A.1** above) as in the case of the third party's initial offer.

3. If Franchisor does not exercise the option afforded by this **Section XXIV**, that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this **Section XXIV** and **Section XXII** of this Agreement, with respect to any proposed Transfer.

4. If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the Seller and Franchisor cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, at Franchisor's request at Franchisor's discretion, they must attempt to appoint a mutually acceptable independent appraiser to make a binding determination. If the Seller and Franchisor are unable to agree upon one independent appraiser, then Franchisor will promptly designate an independent appraiser and Seller will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both Seller and Franchisor. Both parties will equally share the cost of any such appraisal.

5. If Franchisor exercises its rights under this **Section XXIV**, then Franchisor will have the right to set off all amounts due from Franchisee to Franchisor and/or Franchisor's affiliates (plus one-half (½) of the cost of an appraisal, if any, conducted under **Section XXIV.A.4** above) against any payment to the Seller.

XXV. [reserved]

## **XXVI. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

A. **Parties Are Independent.** The parties agree that:

1. this Agreement does not create a fiduciary relationship between them;
2. Franchisee is the only party that will be in day-to-day control of the Franchised Business (even though both Franchisor and Franchisee use the Marks as specified in this Agreement), and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements (including the System, the Confidential Operations Manual and the Mandatory Policies) under which Franchisee will operate alter that basic fact;
3. nothing in this Agreement and nothing in the parties' course of conduct is intended, nor may anything in this Agreement (nor the parties' course of conduct) be construed, to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and
4. neither this Agreement nor the parties' course of conduct is intended, nor may anything in this Agreement (nor the parties' course of conduct) be construed, to state or imply that Franchisor or any of

its affiliates is the employer of Franchisee's employees and/or independent contractors, nor vice versa, and the parties expressly agree that neither Franchisor nor any of its affiliates is the employer of Franchisee's employees and/or independent contractors.

B. **No Franchisor Liability For Franchisee.** At all times during the Term and any extensions hereof, Franchisee agrees to hold itself out as an independent contractor operating the Franchised Business pursuant to a franchise from Franchisor both to the public and also to Franchisee's staff and job candidates. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at the Approved Location, on Motor Vehicles, on contracts and agreements and in marketing, the content and placement of which Franchisor reserves the right to specify in the Confidential Operations Manual or otherwise. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's or Franchisor's affiliates' behalf, or to incur any debt or other obligation in Franchisor's or Franchisor's affiliates' name; and that neither Franchisor nor any of its affiliates will in any event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will Franchisor or any of its affiliates be liable by reason of any act or omission in Franchisee's conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

C. **Indemnification.**

1. Franchisee agrees to indemnify, defend, and hold harmless each of the Indemnified Parties harmless of, from, and against any Claim and the Expenses arising directly or indirectly from any Claim. Franchisee's indemnity obligations shall: (a) survive the expiration or termination of this Agreement and shall not be affected by any insurance coverage that Franchisee and/or any Indemnified Parties may maintain; and (b) exclude any Claim and/or Expense that a court with competent jurisdiction determines, in a final and unappealable ruling, was caused solely by an Indemnified Party's gross negligence and/or willful misconduct.

2. Franchisor agrees to give Franchisee notice of any Claim and/or Expense for which the Indemnified Parties intend to seek indemnification; however, if Franchisor does not give that notice, it will not relieve Franchisee of any obligation (except to the extent of any actual prejudice to Franchisee). Franchisee will have the opportunity to assume the defense of the Claim, at Franchisee's expense and through legal counsel reasonably acceptable to Franchisor, provided that in Franchisor's sole judgment, Franchisee proceeds in good faith, expeditiously, and diligently, and that the defense Franchisee undertakes does not, or is not likely to, jeopardize any defenses of the Indemnified Parties. Franchisor shall have the right: (a) to participate in any defense that Franchisee undertakes with counsel of Franchisor's own choosing, at Franchisee's expense; and (b) to undertake, direct, and control the defense and settlement of the Claim in whole or in part (at Franchisee's expense) if in Franchisor's sole judgment Franchisee could fail or fails to properly and competently assume defense of the Claim within a reasonable time and/or if, in Franchisor's sole judgment, there could be a conflict of interest between Franchisee's interest and that of any Indemnified Party.

3. As used in this **Section XXVI.C**, the parties agree that the following terms will have the following meanings:

(i) **"Claim"** means any allegation, cause of action, and or complaint (including all claims, demands, causes of action, suits, damages of any kind or nature, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses) (including those alleged to be caused in whole or in part by our or our affiliates' negligence), directly or indirectly resulting from, or in connection with, or in any way related to: (a) your exercise of Franchisee's rights and/or carrying out of Franchisee's obligations under this Agreement, (b) your actual or alleged breach of this Agreement or any default by Franchisee under this Agreement, (c) the Franchised Business, (d) the operation of the Franchised Business, (e) your or your employees' actions, inaction, fault, omissions, errors, negligence, (f) the sale of Franchised Products and other products and services by or via the Franchised Business, (g) events occurring at or in connection with the Franchised Business, (h) data theft or other data-related event, or otherwise, whether asserted by a customer,

potential customer, vendor, employee, candidate, former employee, third party, or otherwise of the Franchised Business, (i) a violation of any law, (j) your workmanship or your workmanship warranty, and/or (k) any allegation that we or any of our affiliates are a joint employer or otherwise responsible for your acts or omissions to your employees and candidates. For the sake of clarity, the parties confirm that the indemnification obligations set forth elsewhere in this Agreement including under **Sections XIX.A and XXII.F.2** are included within this definition of a “**Claim**”.

(ii) “**Expenses**” includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

(iii) “**Indemnified Parties**” means us and our past, present, and future shareholders, parents, subsidiaries, and affiliates, and their respective past, present, and future officers, directors, members, managers, agents, and employees.

## **XXVII. NON-WAIVER**

The parties agree that: (a) no delay, waiver, omission, or forbearance on Franchisor’s part to exercise any right, option, duty, or power arising out of any breach or default by Franchisee or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and (b) no custom or practice by the parties at variance with the terms of this Agreement; will constitute Franchisor’s waiver of its right to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. The parties further agree that: (x) if Franchisor accepts late payments from Franchisee on any payments due, that will not be deemed to be Franchisor’s waiver of any earlier or later breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement; and (y) no course of dealings or course of conduct will be effective to amend the terms of this Agreement.

## **XXVIII. NOTICE**

A. **How Notices Delivered.** Any and all notices that are required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by certified U.S. mail (return receipt requested), or by other means that affords the sender evidence of delivery, of rejected delivery, or of attempted delivery to the respective parties at the addresses noted in **Section XXVIII.B**. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery not possible because the recipient has moved and left no forwarding address shall be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

B. **Address For Notices.** Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address herein or at any time after the parties have signed this Agreement, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been given at the time they are delivered to that e-mail address.

C. **Confidential Operations Manual.** The Confidential Operations Manual, any changes that we make to the Confidential Operations Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this **Section XXVIII**.

## **XXIX. COST OF ENFORCEMENT OR DEFENSE**

Franchisee agrees to pay Franchisor all damages, costs and expenses (including reasonable attorneys’ fees, expert witness costs, court costs, discovery costs, and all other related expenses) that Franchisor incurs in:

(a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement; and/or  
(b) successfully defending any claim you make against us or our affiliates and our and their respective current, former or future employees, shareholders, owners, partners, members, managers, directors and officers, including, without limitation, a claim that we misrepresented the terms of this Agreement, that we fraudulently induced Franchisee to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms), its Exhibits, the Confidential Operations Manual and the Mandatory Policies do not exclusively govern the parties' relationship concerning the subject matter hereof.

### **XXX. ENTIRE AGREEMENT**

A. **Agreement and The Exhibits.** This Agreement and the Exhibits referred to in this Agreement (including the Confidential Operations Manual and the Mandatory Policies) as same may be amended from time to time constitute the entire, full, and complete agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, statements, and representations. The parties confirm that: (a) they were not induced by any representations other than the words of this Agreement and the Exhibits referred to in this Agreement (including the Confidential Operations Manual) (and, where applicable, the FDD) before deciding whether to sign this Agreement; and (b) they relied only on the words printed in this Agreement and the Exhibits referred to in this Agreement (including the Confidential Operations Manual) in deciding whether to enter into this Agreement. However, nothing in this Agreement or any other document is meant to (or shall have the effect of) disclaiming any representation that we made in our Franchise Disclosure Document ("**FDD**") (including its exhibits).

B. **Amendment.** Except for those changes that Franchisor is permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

### **XXXI. SEVERABILITY AND CONSTRUCTION**

A. **Severability.** If any provision of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of the provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine that any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be deemed shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision of this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such finding shall not invalidate the remainder of the Agreement nor impair the operation of or affect the remaining sections, parts, terms and/or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties; unless in our reasonable opinion such determination has the effect of frustrating the purpose of this Agreement, whereupon we shall have the right by notice in writing to immediately terminate this Agreement.

B. **Enforceability of Covenants.** Franchisee shall be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within any provision hereof, as though it were separately stated in and made a part of this Agreement, even where it may result from striking from any of the provisions hereof any portion which a court may hold to be unreasonable or unenforceable or from reducing the scope of any promise or covenant to the extent required to comply with such a court order, in a final decision to which Franchisor is a party.

C. **Headings and Captions.** All headings and captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

D. **Some Defined Terms.** Any reference to “**business day**” in this Agreement means each day, excluding Saturday, Sunday, or any public holiday in the location of the Franchised Business. The parties also agree that when used in this Agreement, the terms “**include**” or “**includes**” are understood to mean “**including**” in each instance. For purposes of this Agreement: the term “**Principal**” means each and every individual that directly, indirectly, and/or beneficially owns or controls an interest in Franchisee. Franchisee represents and warrants that as of the date hereof, the Principal(s) is (are) the individual(s) identified as such in **Exhibit XXXI.D**

## **XXXII. APPLICABLE LAW, CUMULATIVE REMEDIES AND LIMITATIONS OF LIABILITY**

A. **Choice of Law.** The parties agree that the State of New York has a deep body of law that will aid in interpreting and understanding the terms of this Agreement and that they therefore have agreed that this Agreement will be interpreted and construed exclusively under the laws of the State of New York, (which laws will prevail in the event of any conflict of law applying New York choice-of-law rules); provided, however, that if the covenants in **Section XVII** of this Agreement would not be enforced as written under New York law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located only if under such state laws, those covenants are enforceable. Nothing in this **Section XXXII.A** is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of New York (or any other state) that would not otherwise apply if the words in this **Section XXXII.A** were not included in this Agreement.

B. **Choice of Venue.** Subject to **Section XXXII.C** below, the parties agree that any action that you bring against us or any of our affiliates, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over New York County, New York. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

1. The parties agree that this **Section XXXII.B** will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.

2. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3. Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action, AND THE PARTIES (AND FRANCHISEE’S PRINCIPALS) WAIVE ANY AND ALL RIGHTS TO PROCEED ON A CONSOLIDATED, COMMON, OR CLASS BASIS.

C. **Mediation.** Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in **Section XXXII.E** below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, “Judicial Arbitration and Mediation Services, Inc.”) at its location in or nearest to New York, New York.

D. **Parties Rights Are Cumulative.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

E. **Injunctions.** Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against any conduct and/or threatened conduct that would violate the terms of this Agreement and/or that will or is likely to cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions (however, you agree that we will not be required to post a bond in order to seek, obtain, or enforce an injunction).

F. [reserved]

G. **WAIVER OF JURY TRIALS.** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER (OR ITS AFFILIATES) WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

H. **LIMITATIONS PERIODS.** EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS (INCLUDING ANY DEFENSES AND ANY CLAIMS OR OF SET OFF OR RECRUITMENT) SHALL BE IRREVOCABLY BARRED UNLESS BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (I) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE, PROVINCIAL OR FEDERAL STATUTE OF LIMITATIONS; (II) ONE YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (III) TWO YEARS AFTER THE FIRST ACT OR OMISSION OR FACT GIVING RISE TO AN ALLEGED CLAIM. CLAIMS ATTRIBUTABLE TO UNDERREPORTING OF GROSS REVENUES, CLAIMS PERTAINING TO INSURANCE, AND THE CLAIMS FOR FAILURE TO PAY MONIES OWED AND OR INDEMNIFICATION SHALL BE SUBJECT ONLY TO THE APPLICABLE STATE, PROVINCIAL OR FEDERAL STATUTE OF LIMITATIONS. THE ABOVE SHALL ALSO APPLY TO ANY CLAIM OR ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER AGREEMENTS, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS AGAINST ANY AFFILIATE, DIRECTOR, OFFICER, PRINCIPAL, MEMBER, MANAGER, EMPLOYEE, OWNER OR SHAREHOLDER OF EITHER PARTY.

I. **WAIVER OF PUNITIVE DAMAGES.** EXCEPT WHERE AND TO THE EXTENT OTHERWISE EXPRESSLY PERMITTED BY THIS AGREEMENT EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREES THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED.

J. **Effectiveness.** This Agreement takes effect only when both parties have signed this document.

### **XXXIII. NO THIRD-PARTY BENEFICIARIES**

Except as expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, and such of our respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by **Sections XXII through XXIV** above, any rights or remedies under or by reason of this Agreement.

### **XXXIV. FORCE MAJEURE**

A. **Impact.** Neither party will be responsible to the other, nor incur any liability, for loss or damage, nor deemed to be in breach of this Agreement for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in **Section XXXIV.B** below), including: (a) acts of

God; (b) acts of war, terrorism, or insurrection; (c) public health emergencies, epidemics, pandemics, hurricanes, tornadoes, environmental emergencies, strikes, lockouts, labor actions, boycotts, floods, fires, and/or other casualties; (d) transportation shortages, inadequate supply of equipment, merchandise, supplies, labour, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, provincial, state, or municipal government or any department or agency thereof; (e) compliance with any laws; and/or (f) Franchisor's inability (and that of Franchisor's affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business, including Franchised Products. Franchisee agrees to abide by any brand standards that Franchisor may establish in connection with continuing to operate, reopening, and other matters relating to operations that are impacted by a Force Majeure event. The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of this **Section XXXIV.A.**

B. **Extension of Time Allowed to Perform.** If any such delay or non-performance occurs, any applicable time period for performance will be automatically extended for a period equal to the time lost (up to three (3) months); provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that Franchisee will remain obligated to promptly pay all fees owing and due to Franchisor under this Agreement, without any such delay or extension.

C. **No Extension of Term.** Nothing in this **Section XXXIV** shall have the effect of extending or otherwise altering the Term of this Agreement.

#### **XXXV. ACKNOWLEDGMENTS**

A. **Franchisee's Investigation of the Bath Fitter® business Possibilities.** You acknowledge, recognize, and agree that: (a) you have conducted an independent investigation of the business franchised under this Agreement; (b) this business venture involves business and financial risks; and (c) Franchisee's success will be largely dependent upon its ability (and that of its Principals as independent businesspersons).

B. **No Warranties or Guarantees.** Franchisor expressly disclaims the making of (and Franchisee confirms that it did not receive) any warranty, promise or guarantee, express or implied, as to the potential sales volume, profits, or success of the business contemplated by this Agreement.

C. **Receipt of FDD and Complete Agreement.** Franchisee acknowledges that it received a copy of this Agreement, the exhibit(s), and agreements/documents relating to this Agreement (if any), with all of the blank lines filled in, with sufficient time to review it with Franchisee's advisors. Franchisee also acknowledges that it received Franchisor's FDD at least fourteen (14) days before Franchisee signed this Agreement and made any payment to Franchisor (or Franchisor's affiliates).

D. **Franchisee Have Read the Agreement.** Franchisee agrees that it has read and understood the FDD, this Agreement, and all of the exhibits to this Agreement.

E. **Franchisee's Advisors.** Franchisee acknowledges that Franchisor recommends that Franchisee seek advice from advisors of Franchisee's own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement and operating the Franchised Business, and that Franchisee had sufficient time and opportunity to consult with those advisors (even if Franchisee did not do so).

F. **Franchisee's Responsibility for Operation of the Franchised Business.** Although Franchisor retains the exclusive and discretionary right to establish and periodically modify System, which Franchisee has agreed to maintain in the operation of the Franchised Business, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.

G. **Different Franchise Offerings to Others.** Franchisee understands and agrees that Franchisor may modify the terms under which Franchisor will offer Bath Fitter® businesses under franchise to other parties in any manner and at any time, and those offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

H. **Franchisor's Advice.** Franchisee agrees that Franchisor's advice is only that; that Franchisor's advice is not a guarantee of success; and that Franchisee must reach and implement its own decisions about how to operate the Franchised Business on a day-to-day basis in accordance with this Agreement.

I. **Franchisee's Independence.** Franchisee agrees that:

1. Franchisee is the only party that employs its staff (even if Franchisor may provide Franchisee with advice, guidance, and training);

2. Franchisor is not Franchisee's employer nor is Franchisor the employer of any of Franchisee's staff, and even if Franchisor expresses an opinion or provides advice, Franchisor will play no role in Franchisee's decisions regarding employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

3. the guidance that Franchisor provides, and requirements under which Franchisee will operate, are intended to promote and protect the value of the System, the Bath Fitter® Franchised Network and the Marks; and

4. Franchisee has made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming Franchisee's entity, operating the Franchised Business (though in accordance with this Agreement, the Confidential Operations Manual and the Mandatory Policies), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of Franchisee's operation.

J. **Success Depends on Franchisee.** Franchisee agrees that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's and/or its Principals' ability as an independent businessperson, Franchisee's and /or the Principals active participation in the daily affairs of the business, market conditions, area competition, availability of products, general economic conditions, quality of services provided by Franchisee and Franchisee's staff, as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated under this Agreement, and Franchisee acknowledges and agrees that strict compliance with all the terms of this Agreement, the Confidential Operations Manual and the Mandatory Policies is no warranty that the Franchised Business will be successful, and Franchisor shall have no liability whatsoever under any theory of law for, or in connection with, the performance or lack of performance of the Franchised Business.

K. **Franchisor Right To Decide or Take Action.** Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interests of the Bath Fitter® Franchised Network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (i) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; (ii) our decision or the action taken promotes our or our affiliates' financial or other individual interest; (iii) our decision or action applies differently to you and one or more franchisees or our company-owned or affiliate-owned operations, including Bath Fitter® businesses; or (iv) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our rights or

discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, us and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and or refrain from taking actions not inconsistent with your rights and obligations hereunder.

L. **General Release.** If this Agreement is not the first contract between Franchisee (and Franchisee's affiliates) and Franchisor (and Franchisor's affiliates), then Franchisee agrees to the following:

*Franchisee (on behalf of itself and its current, past and future parent, subsidiaries and affiliates and Franchisee's and their respective past, future and present members, officers, directors, managers, shareholders, principals, partners, owners, agents and employees, in their corporate and individual capacities) and all guarantors of Franchisee's obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release (and covenant not to sue) Franchisor, Franchisor's present, past and future parent, subsidiaries and affiliates, and Franchisor and their respective past, future and present members, officers, directors, managers, shareholders, principals, partners, owners, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all causes of action, and or complaints (including all **claims**, demands, causes of action, suits, damages of any kind or nature, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses) of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Bath Fitter® business and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. Franchisee understands as well that Franchisee or any other Releasor may later learn of new or different facts, but still, it is Franchisee's intention on behalf of all Releasors to fully, finally, and forever release all of the claims that are released above. This includes Franchisee's and other Releasors' waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). Franchisee for itself and the other Releasors agrees that fair consideration has been given by Franchisor for this General Release and Franchisee fully understands that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in Franchisor's Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

#### XXXVI. ACKNOWLEDGEMENTS, REPRESENTATIONS AND WARRANTIES

A. **Representations and Warranties.** You and your Principals represent and warrant to us that: (i) neither you nor any of your Principals have made any untrue statement of any material fact nor omitted to state any material fact in your and their franchise application and other documents and information submitted to us, or in obtaining the rights granted herein; (ii) neither you nor any of your Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise expressly, completely and accurately disclosed to us in writing prior to the execution of this Agreement by us; (iii) you and your Principals have legal right to own and operate the Franchised Business. You recognize that we approved you and signed this Agreement in reliance on all of the representations, warranties and statements you and your Principals have made before and in this Agreement, and all the information you and your Principals have provided to us, and that you have a continuing obligation to advise us of any material changes in these

statements and representations made, and information provided, to us in this Agreement or otherwise before the execution of this Agreement in connection therewith.

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

C. **Authority to Bind.** Each party represents and warrants to the other party that the person signing on its behalf is duly authorized to do so, that all formalities and actions for any entity (including a corporation, LLC, partnership, or trust) needed to authorize entry into this Agreement (and signature below) have been undertaken, and that this Agreement, when signed, will be a legally binding obligation of that party.

D. **Owners and Executives of Franchisee.** Franchisee represents and warrants that **Exhibit XXXVI.D** hereto contains complete and accurate information respecting the partners, members, managers, owners, shareholders, directors, and officers of Franchisee.

E. **No Bribes.** You and your Principals agree that you and they shall not solicit, accept, make, or otherwise engage in payments of money, things of value, or anything that might be considered to be a bribe to any party, public or private, for the purpose of obtaining a contract, permit, or otherwise in connection with the Franchised Business.

*(Signature page follows)*

**IN WITNESS WHEREOF**, intending to be legally bound by this Agreement, the parties have duly signed, sealed, and delivered this Agreement as of the **Effective Date** (as written on first page of this Agreement).

**BATH FITTER FRANCHISING, INC.**  
Franchisor

[Redacted]  
Franchisee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address for Notices:  
\_\_\_\_\_  
\_\_\_\_\_

Address for Notices:  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_  
Attn: \_\_\_\_\_  
E-mail: \_\_\_\_\_

Telephone: \_\_\_\_\_  
Attn: \_\_\_\_\_  
E-mail: \_\_\_\_\_

## EXHIBIT 1A TO THE FRANCHISE AGREEMENT

### GUARANTEE AND ASSUMPTION OF OBLIGATIONS (“Personal Guarantee”)

To induce Bath Fitter Franchising, Inc. (“**Franchisor**”) to sign the Bath Fitter® Franchise Agreement between Franchisor and \_\_\_\_\_ (“**Franchisee**”), dated \_\_\_\_\_ (the “**Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor’s demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor (and/or any affiliate) to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Personal Guarantee, Franchisor and/or any affiliate may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waives notice of amendment of the Agreement (and any other contract with Franchisor and/or Franchisor’s affiliates) and notice of demand for payment by Franchisee, and agrees to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and/or Franchisor’s affiliates).
- S/he will defend, indemnify and hold Franchisor and/or any affiliate thereof harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and/or Franchisor’s affiliates) and/or any amendment to the Agreement and/or any other contract with Franchisor or any of Franchisor’s affiliates.
- S/he will, and agrees to, be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement and/or any other contract with Franchisor or any of Franchisor’s affiliates.
- S/he understands that: **(a)** this Personal Guarantee does not grant her/him any rights under the Agreement or under any other contract between Franchisee and Franchisor and/or any affiliate thereof (including the right to use any of Franchisor’s marks, such as “Bath Fitter®”) or the system licensed to Franchisee under the Agreement; **(b)** s/he has read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in

full; and (c) s/he has had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Personal Guarantee.

- S/he agrees that if the general release specified in **Section XXXV.L** of the Agreement applies to Franchisee, then it shall also apply to the undersigned persons.

This Personal Guarantee will be interpreted and construed in accordance with **Section XXXII** of the Agreement (including the waiver of punitive damages, waiver of jury trial, and agreement not to engage in class or common actions). Among other things, that means that this Personal Guarantee will be interpreted and construed exclusively under the laws of the State of New York, and that in the event of any conflict of law, New York law will prevail (without applying New York conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons represents and warrants that the undersigned are all of the principals of Franchisee as defined in the Agreement and has signed this Personal Guarantee as of the date of the Agreement.

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Home Address:  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Home Address:  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_  
Home Address:  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT I.A.iii TO THE FRANCHISE AGREEMENT  
DESCRIPTION OF TERRITORY  
(subject to the terms of this Agreement)**

Territory Description:

Territory Population:

Franchisor

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

Franchisee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT I.A.iv TO THE FRANCHISE AGREEMENT**

**MARKS**

**BATH FITTER®**

Franchisor

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

Franchisee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT II.B.7 TO THE FRANCHISE AGREEMENT**

**FORM OF GENERAL RELEASE  
(Subject to Change)**

Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the “Franchisee Group”), hereby forever release and discharge, and forever hold harmless Bath Fitter Franchising, Inc., its current, former, and future affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the “Franchisor Party Releasees”), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group or its owners had, have, or may have against any member of the Franchisor Party Releasees, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.

**Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party’s intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties’ waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that “[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”) The Franchisee Group further indemnifies and holds the Franchisor Party Releasees harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’, and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Party Releasees may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.**

**EXHIBIT XLE.1 TO THE FRANCHISE AGREEMENT**

**INITIAL NMF PERIOD MONTHLY NMF CONTRIBUTION**  
(subject to the terms of this Agreement)

Territory Population*	Monthly \$	Months	Yearly
<500K	\$ 2,000	12	\$ 24,000
500K-0.75M	\$ 2,500	12	\$ 30,000
750K-1.25M	\$ 5,000	12	\$ 60,000
1.25M - 1.75M	\$ 7,500	12	\$ 90,000
1.75M - 2.25M	\$ 10,000	12	\$ 120,000
2.25M+	\$ 12,500	12	\$ 150,000

---

\* As set forth in Exhibit LA.iii of this Agreement.

**EXHIBIT XI.E.2.1 TO THE FRANCHISE AGREEMENT**

**NMF PERCENTAGE**  
(subject to the terms of this Agreement)

3%

**EXHIBIT XI.E.2.2 TO THE FRANCHISE AGREEMENT**

**SET INCREASE**  
(subject to the terms of this Agreement)

5%

**EXHIBIT XL.G TO THE FRANCHISE AGREEMENT**

**FRANCHISEE MINIMUM GRAND OPENING MARKETING SPEND**  
(subject to the terms of this Agreement)

**EXHIBIT XL.H TO THE FRANCHISE AGREEMENT**

**FRANCHISEE MINIMUM LOCAL MARKETING EXPENDITURE**  
(subject to the terms of this Agreement)

For each calendar year, the higher of \$6,000 and 7% of the Franchised Business Gross Revenues for the immediately preceding calendar year.

**EXHIBIT XII.A TO THE FRANCHISE AGREEMENT**

**BRAND NEW FRANCHISEE INITIAL FRANCHISE FEE**  
(subject to the terms of this Agreement)

\$80,000

**EXHIBIT XII.B TO THE FRANCHISE AGREEMENT**

**EXISTING FRANCHISEE INITIAL FRANCHISE FEE**  
(subject to the terms of this Agreement)

\$40,000

**EXHIBIT XIV.V TO THE FRANCHISE AGREEMENT**

**UNITS**

(subject to the terms of this Agreement)

**5-year Anticipated Unit Purchase: xxx Units**

**Year 1 Anticipated Unit Purchase: xxx Units**

**Year 2 Anticipated Unit Purchase: xxx Units**

**Year 3 Anticipated Unit Purchase: xxx Units**

**Year 4 Anticipated Unit Purchase: xxx Units**

**Year 5 Anticipated Unit Purchase: xxx Units**

**EXHIBIT XV.A TO THE FRANCHISE AGREEMENT**

**START-UP PLAN**

(subject to the terms of this Agreement)

**EXHIBIT XXI.K TO THE FRANCHISE AGREEMENT**

**ASSIGNMENT OF TELEPHONE NUMBERS, EMAIL ADDRESSES AND WEBSITES**

Date: \_\_\_\_\_

This assignment is instantly, immediately and automatically effective as of the date of expiration or termination of the Franchise Agreement entered into between **BATH FITTER FRANCHISING, INC.** (“**BFF**”) and \_\_\_\_\_ (“**you**” or “**Franchisee**”) on \_\_\_\_\_ (the “**Franchise Agreement**”). For valid and sufficient consideration, receipt of which is hereby acknowledged, you hereby irrevocably assign to BFF or our designee (BFF and/or any designee are hereinafter collectively or individually referred to as the “**Assignee**”) the telephone number or numbers, digital identifiers, email addresses, domain names, websites, social network/media accounts, groups and pages and logins, as well as all related domains and listings issued to you or used by you with respect to each and all of your *Bath Fitter*® businesses (collectively, the “**coordinates**”). This assignment is for collateral purposes only and the Assignee has no liability or obligation of any kind whatsoever arising from this assignment, unless Assignee desires to take possession and control over the coordinates.

Franchisee acknowledges and agrees that: (a) BFF is the sole owner of each of the coordinates; (b) Franchisee is licensed to use the coordinates for the sole purpose of operating its Bath Fitter® business pursuant to the terms of the Franchise Agreement; and (c) upon expiration, termination, or transfer of the Franchise Agreement (and/or the Franchisee’s rights under the Franchise Agreement), Franchisee shall retain no rights or claims whatsoever with respect to the coordinates, and shall be entitled to no compensation for relinquishing any further right to use to coordinates.

Assignee hereby is authorized and empowered upon the expiration or termination of the Franchise Agreement and without any further notice to you to notify the telephone company (as well as any other company that publishes telephone directories), the email service provider (as well as any other company that offers electronic mail services) and any website host (as well as any other company that offers website hosting or display services) and any other provider of coordinates services (collectively, the “**providers**”) to transfer the coordinates to the Assignee at your sole cost and expense.

You hereby grant to the Assignee an irrevocable power of attorney and appoint the Assignee as your attorney-in-fact to take any necessary actions at your sole cost and expense to assign the coordinates to the Assignee, including, executing any forms that the providers may require to effect the assignment. This assignment is also for the benefit of the providers, and the providers may accept this assignment and our instructions as conclusive evidence of the Assignee’s rights in the coordinates and the Assignee’s authority to direct the amendment, termination or transfer of the coordinates, as if they had originally been issued to the Assignee. In addition, you agree to indemnify and save and hold the providers harmless from any and all claims against them arising out of any actions or instructions by the Assignee regarding the coordinates.

FRANCHISEE

**BATH FITTER FRANCHISING, INC.**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date \_\_\_\_\_

**EXHIBIT XXXLD TO THE FRANCHISE AGREEMENT**

**FRANCHISEE PRINCIPALS**

**EXHIBIT XXXVI.D TO THE FRANCHISE AGREEMENT**

**NAMES AND ADDRESSES OF SOLE PROPRIETOR OR SHAREHOLDERS,  
PARTNERS, PRINCIPAL OFFICERS,  
AND IF A LIMITED LIABILITY COMPANY, MEMBERS AND MANAGERS, AS APPLICABLE,  
AND OTHER INFORMATION PERTAINING TO FRANCHISEE**

---

---

1. If Franchisee is a sole proprietorship, list below the name and residence address of the sole owner:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. If Franchisee is a partnership, list below the names, residence addresses and respective percentage ownership interests in the partnership of each partner (and whether any partner is a managing partner) and submit a copy of the partnership agreement, if any, to BATH FITTER FRANCHISING, INC. (if more space is required, attach additional sheets hereto):

a. _____ _____ _____ _____ _____ _____ _____ _____ %	b. _____ _____ _____ _____ _____ _____ _____ _____ %
c. _____ _____ _____ _____ _____ _____ _____ _____ %	d. _____ _____ _____ _____ _____ _____ _____ _____ %

3. If Franchisee is a corporation, list below the names, residence addresses and percentage ownership of each shareholder and submit a copy of the articles of incorporation (or similar documents such as certificate of incorporation) to BATH FITTER FRANCHISING, INC. (if more space is required, attach additional sheets hereto):

a. _____ _____ _____ _____	b. _____ _____ _____ _____
-------------------------------------	-------------------------------------

\_\_\_\_\_ %

c. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ %

\_\_\_\_\_ %

d. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ %

4. If Franchisee is a corporation, list below the names and residence addresses of each director of the corporation, if not previously provided herein (if more space is required, attach additional sheets hereto):

a. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

d. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. If Franchisee is a corporation, list below the names and residence addresses of each applicable executive officer (if necessary, list other corporate executive officers on additional sheets attached hereto):

a. President:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. Secretary:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c. Vice President:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

d. Treasurer:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. If Franchisee is a limited liability company, list below the names, residence addresses, and respective percentages of ownership interests in the company, of each member and manager (and identify any member that is a managing member) and submit a copy of the articles of organization (or similar documents such as certificate of formation or certificate of organization), operating agreement, and management agreement, if any, to BATH FITTER FRANCHISING, INC. (if more space is required, attach additional sheets hereto):

a. \_\_\_\_\_

b. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_%

c. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_%

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_%

d. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_%

7. If any legal entities have been listed at Items 2, 3 or 6 above, list below the names, residence addresses and percentage ownership of each shareholder, partner or holder of an equity interest therein (if more space is required, attach additional sheets hereto):

a. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_%

c. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_%

b. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_%

d. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_%



## Index to Defined Terms

Acceptance Notice .....	XXIV.A.1
Agreement.....	First Page
AI Source .....	VIII.I
Allowances .....	XIV.D.6
Anticipated Unit Purchase.....	XIV.V
Anti-Terrorism and Anti-Corruption Laws.....	XVII.J
Approved Communication Addresses .....	VIII.K
Approved Location .....	III.B.1
Approved Supplier Program .....	XIV.D.3
Approved Suppliers .....	XIV.D.3
Approved Suppliers List.....	XIV.D.3
Background Checks .....	XIV.I
Bath Fitter® business.....	I.A
Bath Fitter® Franchised Network.....	Recitals
BLS .....	XII.K
Branch Leader.....	V.C
Brand New Franchisee.....	XII.A
Business day.....	XXXI.D
Calendar Year 1 .....	XI.E.2
Claim.....	XXVI.C.3.i
Closing Deadline.....	XXIV.A.1
Commercial Facilities .....	I.J.1
Communication Addresses .....	VIII.K
Competitive Business .....	XVII.A.2
Confidential Information .....	X.A and B
Customer List.....	XIV.J
Designated Communication Addresses .....	VIII.K
Digital Site .....	VIII.G
Effective Date .....	First Page
Existing Franchisee.....	XII.A
Expenses .....	XXVI.C.3.ii
FDD .....	XXX.A
Franchised Business.....	I.A
Franchised Business Data .....	VIII.F.1 and .5
Franchised Business Digital Site .....	VIII.G
Franchisee Local Advertising Materials .....	XI.B
Franchised Products.....	I.B and XIV.E
Franchisee (you) .....	First Page
Franchisee Group.....	IX.A
Franchisee HR Data .....	VIII.F.1
Franchisee New Developments.....	IX.A
Franchisor (We) .....	First Page
Franchisor Marketing Templates.....	XI.A
Grand Opening Marketing Plan .....	XI.G
Gross Revenues .....	XII.C
Immediately Preceding Calendar Year .....	XI.E.3
Indemnified Parties .....	XXVI.C.3.iii
Index .....	XII.K
Initial Franchise Fee.....	XII.A
Initial NMF Period.....	XI.E.1
Initial Term .....	II.A

Initial Training .....	V.A
Intellectual Property.....	VI.A
Local Marketing Expenditure .....	XI.J
Logo Items .....	XI.C
Mandatory Policies .....	XIV
Mark(s) .....	I.A
Motor Vehicles .....	IV.A.1
National Accounts.....	I.J.6
National Marketing Fund.....	XI.D
New Franchise Agreement.....	II.B.6
NMF Contribution .....	XI.E
NMF Percentage .....	XI.E.2
Offer .....	XXIV.A
Open Commercial Jobs.....	I.J.4
Operating Principal.....	V.A.1
Other Agreement.....	I.A
Other Material.....	XIV.D.1.b
PII .....	VIII.F.4.
Period X.....	XIII.A
Permanent Disability.....	XXIII.C
Preferred Vendors .....	XIV.D.2
Preferred Vendors List.....	XIV.D.2
Principal.....	XXXI.D
Proprietary Items.....	VIII.A
Proprietary Software .....	VIII.E
Publicly-held entity.....	XVII.F
Regional Fund.....	XI.I
Renewed Term.....	II.B
Report .....	XIII.A
RSC.....	V.A.3
Seller.....	XXIV.A.1
Services.....	XIV.C
Set Increase.....	XI.E.2
Start-Up Plan .....	XV.A
Suspension/Change of Services .....	XX.A
System.....	I.A
Term.....	II.B
Territory.....	I.A
Trademarked Products .....	I.A
Trade Name .....	I.A
Training Notice .....	V.I
Transfer .....	XXII.B.3
Transfer Notice .....	XXII.C.1
Transfer Payment.....	XXII.C.13
Upcoming NMF Calendar Year.....	XI.E.3
Units.....	XIV.V

**Exhibit C:****List of Franchisees**

**FRANCHISEES**  
as of December 31, 2024

<b>FRANCHISEE</b>	<b>CITY</b>	<b>STATE</b>	<b>ADDRESS</b>	<b>TELEPHONE NUMBER</b>
MULLIKIN GROUP, INC.	NORTH LITTLE ROCK	AR	4507 E.43rd Street	877-585-2284
CALIFORNIA BATH SYSTEMS, LLC	EL CAJON	CA	221 North Johnson Ave.	619-447-2000
PACIFIC COAST BATH SOLUTIONS, LLC	VENTURA	CA	PACIFIC COAST BATH SOLUTIONS, LLC	805-676-0147
BATH SOLUTIONS,LLC	ENGLEWOOD	CO	1500 WEST HAMPDEN AVE UNIT 3-E	303-788-0200
CONNECTICUT BATHWORKS CORP.	MILFORD	CT	100 WOODMONT ROAD	203-882-9402
BATH SAVER INC.	NEWARK	DE	250 CORPORATE BLVD, SUITE I	717-932-2500
JOPA REALTY INVESTMENTS INC.	CLEARWATER	FL	2030 Calumet Street	727-298-8827
MARTIN MARTIN RENOVATIONS INC.	DORAL	FL	8956 NW 24TH TERRACE	786-517-8699
JET LINER, LLC	FORT MYERS	FL	14261 JETPORT LOOP, Unit 7	877-228-4348
SUNSHINE BATH,LLC	FORT MYERS	FL	14261 JETPORT LOOP, Unit 8	407-855-0501
O'GORMAN BROTHERS LLC.	JACKSONVILLE	FL	7660 PHILIPS HWY, Suite 3	904-828-3530
O'GORMAN BROTHERS LLC	OCALA	FL	2600 SE 1ST AVE	352-624-8827
SUNSHINE BATH,LLC	ORLANDO	FL	7655 Currency Drive	407-855-0501
JET LINER, LLC	SARAOTA	FL	7246 16TH STREET EAST, Suite 112	877-228-4348
O'GORMAN BROTHERS LLC	SAVANNAH	GA	4131 OGEECHEE RD. SUITE 123	912-966-0892
IOWA BATH SOLUTIONS, LLC	DAVENPORT	IA	5121 Tremont Avenue	717-932-2500
IOWA BATH SOLUTIONS, LLC	DES MOINES	IA	6290 NE Industry Drive, Suite E	717-932-2500
BILVAN IDAHO LLC	BOISE	ID	4141 West Chinden Blvd.	208-917-2220
BILVAN IDAHO LLC	IDAHO FALLS	ID	1580 Jones St	208-917-2220

<b>FRANCHISEE</b>	<b>CITY</b>	<b>STATE</b>	<b>ADDRESS</b>	<b>TELEPHONE NUMBER</b>
IOWA BATH SOLUTIONS, LLC	MORTON	IL	1655 N. Main St.	800-594-8776
IDEAL BATHROOM SOLUTIONS, LLC	SPRINGFIELD IL	IL	1970 Congressional Drive	636-680-1920
BATHROOM ALTERNATIVES INC.	FT. WAYNE	IN	2202 Research Drive	260-422-2284
BATHROOM ENHANCEMENTS INC.	VALPARAISO	IN	1257 HOWARD STREET	219-464-7373
BATHROOM ALTERNATIVES INC.	LEXINGTON	KY	1191-C BROOK McVEY DRIVE	859-294-0226
PREMIER BATH SYSTEMS, LLC	GREENFIELD	MA	1175, BERNARDSTON ROAD	413-774-5507
CULCO INC.	STONEHAM	MA	41 ELM ST #3	781-438-6800
DELMARVA BATHS, LLC	DELMAR	MD	503 S. MARYLAND AVENUE, Suite D	410-341-0980
MID ATLANTIC BATHSOLUTIONS LLC	LAUREL	MD	9115 Whiskey Bottom Road, Suite A	410-363-2199
MICHIGAN BATH, LLC	GRAND RAPIDS	MI	4623 CLYDE PARK AVE SW	616-249-7884
ENOLA, L.L.C.	WARREN	MI	30000 RYAN ROAD, Suite B	586-751-5945
BATH WORKS OF MINNESOTA INC.	ROSEVILLE	MN	2500 Cleveland Ave n	651-645-1100
IDEAL BATHROOM SOLUTIONS, LLC	MARYLAND HEIGHTS	MO	1970 Congressional Drive	636-680-1920
BILVAN MONTANA LLC	BELGRADE	MT	121 Donjo Avenue, Unit 1	416-414-6888
MARTIN MARTIN RENOVATIONS INC.	CHARLOTTE	NC	8200 UNIT G ARROWRIDGE BLVD	704-525-8799
MARTIN MARTIN RENOVATIONS INC.	GARNER	NC	182 CLEVELAND CROSSING DRIVE	919-662-9899
MARTIN MARTIN RENOVATIONS INC.	KERNERSVILLE	NC	115 ADAMS ST.	336-379-7899
MARTIN MARTIN RENOVATIONS INC.	MORRISVILLE	NC	1117 COPELAND OAKS DRIVE	919-662-9899
MARTIN MARTIN RENOVATIONS INC.	WILMINGTON	NC	3822 US HWY 421, Suite 140	910-210-4099

<b>FRANCHISEE</b>	<b>CITY</b>	<b>STATE</b>	<b>ADDRESS</b>	<b>TELEPHONE NUMBER</b>
O'GORMAN BROTHERS LLC.	CLIFFWOOD	NJ	160 State Route 35	732-462-3200
O'GORMAN BROTHERS LLC		NJ	2600 SE 1ST AVE	352-624-8827
BATH SYSTEMS NY, LLC	DUMONT	NJ	52 EAST MADISON AVE	201-244-0066
O'GORMAN BROTHERS INC.	HACKETTSTOWN	NJ	188 Mountain Ave	908-322-1131
O'GORMAN BROTHERS INC.	HACKETTSTOWN	NJ	430 Sand Shore Road, Unit #8	609-242-3555
O'GORMAN BROTHERS INC.	KEYPORT	NJ	50 State Route 35	732-650-0058
O'GORMAN BROTHERS INC.	KEYPORT	NJ	50 State Route 35	609-242-3555
O'GORMAN BROTHERS INC.	KEYPORT	NJ	50 STATE ROUTE 35	609-242-3555
BATH SAVER INC.	WEST BERLIN	NJ	406 BLOOMFIELD DRIVE	856-809-9393
MARTIN MARTIN RENOVATIONS INC.	LAS VEGAS	NV	6265 South Valley View Blvd.	702-996-8901
INSTANT BATH INC.	ALBANY	NY	1033 Watervliet Shaker Rd	518-862-9901
IDEAL BATHROOM SOLUTIONS, LLC	CHEEKTOWAGA	NY	2851 BROADWAY STREET SUITE 800	716-839-6570
ALEXANDER HOLDINGS, LLC	COPIAGUE	NY	745 MONTAUK HIGHWAY	631-956-1459
ALEXANDER HOLDINGS, LLC	NY BOROUGH	NY	725 MONTAUK HIGHWAY	914-665-8975
BATH SYSTEMS NY, LLC	NY BOROUGH	NY	745 MONTAUK HIGHWAY	631-956-1459
ALEXANDER HOLDINGS, LLC	NY BOROUGH	NY	725 MONTAUK HIGHWAY	877-228-2284
ALEXANDER HOLDINGS, LLC	NY BOROUGH	NY	725 MONTAUK HIGHWAY	877-228-2284
ALEXANDER HOLDINGS, LLC	NY BOROUGH	NY	725 MONTAUK HIGHWAY	877-228-2284
ALEXANDER HOLDINGS, LLC	LONG ISLAND	NY	3270 49 TH STREET	877-228-2284
ALEXANDER HOLDINGS, LLC	MONT VERNON	NY	645 SOUTH 3 RD AVENUE	914-665-8975
INSTANT BATH INC.	SCHENECTADY	NY	3800 STATE STREET	845-561-1133
ALEXANDER HOLDINGS, LLC	STATEN ISLAND	NY	3801 VICTORY BOULEVARD	914-665-8975
TIMOTHY A. ROGERS	ASHLAND	OH	921 JACOBSON AVE.	419-945-2535
BATHROOM ALTERNATIVES INC.	CINCINNATI	OH	2526 Commerce Blvd	513-733-1400
BATHROOM ALTERNATIVES INC.	DAYTON	OH	85 Westpark Rd	937-434-1984

<b>FRANCHISEE</b>	<b>CITY</b>	<b>STATE</b>	<b>ADDRESS</b>	<b>TELEPHONE NUMBER</b>
OHIO BATH SOLUTIONS, LLC	HOLLAND	OH	1810 EBER ROAD,UNIT B	800-594-8776
OHIO BATH SOLUTIONS, LLC	KENT	OH	1163-A Holiday Dr.	330-673-2124
BATHROOM ALTERNATIVES INC.	LIMA	OH	3600 ELIDA RD.	419-229-2284
OHIO BATH SOLUTIONS, LLC	NORTH OLMSTEAD	OH	31351 LORAIN ROAD	440-716-8686
OHIO BATH SOLUTIONS,LLC	WORTHINGTON	OH	7465 Worthington Galena Road, Suite C	614-785-1040
OHIO BATH SOLUTIONS,LLC	ZANESVILLE	OH	878 DRYDEN ROAD	740-450-8900
MULLIKAN	OKLAHOMA CITY	OK	8320 S. Pennsylvania Avenue	405-378-0378
F.J.W. INVESTMENTS, INC.	ALQUIPPA	PA	214 PLEASANT DRIVE	724-378-5000
BATH SAVER OF ALLENTOWN	ALLENTOWN	PA	2125, 28TH Street SW, Suite 2	800-594-8776
BATH SAVER, INC.	CRESSON	PA	116 Industrial Drive	814-946-1942
T&S BATH IMPROVEMENT, INC.	ERIE	PA	2226 W 50th st	814-864-2284
BATH SAVER INC.	NEW CUMBERLAND	PA	2 LAUREL ROAD	717-932-2500
BATH SAVER INC.	NORRISTOWN	PA	2430 Boulevard of the Generals	610-594-1000
BATH SAVER INC.	PITTSTON	PA	167 CENTERPOINT BLVD.	570-602-1544
BRIDAN CORPORATION	WARREN	RI	160 FRANKLIN STREET	401-253-8500
MULLIKIN GROUP, Inc.	COLUMBIA	SC	401 HUGER STREET	803-929-2500
MULLIKIN GROUP, Inc.	DUNCAN	SC	608 CROWN POINTE DR.	864-585-2284
IOWA BATH SOLUTIONS, LLC	TEA	SD	1311 North Carla Ave.	717-932-2500
ALM INVESTMENT, LLC	JOHNSON CITY	TN	2908 E. Oakland Avenue, Suite B	423-952-2284
BATH ROOM SOLUTIONS,LLC	JACKSON	TN	3189 North Highland Avenue, Suite B	619-447-2000
MULLIKIN GROUP, Inc.	MEMPHIS	TN	5455 Crestview Road, Suite 16	901-386-5495
LONE STAR BATH LLC	AUSTIN	TX	9222 Burnet Rd, Unit #103	888-277-2617

<b>FRANCHISEE</b>	<b>CITY</b>	<b>STATE</b>	<b>ADDRESS</b>	<b>TELEPHONE NUMBER</b>
BILVAN, LLC	SAINT GEORGE	UT	1552 Gateway Dr, #7	801-748-4200
BILVAN, LLC	SANDY	UT	9076 S. 300 WEST	801-748-4200
MID ATLANTIC BATHSOLUTIONS LLC	HENRICO	VA	5772 Charles City Circle	804-344-9837
MID ATLANTIC BATHSOLUTIONS LLC	NORFOLK	VA	1333-G Azalea Garden Rd.	410-363-2199
MID ATLANTIC BATHSOLUTIONS LLC	SPRINGFIELD	VA	7942 Angus Court, Unit N&O	703-339-0334
ALLEGANY BATH,LLC	WINCHESTER	VA	212 Fort Collier Rd.	717-932-2500
BATH BUILDERS, LLC	KENNEWICK	WA	1328 E 3rd Ave #4	425-712-8268
KENT BATH SYSTEMS	KENT	WA	7649 S 180TH ST	253-872-6898
BOCA VENTURES LTD	MOUNTLAKE TERRACE	WA	6900- 220 STREET S.W., SUITE A	425-712-8268
BATH BUILDERS, LLC	SPOKANE	WA	5221 E 3rd Ave., Suite A	509-474-9191
IDEAL BATHROOM SOLUTIONS, LLC	BROOKFIELD	WI	3450-B NORTH 127TH STREET	262-524-8172
IDEAL BATHROOM SOLUTIONS, LLC	BROOKFIELD	WI	3450-B NORTH 127TH STREET	262-524-8172
OHIO BATH SOLUTIONS, LLC	MORGANTOWN	WV	203 and 205 GREENBAG ROAD	304-755-7775
OHIO BATH SOLUTIONS,LLC	POCA	WV	3 Craddock Way	304-755-7775

**COMPANY-OWNED BATH FITTER BUSINESSES**  
as of December 31, 2024

<b>CITY</b>	<b>STATE</b>	<b>ADDRESS</b>	<b>TELEPHONE NUMBER</b>
HUNTSVILLE	AL	1398 B JORDAN ROAD	256-713-3100
PELHAM	AL	252 CAHABA VALLEY PARKWAY	205-876-1760
TUPELO	AL	252 CAHABA VALLEY PARKWAY	205-876-1760
SCOTTSDALE	AZ	14525 N 79TH ST SUITE F	480-887-0378
FRESNO	CA	3068 NORTH MIAMI AVE	559-708-4404
NEWARK	CA	8371 CENTRAL AVENUE UNIT E	408-834-1111

<b>CITY</b>	<b>STATE</b>	<b>ADDRESS</b>	<b>TELEPHONE NUMBER</b>
SACRAMENTO	CA	1313 NORTH MARKET BLVD., SUITE 100	916-231-6261
WINDSOR	CT	429 B HAYDEN STATION ROAD	860-282-2230
DEERFIELD BEACH	FL	1700 S. POWERLINE RD., SUITE G	954-979-8704
PENSACOLA	FL	33 E BRENT LANE, SUITE 102	850-429-1777
TALLAHASSEE	FL	1570 A NW CAPITAL CIRCLE	850-577-1700
WEST PALM	FL	2701 VISTA PARKWAY, SUITE A-3	561-333-3096
NORCROSS	GA	6155-B JIMMY CARTER BLVD.	770-938-2700
LOMBARD	IL	1150 MAIN ST NORTH	630-424-1340
MOKENA	IL	9960 WEST 191 STREET, SUITE G	708-478-6930
NORTHBROOK	IL	309 ERA DR., UNIT 309	847-770-6719
EVANSVILLE	IN	5625 E VIRGINIA ST., SUITE D	812-424-2010
INDIANAPOLIS	IN	5701 W 85TH ST	317-388-8760
LENEXA	KS	10300 W. 79 STREET	913-754-8380
WICHITA	KS	11110 E. 26TH STREET NORTH, SUITE 400	316-260-9032
LOUISVILLE	KY	2600 STANLEY GAULT PKWY, SUITE 2	502-254-9500
BATON ROUGE	LA	5811 MCCANN DR.	225-376-6006
METAIRIE	LA	4300 FIRESTONE RD.	504-302-4512
WEST BRIDGEWATER	MA	25 TURNPIKE STREET	508-521-2700
BILLERICA	MA	31-1 DRAPER ST	978-362-2700
PORTLAND	ME	317, RIVERSIDE INDUSTRIAL PARKWAY	207-878-2552
NOVI	MI	22650 HESLIP DR.	734-591-2268
RIDGELAND	MS	6520 COLE ROAD	601-956-1930
OMAHA	NE	11122 Q. STREET	402-934-2284
AUBURN	NH	20 PRISCILLA LANE, UNIT E	603-622-6650

<b>CITY</b>	<b>STATE</b>	<b>ADDRESS</b>	<b>TELEPHONE NUMBER</b>
ALBUQUERQUE	NM	5901, PAN AMERICAN, SUITE D8	505-341-3095
NORTH SYRACUSE	NY	3910 BREWERTON ROAD	315-432-5072
ROCHESTER	NY	30 VANTAGE POINT, SUITE 2	585-349-9940
PORTLAND	OR	14105 NME AIRPORT WAY	503-595-8827
NORTH CHARLESTON	SC	4510 DORCHESTER RD.	843-767-4008
CHATTANOOGA	TN	5959 SHALLOWFORD ROAD	423-648-4580
KNOXVILLE	TN	10915B MURDOCK DRIVE	865-675-7831
MADISON	TN	668 MYATT DRIVE	615-865-1571
ARLINGTON	TX	744, AVENUE H E	817-652-9031
HOUSTON	TX	356 GARDEN OAKS BLVD	713-691-4110
SAN ANTONIO	TX	5911 RITTIMAN PLAZA #2	210-764-6455
SO-BURLINGTON	VT	472 MEADOWLAND DRIVE, SUITE 3	802-860-6044

**Exhibit D: Franchisees That Left the System**

None.

**CONFIDENTIAL OPERATIONS MANUAL**

**TABLE OF CONTENTS**



## Table of Contents

### **SECTION 1 - Introduction**

[1.1 Letter from the Franchisor](#)

[1.2 About the Manual](#)

[1.2.1 Operations Manual Revisions](#)

[1.2.2 Submitting Suggestions](#)

[1.2.3 Limitations of the Manual](#)

[1.2.4 Gender Statement](#)

[1.3 History of Bath Fitter®](#)

[1.4 Services of the Franchisor Organization](#)

[1.4.1 Site Selection](#)

[1.4.2 Training and Assistance](#)

[1.4.3 Operations Consulting](#)

[1.4.4 Bath Fitter® Intranet & Newsletter](#)

[1.4.5 Advertising Materials and Sales Aids](#)

[1.4.6 Bath Fitter® Convention](#)

[1.5 Responsibilities of a Bath Fitter® Franchisee](#)

[1.5.1 Responsibilities to your Customers](#)

[1.5.2 Responsibilities to your Fellow Franchisees](#)

[1.5.3 Responsibilities to your Employees](#)

[1.5.4 Responsibilities to the Franchisor](#)

[1.6 Statement of Confidentiality](#)

## **SECTION 2 - Establishing a BATH FITTER® Business**

### 2.1 Introduction

### 2.2 Your Status as an Independent Contractor

#### 2.2.1 Selecting Your Legal Business Name

#### 2.2.2 Checks, Stationery and Business Forms

### 2.3 Special Licenses and Permits

### 2.4 Your Franchise Proprietary Start-Up Package

### 2.5 The Bath Fitter® Service Vehicle

### 2.6 Setting Up Your Office & Shop

#### 2.6.1 Minimum Site Requirements

#### 2.6.2 Enhanced Site Options

#### 2.6.3 Shop Racking

#### 2.6.4 Office Set-up & Furniture

#### 2.6.5 Bath Fitter Corporate Look

### 2.7 Setting Up an Accounting System

### 2.8 Bath Fitter® Model Chart of Accounts (for illustrative purposes only)

### 2.9 P&L General Ledger Content (for illustrative purposes only)

### 2.10 Suggestions for the Bookkeeper (for illustrative purposes only)

### 2.11 Sample Profit & Loss (Income) Statement

### 2.12 Sample Balance Sheet

### 2.13 Paying Taxes in the United States

#### 2.13.1 County or Town Taxes

### 2.14 Paying Taxes in Canada

### 2.15 Modifications

## **SECTION 3 - Personnel**

### 3.1 Introduction

### 3.2 Organizational Charts

[3.3 Anticipating the Need to Hire More Staff](#)

[3.4 Laws and Government Regulations](#)

[3.5 The Recruitment and Selection Process](#)

[3.5.1 Profiles of Ideal Bath Fitter® Employees](#)

[3.5.2 Sourcing Potential Candidates](#)

[3.5.3 Selecting Candidates to Interview](#)

[3.5.4 Interviewing Candidates](#)

[3.5.5 Group Interview Method for Installers and Shop Hands](#)

[3.5.6 Job Offer](#)

[3.5.7 Unsuccessful Candidates](#)

[3.5.8 Maintaining Job Applicants Documents on File](#)

[3.5.9 Forms and Letters Available When Recruiting Employees](#)

[3.6 Job Descriptions](#)

[3.7 New Employees](#)

[3.7.1 The Employee's First Day](#)

[3.7.2 Orientation](#)

[3.7.3 Protecting the Bath Fitter® System](#)

[3.8 Uniform and Dress Code](#)

[3.9 Health & Safety](#)

[3.9.1 Handling Emergencies](#)

[3.9.2 Reporting Requirements](#)

[3.9.3 Health and Safety Information and Videos](#)

[3.10 Evaluating Employees](#)

[3.11 Training Programs](#)

[3.12 Termination of Employment](#)

[3.13 References for Former Employees](#)

## **SECTION 4 - Office Procedures**

[4.1 Introduction](#)

[4.2 Table of Contents](#)

[4.3 Suggested Office Hours](#)

[4.3.1 Hours of Operation](#)

[4.3.2 Recommended Holidays](#)

[4.4 Telephone Coverage](#)

[4.4.1 Your Voice Mail Message](#)

[4.4.2 Putting a Customer on Hold](#)

[4.4.3 How to Answer the Telephone](#)

[4.4.4 Talking to Prospective Customers](#)

[4.5 Job Flow](#)

[4.6 Setting Up a Filing System](#)

[4.6.1 Job Flow Files](#)

[4.7 Conducting Weekly Staff Meetings](#)

[4.7.1 Manager, Installer and Administrative Staff](#)

[4.7.2 Manager, Installer, Administrative and Sales Staff](#)

[4.7.3 Manager, Administrative and Sales Staff](#)

[4.7.4 Why Have Staff Meetings?](#)

[4.8 Summary of Daily, Weekly, and Monthly Administrative Tasks](#)

[4.8.1 Daily Tasks](#)

[4.8.2 Weekly Tasks](#)

[4.8.3 Other Weekly Tasks \(day will vary by location\)](#)

[4.8.4 Monthly Tasks](#)

[4.9 Scheduling Estimates](#)

[4.10 Making Follow-Up Contact with Confirmed Sales](#)

[4.10.1 Calling a Sold Customer](#)

[4.10.2 Text for an Email Message To A Sold Customer](#)

[4.11 Scheduling Installations](#)

[4.12 Scheduling Service Calls](#)

[4.13 Record Keeping](#)

[4.13.1 Lead Tracking](#)

[4.13.2 Why Track Leads?](#)

[4.13.3 Lead Reports](#)

[4.13.4 EOI Log](#)

[4.13.5 Completed Job Log](#)

[4.13.6 Branch Activity Report](#)

[4.13.7 Estimate Audit Report](#)

[4.13.8 Commissionable Amounts to be Applied](#)

[4.13.9 Commissions Log](#)

[4.13.10 Earnings Log](#)

[4.13.11 Earnings Log with Productivity](#)

[4.13.12 Incomplete Job Log](#)

[4.13.13 Service Activity Report](#)

[4.13.14 Analysis of Advertising Productivity](#)

[4.13.15 Accounts Receivable Report](#)

[4.14 Location Diagnostic Tool](#)

[4.14.1 Review 12-month Projected Profit & Loss](#)

[4.14.2 Office Management](#)

[4.14.3 Lead Generation](#)

[4.14.4 Leads-To-Estimates](#)

[4.14.5 Estimates-To-Sales](#)

[4.14.6 Installation](#)

[4.14.7 Action Plan](#)

[4.15 Ordering Products from the Factory](#)

[4.15.1 Ordering Tubs- Bathtub Liners and Free-Standing Tub Liners](#)

[4.15.2 Ordering Showers](#)

- [4.15.3 Ordering Tub / Shower Doors](#)
- [4.15.4 Ordering Printed Materials](#)
- [4.15.5 Ordering Home Show Displays and Mall Carts](#)
- [4.16 Receiving Goods from the Factory](#)
- [4.17 Pricing Bath Fitter® Products](#)
  - [4.17.1 Setting Prices](#)
  - [4.17.2 Offering Volume Discounts](#)
- [4.18 Establishing Payment Terms](#)
  - [4.18.1 Taking a 25% to 50% Deposit](#)
  - [4.18.2 Residential Customers](#)
  - [4.18.3 Commercial Customers](#)
- [4.19 Receiving Payments](#)
  - [4.19.1 Payment by Cash or Check](#)
  - [4.19.2 Payment by Credit Card](#)
- [4.20 Handling Accounts Receivable](#)
  - [4.20.1 Managing Overdue Accounts](#)
  - [4.20.2 Tips for Effective Collections Calls](#)
- [4.21 Banking Procedures](#)
- [4.22 Taking Inventory](#)
- [4.23 Handling Payables](#)
  - [4.23.1 Code all invoices](#)
  - [4.23.2 File Invoice for Payment](#)
  - [4.23.3 Pay Invoices as they Come Due](#)
  - [4.23.4 Prepare List of Outstanding Payables for Accountant](#)
  - [4.23.5 Preparing for your Bookkeeper](#)
  - [4.23.6 End of Month Checklist](#)
- [4.24 Sending Thank You Notes](#)
- [4.25 Handling Customer Complaints](#)

[4.26 Handling Service Calls](#)

[4.26.1 Service Activity Report](#)

[4.27 Performing Customer Satisfaction Surveys](#)

[4.28 Obtaining Reference Letters](#)

[4.29 Customer Care Policy](#)

[4.29.1 Cleaning Instructions](#)

[4.30 Bath Fitter® Lists of Cleaning Products](#)

[4.31 Requesting Authorization to Take a Fiberglass Plug](#)

[4.32 Bath Fitter® Policy and Procedures for Requesting Credit](#)

[4.32.1 Requesting Credit](#)

[4.33 Claiming Credit for Defective Goods that have already been Installed](#)

[4.33.1 Acrylic Product Manufactured by Bath Fitter](#)

[4.34 Chemical Attack](#)

[4.34.1 Customer Statement Form](#)

[4.35 Procedure for Returning Goods to the Factory](#)

[4.35.1 Returning Goods from the United States to Canada](#)

[4.36 Replacement of Proprietary Tools](#)

**[SECTION 5 - Marketing Bath Fitter® Products and Services](#)**

[5.1 Introduction](#)

[5.2 Residential Marketing](#)

[5.2.1 Brand Framework](#)

[5.2.2 Target Market](#)

[5.2.3 Marketing Strategy](#)

[5.2.4 Marketing Channels & Tactics](#)

[5.2.5 Website, Local Webpages and Landing Pages](#)

[5.2.6 Organic Social Media](#)

[5.2.7 Public Relations \(PR\)](#)

[5.2.8 Approval Process for Advertising and Marketing](#)

[5.2.9 Proper Use of the Bath Fitter® Brand](#)

[5.3 Commercial \(B2B\) Marketing](#)

[5.3.1 Commercial Verticals](#)

[5.3.2 Commercial Bath Fitter Brand](#)

[5.3.3 Commercial Marketing Strategy](#)

## **SECTION 6 - Selling BATH FITTER® Products And Services**

[6.1 Introduction](#)

[6.2 Features & Benefits of Bath Fitter® Products & Services](#)

[6.3 Profile of the Residential Bath Fitter® Customer](#)

[6.4 How to Answer the Telephone](#)

[6.5 Booking Appointments for an In-Home Consultation \(Sales Presentation\)](#)

[6.5.1 Benefits of an In-Home Consultation](#)

[6.6 Scheduling Appointments for Sales Consultants](#)

[6.7 The Residential Sales Presentation](#)

[6.7.1 Step 1: Be Prepared](#)

[6.7.2 Step 2: Arrive at the Customer's Home and Set the Agenda](#)

[6.7.3 Step 3: Discovery](#)

[6.7.4 Step 4: Advocate/Promote the Bath Fitter® Solution](#)

[6.7.5 Step 5: Present the Video, Measure and Review Project](#)

[6.7.6 Step 6: Confirm Selection and Close](#)

[6.7.7 Paperwork](#)

[6.7.8 Summary](#)

[6.7.9 Discovery Questions](#)

[6.7.10 Pre-Close Statement](#)

[6.7.11 Button-up Statement](#)

[6.8 Contents of the Bath Fitter® Sales Kit](#)

[6.9 Sales Catalog Presentation](#)

[6.10 Answering Common Questions and Overcoming Objections](#)

[6.10.1 Durability](#)

[6.10.2 Comparison to Refinishing](#)

[6.10.3 Color](#)

[6.10.4 Finished Appearance](#)

[6.10.5 Inconvenience](#)

[6.10.6 Expense](#)

[6.10.7 Common Objections](#)

[6.11 The EOI Form](#)

[6.11.1 Distribution of the EOI](#)

[6.12 Following up on Open Leads & Pending \(Unsold\) Estimates](#)

[6.12.1 Work Every Lead](#)

[6.12.2 Work all Pending \(Unsold\) Estimates](#)

[6.12.3 Scheduling Follow-Up Calls](#)

[6.13 Introduction to Commercial Sales](#)

[6.14 The Commercial Project Warranty](#)

[6.14.1 Chemical Attack in the Commercial Setting](#)

[6.15 Commercial Cold Calls](#)

[6.16 First meeting with the Decision Maker](#)

[6.17 Gathering Information about the Job](#)

[6.18 Pricing Commercial Projects](#)

[6.19 Preparing a Bath Fitter® Commercial Proposal](#)

[6.20 The Bath Fitter® Commercial Sales Presentation](#)

[6.21 Following Up on Commercial Leads and Prospects](#)

## **SECTION 7 - Technical Information For Sales Consultants**

[7.1 Introduction](#)

[7.2 Table of Contents](#)

[7.3 Acrylic Bathtub Liner Fact Sheet](#)

[7.3.1 Acrylic Material](#)

[7.3.2 Installation Facts](#)

[7.4 Prior to Arriving at the Customers: Introduction](#)

[7.4.1 Sales Items](#)

[7.5 Using Checklists](#)

[7.6 Safety Awareness Checklist](#)

[7.6.1 Parking and Unloading](#)

[7.6.2 Is there parking close to the entrance?](#)

[7.6.3 Is there a safe unloading zone?](#)

[7.6.4 If not, can cones designate a safe unloading zone?](#)

[7.6.5 Obstructions](#)

[7.6.6 Mats](#)

[7.6.7 Additional Help](#)

[7.6.8 Ventilation](#)

[7.6.9 Pets](#)

[7.6.10 Water Shut Off](#)

[7.6.11 Crawl Space](#)

[7.6.12 Drain Access](#)

[7.6.13 Distance](#)

[7.6.14 Hazards](#)

[7.6.15 P.P.E. Gear](#)

[7.6.16 House/Building](#)

[7.6.17 Asbestos/Lead](#)

[7.6.18 Comments](#)

[7.7 E.O.I. Customer Notes Checklist](#)

[7.7.1 Work Area](#)

[7.7.2 Location of Work Area](#)

[7.7.3 Subsurface](#)

[7.7.4 Draining Freely](#)

[7.7.5 Existing Damage](#)

[7.7.6 Relocation of Plumbing](#)

[7.7.7 Installation Time](#)

[7.8 Product Selection](#)

[7.8.1 Two Categories](#)

[7.8.2 Liners](#)

[7.8.3 Replacements](#)

[7.8.4 Choosing Which Solution to Use](#)

[7.9 Tub Identification Catalog](#)

[7.9.1 The Sections of the Catalog](#)

[7.9.2 General Information](#)

[7.9.3 Tub Molds by Name](#)

[7.9.4 Tub Molds by Material](#)

[7.9.5 Tub Molds by Number](#)

[7.9.6 Tub Molds by Skirt Design](#)

[7.9.7 Special Notes](#)

[7.9.8 Square Tubs](#)

[7.9.9 2-Rail Tubs](#)

[7.9.10 Free-Standing Shower Bases](#)

[7.9.11 Shower Base Liners](#)

[7.9.12 Free-Standing Tubs](#)

[7.9.13 Fiberglass Tub Liners](#)

[7.10 Tub Liner Checklist](#)

[7.10.1 Introduction](#)

[7.10.2 Ledge \(Minimum Width\)](#)

[7.10.3 Ledge \(Wall Material\)](#)

[7.10.4 Spout](#)

[7.10.5 Obstacles](#)

[7.10.6 Two-Piece Tub](#)

[7.10.7 End Cap](#)

[7.10.8 Two-Rail Tub](#)

[7.10.9 Formed Front](#)

[7.10.10 Existing Tub Door](#)

[7.10.11 Soap Dish](#)

[7.10.12 Existing Wall System](#)

[7.10.13 Photographs](#)

[7.10.14 Tub Type](#)

[7.10.15 Tub Measurements](#)

[7.10.16 TOO111](#)

[7.10.17 The Measurements](#)

[7.10.18 Measurements and Tool Positioning](#)

[7.10.19 Location](#)

[7.10.20 Tolerances](#)

[7.10.21 Tub Mold Selection](#)

[7.10.22 Tub Molds by Material](#)

[7.10.23 Tub Molds by Number](#)

[7.10.24 Tub Mold by Name](#)

[7.10.25 The Tester \(Explanation\)](#)

[7.10.26 The Tester \(How to Use and What to Look For\)](#)

[7.11 Rails and Templates](#)

[7.11.1 Introduction](#)

[7.11.2 The A Front](#)

[7.11.3 Formed Fronts: Guidelines](#)

[7.11.4 Formed Fronts: Availability](#)

[7.11.5 Formed Front: Measuring for a Formed Front Over the Same Front on the Existing Bathtub](#)

[7.11.6 Formed Front: When the Client Wants a Front That is Different Than the One on the Existing Bathtub](#)

[7.11.7 Formed Front: Templates and Reverse Templates](#)

[7.11.8 Formed Front: How to Use a Template](#)

[7.11.9 Reverse Templates](#)

[712 Shower Solutions](#)

[7.12.1 Shower Types: Introduction](#)

[7.12.2 Shower Liners](#)

[7.12.3 Molded Shower Bases](#)

[7.12.4 Flat Shower Floor Types](#)

[7.12.5 Free-Standing Shower Base](#)

[7.13 Shower Base Checklist](#)

[7.13.1 When Is This Checklist Used](#)

[7.13.2 Headers and Wall Extensions](#)

[7.13.3 Existing Shower Base: Drain](#)

[7.13.4 Threshold: Inside Height](#)

[7.13.5 Inside Existing Shower Floor](#)

[7.13.6 Existing Shower Base](#)

[7.13.7 Shower Liner: Can a Shower Liner Be Used](#)

[7.13.8 Shower Liner: Provide the Description and Measurements](#)

[7.13.9 The Description and Measurements](#)

[7.13.10 Shower Liner Identification: Introduction](#)

[7.13.11 The Stud-to-Stud Size: Determine the Overall Stud to Stud Size](#)

[7.13.12 Using the ID Catalog to Identify the Liner](#)

[7.13.13 Molded Shower Bases: Introduction](#)

[7.13.14 Measurements: Tools Required](#)

[7.13.15 The Enclosure: With or Without Return Walls](#)

[7.13.16 The Measurements: Where to Take the Measurements](#)

[7.13.17 The Online Shower Selector: Selecting the Base](#)

[7.13.18 Thresholds: Introduction](#)

[7.13.19 The Measurements](#)

[7.13.20 Indicate Type of Shower Being Quoted](#)

[7.13.21 Header](#)

[7.13.22 Return Walls](#)

[7.13.23 Template Measurements](#)

[7.14 Fiberglass Shower Replacement Checklist](#)

[7.14.1 Measurements: Taking Measurements Above the Unit](#)

[7.14.2 The Measurements](#)

[7.14.3 Opening](#)

[7.14.4 Shower Doors](#)

[7.14.5 Wall Height](#)

[7.14.6 Neo-Angle and Curved Showers](#)

[7.14.7 Changing the Shape of a Base](#)

[7.15 Tub Replacement Checklist](#)

[7.15.1 The Measurements: Taking Measurements Above the Unit](#)

[7.15.2 The Measurements: Where and How to Take the Measurements](#)

[7.15.3 Measurements Tub](#)

[7.15.4 Measurements Wall](#)

[7.16 Tub to Shower Checklist](#)

[7.16.1 The Measurements: Where to Take the Measurements](#)

[7.16.2 Measurements: Tub](#)

[7.16.3 Measurements Wall](#)

[7.16.4 Doors](#)

[7.16.5 Measurements Header](#)

[7.17 Wall and Ceiling Checklist](#)

[7.17.1 Acrylic Wall: Overview Smooth or Tile Wall System](#)

[7.17.2 Wall Measurements: \(Horizontal and Vertical Measurements\)](#)

[7.17.3 Wall Measurements Set Up the Plumb Line and Level Line](#)

[7.17.4 Level Lines: Setting Up the Level Lines for Laser, 4-Foot Level, Water Level and Plumb Bob\)](#)

[7.17.5 Take and Record the Measurements](#)

[7.17.6 Window: Take and Record the Measurements](#)

[7.17.7 Wall Measurements: Height](#)

[7.17.8 Wall Measurements: Length](#)

[7.17.9 Side Walls: Length](#)

[7.17.10 New Wall System: Does It Extend Past the Old Tub or Shower](#)

[7.17.11 Existing Wall: Wall Repairs](#)

[7.17.12 Window: Location and Size](#)

[7.17.13 Door or Molding: Notching Required?](#)

[7.17.14 Existing Ceiling Molding: Finishing to the Ceiling](#)

[7.17.15 Finishing Wall: Top of New Wall](#)

[7.17.16 Header: Is There a Header to Cap](#)

[7.17.17 Measurements Header: Take and Record the Measurements](#)

[7.17.18 Return Walls: Take and Record the Measurements](#)

[7.17.19 Doors: Removal and Disposal](#)

[7.17.20 Ceilings: Flat or Dome](#)

[7.17.21 Ceilings: General Information](#)

[7.17.22 Domed Ceilings: Specifications and Limitations](#)

[7.17.23 Flat Ceilings: Measurements](#)

[7.17.24 Verona Wall: Introduction](#)

[7.17.25 Verona Wall: Specifications](#)

[7.18 Wainscoting Checklist](#)

[7.18.1 Obstacles: Existing Plumbing Fixtures](#)

[7.19 Door Checklist](#)

[7.19.1 Tub Liner](#)

[7.19.2 Tub Replacement](#)

[7.19.3 Tub to Shower / Shower Base and Fiberglass Shower Replacement](#)

[7.19.4 Pivot Doors](#)

[7.19.5 Neo-Angle Shower Base](#)

[7.19.6 Curved Shower Door](#)

## **SECTION 8 - Fabrication And Installation Procedures**

[8.1 Introduction](#)

[8.2 Table of Contents](#)

[8.3 Standard Guidelines for Working with Acrylic Products](#)

[8.3.1 Protect the acrylic surface at all times](#)

[8.3.2 Use the proper tools and techniques for the job](#)

[8.3.3 Follow standard procedures](#)

[8.4 Expansion and Contraction of Acrylic Materials](#)

[8.5 Silicone Primer Application](#)

[8.5.1 To apply silicone primer](#)

[8.6 Caulking](#)

[8.7 Plumbing Repair](#)

[8.8 Taking Before-And-After Photographs](#)

[8.9 Before leaving the shop](#)

[8.10 Measuring the existing wall](#)

[8.10.1 Using a Laser Level](#)

[8.10.2 Using a Water Level](#)

[8.10.3 Using a 4' or 2' Level](#)

[8.10.4 Take and Record the Measurements](#)

[8.11 Marking a Flat Bath Fitter® Wall System](#)

[8.11.1 Getting Started: Tips](#)

[8.11.2 Determining the "BEND" Measurement](#)

[8.11.3 Wall Measurement Sheet](#)

[8.11.4 Marking the Panel](#)

[8.12 Marking a Tiled Bath Fitter® Wall System](#)

[8.12.1 Determining the "BEND" Measurement](#)

[8.12.2 Marking the Panel](#)

[8.13 Marking an Arched Bath Fitter Wall System](#)

[8.14 Cutting a Flat or Tiled Bath Fitter® Wall System](#)

[8.14.1 Important Cutting Notes](#)

[8.14.2 Making the Cut](#)

[8.15 Forming a Flat or Tiled Bath Fitter Wall System](#)

[8.15.1 Bending a Wall](#)

[8.16 Loading the Van](#)

[8.16.1 Supply Caddy Inventory](#)

[8.16.2 Supplies In Truck](#)

[8.16.3 Tool Caddy Inventory](#)

[8.16.4 Plumbing Box Inventory](#)

[8.16.5 Truck Shelf Inventory](#)

[8.17 Arriving at the Work Site](#)

[8.18 Installing Mixing Valves](#)

[8.18.1 Preparation](#)

[8.18.2 Modify Existing Plumbing Area](#)

[8.18.3 Insert New Valves](#)

[8.18.4 Finishing](#)

[8.19 Installing Walls](#)

[8.19.1 Preparation](#)

[8.19.2 Illustrations of Adhesive Application for Walls](#)

[8.19.3 Putting the Tiled Bath Fitter® Wall System into Place](#)

[8.19.4 Wall Extensions](#)

[8.19.5 Forming Dog Legs to the Floor at Tub Front](#)

[8.19.6 Finish with Moldings](#)

[8.20 Capping and Sealing a Window](#)

[8.21 Putting the Bath Fitter® Wall System into Place](#)

[8.21.1 Preparation](#)

[8.21.2 Apply Adhesives](#)

[8.21.3 Adhering the Acrylic Wall](#)

[8.22 Ceilings, General Information](#)

[8.23 Installing the Flat Bath Fitter® Acrylic Ceiling](#)

[8.23.1 Measure the Enclosure](#)

[8.23.2 Transfer the Measurements to an Acrylic Ceiling Panel](#)

[8.23.3 Cut and Install the Ceiling](#)

[8.24 Installing the Domed Bath Fitter® Acrylic Ceiling](#)

[8.24.1 Preparing the Domed Acrylic Ceiling](#)

[8.24.2 Taking the Existing Ceiling Measurements](#)

[8.24.3 Transferring the Measurements to the Acrylic Dome Ceiling](#)

[8.24.4 Cutting the Acrylic Domed Ceiling](#)

[8.24.5 Preparing and Installing Ceiling Supports](#)

[8.24.6 Bending the Edge of the Acrylic Domed Ceiling](#)

[8.24.7 Installing the Acrylic Domed Ceiling](#)

[8.25 Installing Arched Ceilings](#)

[8.25.1 Measure and Cut](#)

[8.25.2 Dry Fit and Trim:](#)

[8.25.3 Apply Adhesives and Install](#)

[8.26 Preparing the Tub Area for a Tub Liner Installation](#)

[8.27 Measuring and Marking The Bath Fitter® Acrylic Tub Liner](#)

[8.27.1 Measuring the Existing Tub](#)

[8.27.2 Length of tub](#)

[8.27.3 Height of skirt](#)

[8.27.4 Accommodating a Wall that is out of Square with the Tub](#)

[8.27.5 Setting the Trim Tracer™](#)

[8.27.6 Locating the Short-Wall Trim Line](#)

[8.27.7 Measuring a Tub Without a Trim Tracer](#)

[8.28 Trimming the Bath Fitter® Acrylic Tub Liner](#)

[8.29 Preparing to Install the Bath Fitter® Acrylic Tub Liner](#)

[8.29.1 Locate the Drain Center](#)

[8.29.2 Locate the Overflow](#)

[8.29.3 Prepare Liner for Installation](#)

[8.30 Applying Adhesives and Installing the Liner](#)

[8.30.1 Prime the Existing Tub](#)

[8.30.2 Apply Adhesives](#)

[8.30.3 Apply Water Sealant](#)

[8.30.4 Install the Liner](#)

[8.30.5 Apply Silicone Caulking to the Installed Liner](#)

[8.30.6 Tips for Smooth Installations](#)

[8.31 Installing a Bath Fitter® Tub Liner over a Multi-Piece Fiberglass Unit](#)

[8.31.1 Preparing the Area for Installation](#)

[8.31.2 Measuring the Tub with a Trim Tracer™](#)

[8.31.3 Measuring the Tub without a Trim Tracer™](#)

[8.31.4 Trimming the Tub Liner](#)

[8.31.5 Installing the Tub Liner](#)

[8.32 Nonstandard Overflows](#)

[8.33 Installing End Caps](#)

[8.34 Installing Wrap-Around-Skirt Tubs](#)

[8.35 Installing a 45 Degree Corner Panel on a Wrap-Around-Skirt Tub](#)

[8.35.1 Preparing the Tub Liner before Installation](#)

[8.35.2 Installing the 45° Corner Panel](#)

[8.36 Trimming and Installing Two-Piece Tub Liners](#)

[8.37 Installing Free-Standing Tubs](#)

[8.37.1 Remove Old Fiberglass Unit](#)

[8.37.2 Prepare and Install Support Pan](#)

[8.37.3 Build Rail-Support Frame](#)

[8.37.4 Install the Flange Kit](#)

[8.37.5 Install the Tub](#)

[8.37.6 Install New Wall](#)

[8.38 Installing a Bath Fitter® Empress/Dutchess and Garden Free-Standing Tub](#)

[8.38.1 Preparation](#)

[8.38.2 Adjust Framing](#)

[8.38.3 Apply Adhesive](#)

[8.38.4 Set the Tub in Place](#)

[8.38.5 Installing Drywall](#)

[8.39 Replacing a Free-Standing Tub or Shower Base](#)

[8.40 Installing a Claw Foot Liner](#)

[8.40.1 Preparation](#)

[8.40.2 Priming the Existing Tub](#)

[8.40.3 Applying Adhesives](#)

[8.40.4 Setting the Liner in Place](#)

[8.41 Installing Liners in Mobile Homes](#)

[8.41.1 Installation in a Mobile Home](#)

[8.42 Removing a Bath Fitter® Tub Liner for Replacement](#)

[8.43 Instructions for Extracting a Tub Liner using the Bath Fitter® Tub Liner Extractor](#)

[8.43.1 Assembly Instructions](#)

[8.43.2 To Remove a Liner](#)

## [8.44 Making a Plug](#)

### [8.44.1 Before you leave the Shop](#)

### [8.44.2 Arriving at the Job](#)

### [8.44.3 Prepare the Tub](#)

### [8.44.4 Preparing the Fiberglass Resin](#)

### [8.44.5 Making the Plug](#)

### [8.44.6 Dry and Release](#)

### [8.44.7 Cleaning Up](#)

## [8.45 Applying SRS Slip-Resistant Coating to Tub and Shower Floors](#)

### [8.45.1 Procedure](#)

## [8.46 Shower Drains and Gaskets](#)

### [8.46.1 Shower Drains](#)

### [8.46.2 Gaskets](#)

## [8.47 Installing a Flat Bath Fitter® Shower Floor](#)

### [8.47.1 Measuring the Existing Area and Finding the Drain Center](#)

### [8.47.2 Transferring the Measurements to a Flat Acrylic Shower Floor](#)

### [8.47.3 Cutting and Bending the Floor](#)

### [8.47.4 Installing the Floor](#)

### [8.47.5 Shimming the Flat Shower Floor](#)

## [8.48 Installing a Barrier- Free Flat Bath Fitter® Shower Floor](#)

### [8.48.1 Measuring the Existing Area and Finding the Drain Center](#)

### [8.48.2 Transferring the measurements to a Flat Acrylic Shower Floor](#)

### [8.48.3 Cut and Bend the Floor](#)

### [8.48.4 Install the Floor](#)

## [8.49 Forming a Drain Depression in a Flat Bath Fitter® Shower Floor](#)

## [8.50 Installing a Molded Bath Fitter® Shower Base](#)

### [8.50.1 Measure and Trim](#)

### [8.50.2 Locate the Drain in the Acrylic Base](#)

[8.50.3 Install the Sub Floor](#)

[8.50.4 Prepare the Drain](#)

[8.50.5 Prepare the Enclosure](#)

[8.50.6 Install the Molded Shower Base](#)

[8.50.7 Install the Drain](#)

[8.51 Installation of a Free-Standing Roll-In Shower Base](#)

[8.52 Attaching the Collapsible Water Retainer](#)

[8.53 Installing a Free-Standing Bath Fitter® Shower Base](#)

[8.53.1 Preparation](#)

[8.53.2 Installation](#)

[8.54 Installing a Bath Fitter® Shower Base Liner](#)

[8.54.1 Measuring the Shower Base](#)

[8.54.2 Measuring the Neo Angle Shower Base](#)

[8.54.3 Dry Fit the Liner and Locate the Drain Center](#)

[8.54.4 Installing the Sub Floor](#)

[8.54.5 Preparing the Enclosure](#)

[8.54.6 Preparing the Drain](#)

[8.54.7 Installing the Shower Liner](#)

[8.54.8 Installing the Drain](#)

[8.55 Installing Prestige Classic Doors](#)

[8.56 Installing a Bath Fitter® Elegance Tub/Shower Door](#)

[8.56.1 Marking the Door Location](#)

[8.56.2 Leveling the Door](#)

[8.56.3 Installing the Inner Door Jambs](#)

[8.56.4 Installing the Bottom Track](#)

[8.56.5 Installing the Outer Door Jambs](#)

[8.56.6 Installing the Header](#)

[8.56.7 Preparing the Doors](#)

[8.56.8 Installing the Doors](#)

[8.56.9 Adjusting for Door Level](#)

[8.56.10 Finishing](#)

[8.57 Installing a Bath Fitter® Elegance Tub/Shower Door against Part-Tiled Walls](#)

[8.57.1 Measuring and Cutting the Inner Door Jambs](#)

[8.57.2 Installing the Inner Door Jambs](#)

[8.57.3 Installing the Outer Door Jambs](#)

[8.58 Installing a Bath Fitter® Elegance Pivot Shower Door](#)

[8.58.1 Parts List](#)

[8.58.2 Installing the Outer Door Jambs](#)

[8.58.3 Installing the 9" or 17" Extension Panel](#)

[8.58.4 Installing the Pivot Door](#)

[8.58.5 Installing the Water Channel](#)

[8.58.6 Installing the 45 Degree Support Bracket](#)

[8.58.7 Finishing](#)

[8.59 Installing a Bath Fitter® Neo-Angle Shower Door](#)

[8.59.1 Inverting the Neo-Angle Shower Door](#)

[8.59.2 Installing the Neo-Angle Shower Door](#)

[8.60 Installing a Bath Fitter® Curved Shower Door](#)

[8.60.1 Installation Instructions for Curved Glass Sliding Shower Door](#)

[8.60.2 Instructions](#)

[8.61 Installing a Bath Fitter® Molded Corner Seat](#)

[8.61.1 Preparation](#)

[8.61.2 To Install a Molded Corner Seat in a Shower](#)

[8.62 Installing a Bath Fitter® Fold Down Seat](#)

[8.62.1 Specifications for Seat Placement to meet ADA Compliance](#)

[8.63 Shower Bench Seat](#)

[8.63.1 Take the Measurements](#)

[8.63.2 Building the Support Structure -Transfer the Measurements to the SHOSF](#)

[8.63.3 Bend the Sides and Secure the Corner](#)

[8.63.4 Test Fit and Plumb the Sides](#)

[8.63.5 Install and Secure the Bench Seat Frame](#)

[8.63.6 Cap the Seat Frame](#)

[8.63.7 Measure for the Seat Top](#)

[8.63.8 Transfer and Cut the Seat Top](#)

[8.63.9 Test Fit and Install the Seat Top](#)

[8.64 Installing Bath Fitter® Bead Board Wainscoting](#)

[8.64.1 Preparing the Bead Board Wainscoting for Installation](#)

[8.64.2 Installing the Bead Board Wainscoting](#)

[8.64.3 Finishing with Moldings](#)

[8.65 Installing Bath Fitter® Bullnose Molding Caps](#)

[8.65.1 Installing Bullnose Caps that have a Drill Guide Template](#)

[8.65.2 Installing Bullnose Caps that don't have a Drill Guide Template](#)

[8.66 Acrylic Repairs](#)

[8.66.1 Minor Scratches](#)

[8.67 Leaving the Job Site](#)

[8.68 Repairing a Curved Strip Heater Element](#)

[8.69 Installing Shelves to your Bath Fitter® Multi-Function Metal Bending Table](#)

[8.69.1 Installing the Shelves](#)

[8.70 Troubleshooting Guide](#)

[8.70.1 Wall Preparation Troubleshooting](#)

[8.70.2 Installing Tubs Troubleshooting](#)

[8.70.3 Installing Valves Troubleshooting](#)

[8.70.4 Installing Accessories Troubleshooting](#)

[8.71 Review of Fractions](#)

[8.71.1 What is a Fraction?](#)

[8.71.2 Adding and Subtracting Like Fractions](#)

[8.71.3 Adding and Subtracting Unlike Fractions](#)

[8.71.4 The Fraction Worksheet](#)

[8.72 Conversion Tables](#)

**Exhibit F: State-Specific Disclosures and Amendments to Agreements**

**Maryland Disclosure**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document for Bath Fitter Franchising, Inc. for use in the State of Maryland shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by the addition of the following language:

The general releases required for renewal or transfer will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law. See Exhibit H of the disclosure document for additional information regarding the release.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by the addition of the following language to the summary of Provision "h":

Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **Maryland Franchise Agreement Amendment**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Bath Fitter Franchising, Inc. Franchise Agreement (the "Agreement") agree as follows:

1. Section II.B.7 of the Agreement, under the heading "Renewal," is amended by adding the following language at the end:

The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section XXII.C.3 of the Agreement, under the heading "Transferability of Interest," is amended by adding the following language at the end:

The general release required as a condition of assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section XXXII of the Agreement, under the heading "Applicable Law, Cumulative Remedies and Limitations of Liability," is amended by adding the following language at the end:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Any limitation on the period of time mediation and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law.

4. Section XXX.A of the Agreement, under the heading "Agreement and The Exhibits" is amended to delete the second sentence of that Section.

5. Sections XXXV.A, B, C, D, E and J of the Agreement, under the heading "Acknowledgments," are deleted in their entirety.

6. The Agreement is amended by the addition of the following:

Any general release required a condition of obtaining a refund of the deposit and/or initial fees shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. Each provision of this amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Bath Fitter Franchising, Inc.  
Franchisor

\_\_\_\_\_  
Franchisee Entity

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**Exhibit G-1:****State Administrators**

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

<p><b>CALIFORNIA</b>          Commissioner          Dep’t of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p><b>NEW YORK</b>          New York State Dep’t of Law          Investor Protection Bureau          28 Liberty Street, 21st Floor          New York, New York 10005          (212) 416-8285</p>
<p><b>HAWAII</b>          Commissioner of Securities          Dep’t of Commerce &amp; Consumer Affairs          Business Registration Div.          Securities Compliance Branch          335 Merchant Street, Room 205          Honolulu, Hawaii 96813 / (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Dep’t          State Capitol          Dep’t 414          600 East Boulevard Avenue, Fifth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Office of the Attorney General          Franchise Bureau          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Dep’t of Business Regulation          Securities Div., Building 69, First Floor          John O. Pastore Center - 1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Div. of Insurance          Securities Regulation          124 South Euclid Avenue, 2nd Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Office of the Attorney General          Securities Div.          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          State Corporation Commission          Div. of Securities and Retail Franchising          1300 East Main Street, 9th Floor          Richmond, Virginia 23219          (804) 371-9051</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Div., Franchise Section          525 West Ottawa Street, 1st Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Dep’t of Financial Institutions          Securities Div.          PO Box 41200          Olympia, WA 98504-1200          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Minnesota Dep’t of Commerce          85 7th Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Div. of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

**Exhibit G-2:****State Agents for Service of Process**

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

<p><b>CALIFORNIA</b>  Commissioner  Dep’t of Financial Protection and Innovation  320 West Fourth Street, Suite 750  Los Angeles, California 90013-2344  (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p><b>NEW YORK</b>  New York Secretary of State  New York Dep’t of State  One Commerce Plz, 99 Washington Av, 6th Fl.  Albany, New York 12231-0001  (518) 473-2492</p>
<p><b>HAWAII</b>  Commissioner of Securities  Dep’t of Commerce &amp; Consumer Affairs  Business Registration Div.  Securities Compliance Branch  335 Merchant Street, Room 205  Honolulu, Hawaii 96813 / (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>  North Dakota Securities Commissioner  State Capitol  600 East Boulevard Avenue, Fifth Floor  Bismarck, North Dakota 58505-0510  (701) 328-4712</p>
<p><b>ILLINOIS</b>  Illinois Attorney General  500 South Second Street  Springfield, Illinois 62706  (217) 782-4465</p>	<p><b>RHODE ISLAND</b>  Director of Dep’t of Business Regulation  Dep’t of Business Regulation  Securities Div., Building 69, First Floor  John O. Pastore Center - 1511 Pontiac Av.  Cranston, Rhode Island 02920  (401) 462-9527</p>
<p><b>INDIANA</b>  Secretary of State  Franchise Section  302 West Washington, Room E-111  Indianapolis, Indiana 46204  (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>  Div. of Insurance  Director of the Securities Regulation  124 South Euclid Avenue, 2nd Floor  Pierre, South Dakota 57501  (605) 773-3563</p>
<p><b>MARYLAND</b>  Maryland Securities Commissioner  200 St. Paul Place  Baltimore, Maryland 21202-2020  (410) 576-6360</p>	<p><b>VIRGINIA</b>  Clerk of the State Corporation Commission  1300 East Main Street, 1st Floor  Richmond, Virginia 23219  (804) 371-9733</p>
<p><b>MICHIGAN</b>  Michigan Attorney General's Office  Corporate Oversight Div., Franchise Section  525 West Ottawa Street, 1st Floor  Lansing, Michigan 48913  (517) 335-7567</p>	<p><b>WASHINGTON</b>  Director of Dep’t of Financial Institutions  Securities Div.  PO Box 41200  Olympia, WA 98504-1200  (360) 902-8760</p>
<p><b>MINNESOTA</b>  Commissioner of Commerce  Minnesota Dep’t of Commerce  85 7th Place East, Suite 280  St. Paul, Minnesota 55101 / (651) 539-1600</p>	<p><b>WISCONSIN</b>  Div. of Securities  4822 Madison Yards Way, North Tower  Madison, Wisconsin 53705  (608) 266-2139</p>

The following is our current general release language that we expect to include in a release that a franchisee or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Bath Fitter Franchising, Inc., its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the “**Franchisor Group**”), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.

Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party’s intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties’ waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that “[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”) The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’, and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.

**Exhibit I:****State Effective Dates**

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

States	Effective Date
California	June 20, 2025
Illinois	June 20, 2025
Maryland	Pending
Michigan	June 20, 2025
Minnesota	Pending
New York	June 20, 2025
North Dakota	July 8, 2025
Rhode Island	August 5, 2025
Virginia	August 4, 2025
Washington	June 20, 2025
Wisconsin	June 25, 2025

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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

If Bath Fitter Franchising, Inc. ("**BFF**") offers you a franchise, then BFF must provide this disclosure document to you at least 14 calendar days (but in Michigan and Rhode Island 10 business days; and in New York, 10 business days or at the earlier of the first personal meeting if earlier) before you sign a binding agreement with (or make a payment to) us or an affiliate in connection with the proposed franchise agreement.

If BFF does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

The franchisor is Bath Fitter Franchising, Inc., located at 102 Evergreen Drive, Springfield, Tenn. 37172 (tel - 615.612.2940). The franchise seller is Giuseppe Guadagnino at Bath Fitter Franchising, Inc., 102 Evergreen Drive, Springfield, Tennessee 37172 (tel.: 615.612.2940). Any additional individual franchise sellers involved in offering the franchise are:

---

The issuance date of this Franchise Disclosure Document is March 27, 2025, as amended June 20, 2025.

BFF authorizes the state agencies identified on Exhibit G-2 to receive service of process for it in those states.

I received a Franchise Disclosure Document dated March 27, 2025, as amended June 20, 2025, that included the following Exhibits:

- |   |  |
|---|--|
| A Financial Statements                                    | G List of State Administrators and Agents for Service of Process |
| B Franchise Agreement                                     | H Form of General Release  |
| C List of Franchisees                                     | I State Effective Dates  |
| D Franchisees That Left the System                        | J Receipts   |
| E Table of Contents of Manual                             |  |
| F State-Specific Disclosures and Amendments to Agreements |  |

---

Date Received

---

Prospective Franchisee

---

Name (Please print)

---

Address

*Please keep this copy for your records*

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

If Bath Fitter Franchising, Inc. ("**BFF**") offers you a franchise, then BFF must provide this disclosure document to you at least 14 calendar days (but in Michigan and Rhode Island 10 business days; and in New York, 10 business days or at the earlier of the first personal meeting if earlier) before you sign a binding agreement with (or make a payment to) us or an affiliate in connection with the proposed franchise agreement.

If BFF does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

The franchisor is Bath Fitter Franchising, Inc., located at 102 Evergreen Drive, Springfield, Tenn. 37172 (tel - 615.612.2940). The franchise seller is Giuseppe Guadagnino at Bath Fitter Franchising, Inc., 102 Evergreen Drive, Springfield, Tennessee 37172 (tel.: 615.612.2940). Any additional individual franchise sellers involved in offering the franchise are:

---

The issuance date of this Franchise Disclosure Document is March 27, 2025, as amended June 20, 2025.

BFF authorizes the state agencies identified on Exhibit G-2 to receive service of process for it in those states.

I received a Franchise Disclosure Document dated March 27, 2025, as amended June 20, 2025, that included the following Exhibits:

- |   |  |
|---|--|
| A Financial Statements                                    | G List of State Administrators and Agents for Service of Process |
| B Franchise Agreement                                     | H Form of General Release  |
| C List of Franchisees                                     | I State Effective Dates  |
| D Franchisees That Left the System                        | J Receipts   |
| E Table of Contents of Manual                             |  |
| F State-Specific Disclosures and Amendments to Agreements |  |

---

Date Received

---

Prospective Franchisee

---

Name (Please print)

---

Address

***Please sign, date, and either mail this receipt page to Bath Fitter Franchising, Inc. at 102 Evergreen Drive, Springfield, Tennessee 37172, or scan and e-mail it to [ste.franchise.support@bathfitter.com](mailto:ste.franchise.support@bathfitter.com)***