

FRANCHISE DISCLOSURE DOCUMENT



HFC KTU LLC

A Delaware Limited Liability Company

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Web:

~~<https://bathtune-up.com/>~~ <https://bathtune-up.com/>

As a BATH TUNE-UP® franchisee, you will offer bathroom updates and full bath remodels including the sale and installation of tub/shower surrounds, tub/shower conversions, glass shower walls, lighting fixtures, plumbing fixtures such as toilets, walk-through, jetted and soaker tubs, sinks, mirrors, vanity replacements, cabinet hardware and organizers. You will also sell other services and products generally related to home improvement and remodeling, such as flooring, general construction material, plumbing and electrical repairs and replacement. You may be required to offer additional related services and products as we develop or refine them.

The total investment necessary to begin operation of a BATH TUNE-UP® franchise is \$109~~6~~9,930 to \$17~~8~~3,850. This includes \$64,950 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact ~~Aaron~~Aaron Cady at 19000 MacArthur Blvd, Suite 100, Irvine, CA 92612, (949) 404 1058 or email to ~~aaron.cady@gohfc.com~~aaron.cady@gohfc.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 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 3~~February 20, 202~~5~~6

How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in South Dakota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in South Dakota than in your own state.
2. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
- ~~23~~3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
- ~~34~~4. **Mandatory Minimum Payments.** You must make minimum royalty, advertising and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
- ~~45~~5. **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) to see whether your state requires other risks to be highlighted.

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, MI 48913, (517) 373-7117.

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FRANCHISE DISCLOSURE DOCUMENT

ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

In this disclosure document, "we", "us" and/or "our" all refer to HFC KTU LLC, the franchisor. "You" and "your" refer to the person who buys the BATH TUNE-UP® franchise. If you are a company, "you" or "your" includes your owners.

Franchisor, Parents, and

Affiliates Franchisor

We conduct business under the name BATH TUNE-UP®. Our principal business address is 14 S. Main Street, Suite 1C, Aberdeen, South Dakota 57401. We are a Delaware limited liability company that was organized on December 7, 2020. We have not offered franchises in this line of business prior to this offering. We also conduct business under the name KITCHEN TUNE-UP® and, under this name, commenced offering franchises for the sale of kitchen improvements at the same time as we started offering franchises under this offering. Our predecessor, DCHFamily, Inc., f/k/a KTU Worldwide, Inc. ("KTUW") offered KITCHEN TUNE-UP® franchises of the type we franchise from April 15, 1988 until December 31, 2020, the date we acquired KTUW's assets. We and our predecessor have sold ~~283~~299 KITCHEN TUNE-UP® franchises as of December 31, 2024⁵. Our predecessor did not offer BATH TUNE-UP® franchises. Apart from KITCHEN TUNE-UP®, we have never conducted any other line of business.

Parents

We have five parents. Our immediate parent is Home Franchise Concepts, LLC ("HFC"), and our ultimate parent is JM Family Enterprises, Inc. ("JMF"). JMF controls HFC through JM Franchise Holdings, Inc., TCP HFC, Inc., and Home Franchise Concepts Parent, LLC. JMF is majority-owned by the James M. Moran Intervivos Trust Number Two. HFC's principal business address is 19000 MacArthur Boulevard, Suite 100, Irvine, California 92612. JMF's principal business address and the principal business address of our other parents (other than HFC), is 100 Jim Moran Boulevard, Deerfield Beach, Florida 33442.

Affiliates

We have ~~eleven~~ten affiliates.

Our affiliate, Budget Blinds, LLC ("BB"), a franchisor of window covering businesses, was incorporated as a California corporation on October 5, 1992 and converted to a California limited liability company on November 24, 2015. BB began offering BUDGET BLINDS® franchises in March 1994. It has never offered franchises in other lines of business.

Our affiliate, Organized Spaces, LLC ("OS"), was incorporated in California on January 24, 2006 under the name "Closet Tailors, Inc.". On May 18, 2006, Closet Tailors, Inc. converted to a California limited liability company named "Closet Tailors, LLC". On May 5, 2010, Closet Tailors, LLC changed its name to "Tailored Living, LLC" and on January 24, 2022, Tailored Living, LLC changed its name to "Organized Spaces, LLC". From 2006 until 2010, Closet Tailors, Inc. and Closet Tailors, LLC conducted business as CLOSET TAILORS® and offered franchises for a mobile business for the design, sale, and installation of organizing units and storage and organizing accessories for closets, pantries, storerooms, utility rooms, basements and attics. From 2011 until 2022, OS conducted business as TAILORED LIVING® and its franchisees offered the same services as were offered under the CLOSET TAILORS® but with the addition of garage organizing units and storage and organizing accessories and

garage flooring. In

November 2022, OS replaced the TAILORED LIVING® franchise offering with two separate offerings, THE TAILORED CLOSET™ and PREMIERGARAGE®. Other than the foregoing, OS has never offered franchises in other lines of business.

~~Our affiliate, American Decorative Coatings, LLC dba “Concrete Craft” (“ADC”), a franchisor of decorative concrete businesses, is a Delaware limited liability company that was organized on October 17, 2014. It began offering CONCRETE CRAFT® franchises in March 2015. ADC has never offered franchises in other lines of business.~~

Our affiliate, AdvantaClean Systems, LLC (“ACS”), began offering ADVANTACLEAN® franchises in 2006 for restoration and remediation services that make residential and commercial buildings clean, safe, healthy and energy efficient. Prior to January 1, 2019, ACS operated as a corporation, AdvantaClean, Inc. (formerly named “LCR Advantage Systems, Inc.”). ACS offered franchises that offered and sold HVAC installation and maintenance services under the trademark “AdvantaClean Air” from April 2009 to March 2010 at which time it ceased offering and selling these franchises. Other than the foregoing, ACS has never offered franchises in other lines of business.

Our affiliate, Two Maids Franchising, LLC (“TMF”), a franchisor of residential cleaning services businesses, was organized as an Alabama limited liability company on August 14, 2013 and began offering TWO MAIDS & A MOP® franchises in August 2013. TMF has never offered franchises in other lines of business.

Our affiliate, Aussie Pet Mobile, Inc. (“APM”), a franchisor of mobile pet grooming businesses, was organized as a California corporation on February 22, 1999 and began offering AUSSIE PET MOBILE® franchises in October 1999. APM has never offered franchises in other lines of business.

Our affiliate, Lightspeed Restoration, LLC (“LSR”), a franchisor of 24/7 restoration and remediation services, was organized as a Delaware limited liability company on December 15, 2022. It ~~will~~ begin offering LIGHTSPEED RESTORATION™ franchises in mid 2023. LSR has never offered franchises in other lines of business.

Our affiliate, Order Processing Services, LLC (“OPS”), a California limited liability company, sells certain products to some of our affiliates’ franchisees but has never offered franchises in any line of business.

Our affiliate, Loss Control and Recovery, LLC (“LCR”), a Florida limited liability company, facilitates and administers jobs with national accounts for ACS and LSR franchisees but has never offered franchises in any line of business.

Our affiliate, AdvantaClean Equipment Rental, LLC (“ACER”), a Delaware limited liability company, rents disaster remediation equipment to ACS and LSR franchisees and third parties. ACER has never offered franchises in any line of business.

Our affiliate, BB Commercial Solutions, LLC (“BBCS”), a California limited liability company, promotes light commercial business for the benefit of our affiliates’ franchisees but has never offered franchises in any line of business.

Our affiliates have never operated a business of the type we franchise, nor have they offered franchises of the type we franchise. None of our affiliates provide products or services to our franchisees.

Our principal business address is 14 S. Main Street, Suite 1C, Aberdeen, South Dakota 57401. The principal business address of BB, OS, ~~ADC~~, APM, OPS and BBCS is 19000 MacArthur Boulevard, Suite 100, California 92612. ACS’s, LCR’s and ACER’s principal business address is 110 N. Freeport Parkway, Coppell, Texas 75019. TMF’s principal business address is 505 20th Street North, Suite 975,

Birmingham, Alabama 35203. LSR's principal business address is 777 International Parkway, Suite 300, Flower Mound, Texas 75022.

Predecessor

~~Predecessor~~

We have one predecessor, KTUW. KTUW's principal business address is 813 Circle Drive, Aberdeen, South Dakota 57401. KTUW is a South Dakota corporation that was formed April 15, 1988 and began offering franchises for the type of business you will operate in September 2020. We acquired substantially all of the assets of KTUW in December 2020. KTUW offered KITCHEN TUNE-UP® franchises from April 15, 1988 until December 31, 2020.

Agents for Service of Process

Our agents for service of process are listed in Exhibit E to this disclosure document.

The Business We Offer

The business you will conduct under a BATH TUNE-UP® franchise (the "Franchised Business") ~~is the sale of~~ centers on providing comprehensive bathroom remodeling and updatesing services ("Bath Improvements"). This industry is part of the broader home improvement and renovation sector, which continues to experience steady growth driven by consumer demand for modern, functional, and aesthetically pleasing living spaces. Bathroom remodels ~~replace the entire~~ represent a significant segment of the home improvement market, as homeowners and property managers prioritize upgrades that improve utility, comfort, accessibility, and property value.

Bathroom remodels may involve a complete overhaul of the bathroom, replacing everything from floor to ceiling. This may include installing new flooring, vanities, countertops, faucets, lighting, plumbing, storage, showers, tubs, and storage solutions, and may include conversions and reconfigurations. Bathroom updates involve, which are often more targeted, include the sale and installation of bathtub and/or shower surrounds, conversions of between bathtubs to showers and showers to bathtubs, glass shower walls, lighting fixtures, plumbing fixtures such as toilets, walk-through walk-in tubs, jetted and soaker tubs, sinks, mirrors, vanity replacements, cabinet hardware, accessibility features, and organizers. You will also sell other In addition to these core services and, you will offer other products generally related to and services commonly associated with home improvement and remodeling, such as flooring drywall, general construction materials, plumbing, and electrical repairs and replacements. As the industry evolves, you may be required to offer incorporate additional related services and products as we develop or refine them. You will use a motor vehicle identified with signage we specify to make sales calls and perform work offerings developed or refined by the franchisor to remain competitive and meet changing customer preferences.

To effectively reach your target audience, you will generate utilize a range of sales in many ways and marketing strategies, including local digital marketing (such as pay-per-click advertising, social media, campaigns, online reviews, digital business listings), email outreach to existing and potential customers as well as, canvassing, neighborhoods, participating in home shows, other using print media, and word of mouth leveraging word-of-mouth referrals. The market you will serve consists of This multifaceted approach is necessary to capture the attention of both residential and commercial customers within the territory assigned to you. The market for the services offered by the franchised business your designated territory. The bathroom remodeling and home improvement market is well-established and supported by a strong demand for renovation services in both aging homes and new construction projects.

The ~~predominant~~ competition landscape for BATH TUNE-UP® franchises ~~consists of~~ is robust and diverse. The primary competition comes from traditional "handyman" businesses, specialized bath remodeling businesses and others who engage in companies, and contractors who focus on tub/shower surround installations, tub/shower conversions, fixture updates, vanity cabinetry and ~~cabinet~~ hardware upgrades, new bath vanities, shelf organizers, and full complete bath remodels. Many competitors operate

Predecessor

as local or regional businesses, while others are part of larger national chains. The market also includes general contractors who offer bathroom renovation as part of broader remodeling services. To stand out in this competitive industry, BATH TUNE-UP® franchisees differentiate themselves through branded vehicles, professional signage, standardized processes, and an emphasis on customer service, reliability, and high-quality workmanship.

Overall, the bathroom remodeling industry is dynamic and competitive, with ongoing innovation in materials, technology, and design trends. Franchisees who embrace these trends, leverage effective

marketing strategies, and deliver superior service are well-positioned to capture market share in both residential and commercial sectors.

In 2021 we offered BATH TUNE-UP® franchises to existing KITCHEN TUNE-UP® franchisees on more favorable terms than those offered under this disclosure document.

Applicable Regulations

The ~~Federal~~ bathroom remodeling industry is subject to a range of federal, state, and local laws and regulations that franchisees must understand and comply with to operate legally and responsibly. One of the most significant federal regulations comes from the Environmental Protection Agency (“EPA”) ~~—requires.~~ The EPA mandates that any businesses performing renovation, repair ~~and, or~~ painting projects that disturb lead-based paint in homes, child ~~care care-~~ facilities, and preschools built before 1978 must obtain EPA certification or be certified by ~~the EPA or~~ an EPA-authorized state, ~~use~~ program. Such businesses are required to employ certified renovators who ~~are trained by~~ have completed EPA-approved training ~~providers and follow~~ and must adhere to strict lead-safe work practices to protect occupants and workers from hazardous lead exposure.

Beyond federal requirements, state laws may impose additional contractor licensing obligations. In certain states, contractors must obtain specific licenses to legally provide renovation, repair, or installation services. These licensing requirements can vary widely, including proof of experience, passing exams, and obtaining bonding or insurance. Franchisees are solely responsible for ensuring compliance with all applicable state contractor licensing laws in the jurisdictions where they operate.

Local governments, including cities and counties, may also enforce their own licensing, permitting, and regulatory requirements for businesses engaged in remodeling and renovation activities. These may include business licenses, building permits, zoning restrictions, and inspections for safety and code compliance. Some localities require additional certifications or impose restrictions on the types of materials and processes that can be used, especially when working with older structures or in designated historic districts.

~~Except for states that have laws requiring licensing of contractors, to our knowledge there are no~~

~~other laws or regulations that are specific to the operation of a BATH TUNE UP® franchise. It is your sole obligation to comply with all state regulations with respect to contractor licensing in the states that require licensing. It will be your responsibility to ascertain and comply with all federal, state and local governmental requirements. We do not assume any responsibility for advising you on these regulatory matters. Some cities or other local government agencies impose local licensing requirements. You should investigate the state and local laws that will apply to you. You should consult with your attorney about laws and regulations that may affect your franchised business.~~

In addition to direct licensing and certification, other regulations can impact the operation of a bathroom remodeling franchise. These may include environmental regulations regarding the disposal of construction debris, hazardous materials (such as solvents, adhesives, or paints), and recycling requirements. Occupational safety laws, such as those enforced by the Occupational Safety and Health Administration (OSHA), require that employers provide safe working conditions, perform safety training, and maintain records of workplace injuries and hazardous exposures.

Franchisees must be diligent in investigating and understanding all federal, state, and local laws that pertain to their business operations. It is strongly recommended that franchise owners consult with legal professionals to ensure full compliance with all regulatory requirements, including those that may be unique to their specific location or the scope of services they offer. We do not assume responsibility for advising franchisees on these matters.

ITEM 2. BUSINESS EXPERIENCE

HFC KTU LLC:

Heidi Morrissey Jarrett Smith – Interim President

~~Heidi Morrissey~~Jarrett Smith has been our interim President since January 2024⁶ in ~~Aberdeen, South Dakota. From January 2017 to December 2020, she was President of KTUW in Aberdeen, South Dakota.~~ Deerfield Beach, Florida. Mr. Smith is also president of OS since January 2025 and Director Executive Office, for HFC in Deerfield Beach, Florida since August 2020.

Larry Bishop – Senior Director of Operations

Larry Bishop has been our Senior Director of Operations since November 2022 ~~in Fort Lauderdale, Florida~~. From June 2021 until September 2022, Mr. Bishop was Director of Operations at Shades by Design in Miami, Florida and Regional Logistics Leader for Restoration Hardware in Fort Lauderdale, Florida from November 2017 until May 2021.

Amanda Twete – Director of Operations, Bath Tune-Up

Amanda Twete has been our Director of Operations since July 2022 ~~in Aberdeen, South Dakota~~. From January 2021 to July 2022, she was an Operations Manager for KTU and us ~~in Aberdeen, South Dakota~~. From April 2019 to December 2020, she was a Director of KTUW in Aberdeen, South Dakota.

Sarah Eisenbeisz – Marketing Director

Ms. Eisenbeisz has been our Marketing Director since January 2021 ~~in Aberdeen, South Dakota~~. From June 2010 to December 2020, she was Marketing Director for KTUW in Aberdeen, South Dakota.

Pam Hajicek – Director of Training

Ms. Hajicek has been our Director of Training since January 2021 ~~in Aberdeen, South Dakota~~. From September 2020 to December 2020, she was Director of Training for KTUW in Aberdeen, South Dakota. From June 2014 to September 2020, Ms. Hajicek worked for Carters | Oshkosh in Oshkosh, Wisconsin, leading training and development for new store managers.

Jill Hansen – Director of Technology

~~Ms. Hansen has been our Director of Technology since January 2021 in Sioux Falls, South Dakota. From May 2010 to December 2020, she was Director of Technology for KTUW in Aberdeen, South Dakota.~~

Amber Allen—Director of Procurement and Supplier Relations

~~Ms. Allen has been our Director of Procurement and Supplier Relations since April 2022 in Flower Mound, Texas. From August 2021 until April 2022, Ms. Allen was Subcontract Manager for L3Harris in Fort Worth, Texas. From January 2020 until August 2021 Ms. Allen was employed by Lockheed Martin in Fort Worth, Texas as a Senior Subcontract Manager and from October 2018 until January 2020, she was an Executive Assistant for Aijlon Staffing in Fort Worth, Texas.~~

Dave Lentz – Operations Manager

Dave Lentz has been an Operations Manager since April 2023 ~~in Redmond, Oregon~~. From October 2020 until April 2023, Mr. Lentz was a KTU franchise owner in Redmond, Oregon and a BTU franchise owner in Redmond, Oregon from February 2022 until April 2023.

Home Franchise Concepts, LLC:

Andrew G. SkehanCorey Benish – Chief Executive Officer and DirectorPresident

Corey Benish has been our President since April 1, 2025 in Flower Mound, Texas. Prior to joining HFC, Mr. Benish was Group Vice President, ITS Chief Operating Officer for JMF in Deerfield Beach, Florida from October 2023 until April 2025 and Chief Technology Officer for JMF in Deerfield Beach, Florida from April 2022 until October 2023. Prior to joining JMF, Mr. Benish was principal of CGNB Associates, LLC in Greater Boston, Massachusetts from April 2019 until April 2022.

~~Andrew Skehan has been HFC's Chief Executive Officer and a director of HFC since August 1, 2022 in Flower Mound, Texas. Prior to joining HFC, Mr. Skehan was President—North America of Krispy Kreme, Incorporated in Charlotte, North Carolina from November 1, 2017 to July 31, 2022.~~

Jennie Amante—Executive Vice President, General Counsel and Secretary

~~Jennie Amante has been HFC's Executive Vice President and Secretary since December 2015 in Irvine, California. She has been General Counsel for HFC and its subsidiaries since October 2004 in Aberdeen, South Dakota. Ms. Amante has also been our Secretary since January 2021 in Aberdeen, South Dakota.~~

Heather Cates – Chief Marketing Officer

Heather Cates has been HFC's Chief Marketing Officer since April 1, 2021 in Irvine, California. Prior to assuming this role, Ms. Cates was BB's Senior Marketing Director since January 2021 in ~~Aberdeen, South Dakota. From October 2018 until December 2020, Ms. Cates was Executive Director of Consumer Marketing, Facial Aesthetics for Allergan (now Abbvie) in~~ Irvine, California.

Amir Yeganehjoo – Chief Financial Officer

Amir Yeganehjoo has been HFC's Chief Financial Officer since January 3, 2023 in Flower Mound, Texas. Prior to assuming this role, Mr. Yeganehjoo was Senior Vice President, Finance, Treasury and Investor Relations for European Wax Center in Dallas, Texas from October 2020 until December 2022, and Head of Corporate Finance for Chewy.com in Fort Lauderdale, Florida from December 2019 until September 2020, ~~Senior Director, Corporate Finance with Gamestop Corp. in Grapevine, Texas from May 2019 to December 2019 and Director, FP&A and Financial Strategy with Gamestop Corp. in Grapevine, Texas from August 2017 to November 2019.~~

Megan Hoyt –Vice President, General Counsel and Secretary

Megan Hoyt has been our Vice President, General Counsel and Secretary since March 2026 in Flower Mound, Texas. Prior to assuming this role, Ms. Hoyt was Deputy General Counsel from May 2023 until February 2026 and Senior Corporate Counsel for Intellectual Property and Litigation from May 2022

until May 2023 for HomeVestors of America, Inc. in Dallas Texas, and Briefing Attorney and Term Law Clerk to the Honorable Susan J. Hightower from November 2020 until May 2022 in Austin, Texas.

Josh Barker – Chief Development Officer

Josh Barker has been our Chief Development Officer since March 2026 in Flower Mound, Texas. Prior to assuming this role, Mr. Barker was Senior Vice President of Franchise Recruitment from January 2025 until February 2026 and Vice President of Franchise Recruitment from August 2021 until January 2025 for Unleashed Brands in Katy, Texas and Vice President of Franchise Development for Neighborly in Waco, Texas from October 2020 until August 2021.

Aaron Cady – Vice President Franchise Development

Aaron Cady has been Vice President Franchise Development of HFC since March 2023 in Irvine, California. Prior to assuming this role, Mr. Cady was HFC's Director of Franchise Development from March 2019 until February 2023 in ~~Aberdeen, South Dakota~~ Irvine, California.

ITEM 3. LITIGATION

~~*In re: Brian J. Hill fdba Home Innovation Concepts LLC, Kitchen Tune Up of Poughkeepsie, United States Bankruptcy Court Southern District of New York, Case No. 23-35702 (CGM), August 21, 2023.*~~
~~Debtor Brian J. Hill, the guarantor of Home Innovation Concepts LLC, a former franchisee of HFC KTU LLC, filed a Voluntary Petition for Individuals Filing for Bankruptcy (the "Petition") pursuant to chapter 7 of title 11 of the United States Bankruptcy Code. HFC KTU LLC is a creditor in the bankruptcy and initiated an adversary proceeding in the bankruptcy in which KTU sought, among other things, to deny the Debtor's general discharge in the bankruptcy or have claims determined to be non-dischargeable. Mr. Hill claimed that he may assert a claim for retaliation in response to such a complaint on the grounds that his employment with an alleged affiliate of HFC KTU LLC was terminated due to his Petition, but Mr. Hill did not do so. The Parties entered into a settlement agreement on the adversary proceeding and on July 30, 2024 the Court entered a Consent Order Resolving the Within Adversary Proceeding on the Terms Set Forth in the Settlement Agreement, making the Settlement Amount non-dischargeable and retaining jurisdiction with respect to the Consent Order.~~

~~*HFC KTU LLC v. Orange Diamond Remodeling Solutions, LLC, et al., In the District Court, Denton County, Texas, 442nd Judicial District, Cause No. 23-10360-442 ("Litigation"), filed on or about November 7, 2023 ("Petition") and HFC KTU LLC vs. Orange Diamond Remodeling Solutions et al., filed in JAMS, JAMS Ref. No.: 5310000642, commenced January 30, 2024 ("Arbitration").*~~

~~HFC KTU LLC filed a Petition against its former franchisee Orange Diamond Remodeling Solutions, LLC and its guarantors John Patrick Kelley and John Mark Kelley for claims of breach of contract on Orange Diamond Remodeling Solutions, LLC's franchise agreements with HFC KTU LLC and the Kelleys' guarantees on those agreements and promissory notes, arising out of defendants' non-payment of amounts due to HFC KTU LLC. The parties agreed to stay the Litigation and move the matter to the Arbitration in January 2024. HFC KTU LLC filed the Arbitration for the claims in the Petition, plus claims of indemnity for amounts HFC KTU LLC was required to pay to or on behalf of unsatisfied and complaining customers of Orange Diamond Remodeling Solutions, LLC and the Kelleys. Orange Diamond Remodeling Solutions, LLC and/or the Kelleys indicated they would assert counterclaims of slander and business interference against HFC KTU LLC in the Arbitration, but they never did so. After the Arbitration commenced, John Patrick Kelley and John Mark Kelley filed petitions with the United States Bankruptcy Court for the Eastern District of Texas (the "Bankruptcy Court") under chapter 7 of title 11 of the United States Code. The Arbitration was stayed until the Bankruptcy Court entered orders discharging John Patrick Kelley's and John Mark Kelley's respective debts. After the discharge orders, on about December 20, 2024, HFC KTU LLC filed a notice of dismissal without prejudice in the Arbitration. On or about January 21, 2025, HFC KTU LLC filed a notice of nonsuit without prejudice in the Litigation. The Litigation and Arbitration have closed, and no claims related to the Litigation or Arbitration are pending against HFC KTU LLC.~~

~~HFC KTU, LLC v. Fillmore Enterprises, Inc. et. al., County Civil Court, Harris County, Texas; Case No. 123229, filed August 6, 2024.~~

~~We filed this action against a former franchisee to recover amounts due and owing under the franchise agreement.~~

In the Matter of: Aussie Pet Mobile, Inc. and Ian Moses (Administrative Proceeding before the Securities Commissioner of Maryland; Case No. 2004-0162 - 2005)

On January 25, 2006, Aussie Pet Mobile, Inc., while under previous ownership, entered into a Consent Order with the Securities Division of the Office of the Attorney General of Maryland (the “Division”) that required the franchisor to cease and desist from taking certain actions and to make certain representations. While the Consent Order contained no monetary sanctions, it required the franchisor to cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law. The Consent Order also required the franchisor to rescind the franchise agreements that had been entered into with a former franchisee whom the Division found had not received proper disclosure, and to represent that

~~(a)~~ other Maryland franchisees had received proper disclosure, and (b) the franchisor had developed and implemented new franchise law compliance procedures.

During our last fiscal year, we filed the following action against a former franchisee to recover amounts due and owing under the franchise agreement:

HFC KTU, LLC v. Sheryl Greenlee et. al., Superior Court, Riverside California; Case No. [TBD], filed December 18, 2025.

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

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

You will pay us an Initial Franchise Fee of \$19,950 when you sign the franchise agreement.

We discount the Initial Franchise Fee by 15% for new franchisees who are currently-serving or honorably discharged veterans of the United States armed forces and their spouses. If you are a veteran, active service member or spouse of a veteran or active service member of the United States armed forces, you will therefore pay a discounted Initial Franchise Fee of \$16,958. There is no Initial Franchise Fee payable under a subsequent franchise agreement.

If you are purchasing your franchise from us (rather than from an existing franchisee) and you are not a veteran, active service member or spouse of a veteran or active service member of the United States Armed Forces, you will also pay us an Initial Territory Fee of \$45,000 for the first territory you obtain under your first franchise agreement. We discount the Initial Territory Fee by 15% for new franchisees who are currently-serving or honorably discharged veterans of the United States armed forces and their spouses. If you are a veteran, active service member or spouse of a veteran or active service member, you will therefore pay a discounted Initial Territory Fee of \$38,250.

If you enter into a second franchise agreement for a second territory at the same time, the Additional Territory Fee will be \$35,000. Otherwise, for any subsequent franchise agreement and territory, the Additional Territory Fee will be the same as the then-current Initial Territory Fee.

None of the fees described in this Item are refundable under any circumstances.

Please see Item 10 for information about financing these fees.

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ITEM 6. OTHER FEES

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Royalty ²	~~If you purchase only one territory, you must~~ pay the greater of (a) ~~76.0%~~ – ~~45.0%~~ of your Gross Revenue for the immediately preceding month or (b) ~~\$750~~ <u>\$500</u> per month ~~for the first year per territory for fourth through twelfth month~~ and \$1,500 per month <u>per territory</u> thereafter. During the first three months, Royalty only paid on actual Gross Revenue with no minimum.	Gross Revenue to be reported by the 5 th of the month for the preceding month. Funds drawn on the ~~20th~~ <u>15th</u> of the month or the next business day if the ~~20th~~ <u>15th</u> falls on a weekend or public holiday.	~~A different Royalty structure applies if you purchase more than one territory. See note 2.~~ <u>Minimum royalty may be increased on April 1 annually by CPI.</u>
National Advertising Fund Payment	You must pay the greater of 1% of your Gross Revenue for the immediately preceding month or \$500; <u>for your first franchise agreement or the greater of 1% or \$250 for your second franchise agreement. May increase but not above the greater of 2% of Gross</u>	~~Same as royalty~~ <u>Funds drawn on the 25th of the month or the next business day if the 25th falls on a weekend or public holiday.</u>	See Item 11. <u>The minimum Advertising Fund payment may be increased on April 1 annually by CPI.</u>
Technology Fee	~~\$450 per month for the first territory, \$100 for second and subsequent contiguous territories. May be adjusted.~~	~~Same as royalty~~	~~Intended to partially reimburse us for the costs of technology platforms and tech support.~~ ~~See Item 11~~
Training for Additional Personnel	~~First 2 attendees are free. We may charge up to \$150 per day for additional attendees, plus travel, accommodation and meals.~~	~~Two weeks before training begins. Travel, accommodation and meals are due as required by service providers.~~	
Additional Territory Fee	~~An amount equal to the then-current initial Territory Fee if you buy an additional territory in the future.~~	~~When you purchase additional territories~~	~~Availability of additional territories is at our discretion.~~

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
	<u>Revenue or \$500 per month per territory.</u>		
<u>Technology Fee</u>	<u>\$500 per month for the first territory, \$250 per month for second and subsequent territories. May be adjusted.</u>	<u>Funds drawn on the 5th of the month or the next business day if the 5th falls on a weekend or public holiday.</u>	<u>Contributes to costs of technology platforms and tech support.</u> <u>May increase by up to 3% annually.</u>
<u>Training for Additional Personnel</u>	<u>First 2 attendees are free. We may charge up to \$150 per day for additional attendees, plus travel, accommodation and meals.</u>	<u>Two weeks before training begins. Travel, accommodation and meals are due as required by service providers.</u>	<u>The second attendee must attend training within the first 12 months. If not used, the training seat is forfeited and the then-current additional attendee charge will apply.</u>
<u>Additional Territory Fee</u>	<u>An amount equal to the then-current initial Territory Fee if you buy an additional territory in the future.</u>	<u>When you purchase additional territories</u>	<u>Availability of additional territories is at our discretion.</u>
Encroachment Payment	100% of your gross sales in another franchisee's territory.	When you make sales in another franchisee's territory in violation of your franchise agreement.	As an alternative to termination of your franchise for operating in another franchisee's territory.
Fees on Transfer ³	If selling to a new franchisee, ~~greater of \$24,950 plus an additional \$5,000 for each additional~~ <u>transfer fee of \$5,000 per</u> territory or 6% of sale price, <u>whichever is greater</u> , up to a maximum of \$50,000. If selling to an existing franchisee, \$5,000 transfer fee per territory: <u>up to a maximum of \$50,000.</u>	Before transfer	Payable when you sell your franchise. No charge if your franchise is assigned to a corporation or similar entity that you control.
~~Transfer Lead-Referral Fee~~	~~Our then-applicable lead-referral fee, currently \$15,000 or the amount of any broker-fees that we must pay a third-party (not an employee of~~	~~On a transfer of your franchise agreement to a buyer who was already listed in our sale database at the time you~~	~~Intended to partially-reimburse us for our costs in developing leads who then purchase from existing franchisees.~~

	ours)	and the buyer began discussing a sale.	
Renewal Fee	\$5,000	When you sign a renewal franchise agreement.	
Insufficient or Late Payment Fee	\$300	On due date of Royalty, National Advertising Fee, Technology Fee, or any other amounts due if payment not made in full.	Payable if there are insufficient funds in your account to cover withdrawal of amounts due or payment is late.
Convention Fee	Currently \$750 plus travel, accommodation and some meals. Fee will vary depending on venue and location but will not exceed \$2,000 annually.	Same as Royalty. Paid in monthly installments, in advance. Travel, accommodation and meals are due as required by service providers.	Attendance at Annual Convention is mandatory.
Optional Meetings and Trainings	As determined by us, but generally \$100—\$1,500 depending on venue and mode	By registration date. Travel, accommodation and meals are due as	

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
<u>Transfer Lead Referral Fee</u>	~~of delivery.~~ Our then-applicable lead referral fee, currently \$15,000 or the amount of any broker fees that we must pay a third party (not an employee of ours)	~~required by service providers.~~ On a transfer of your franchise agreement to a buyer who was already listed in our sale database at the time you and the buyer began discussing a sale.	<u>Intended to partially reimburse us for our costs in developing leads who then purchase from existing franchisees.</u>
<u>Renewal Fee</u>	<u>\$5,000 per territory</u>	<u>When you sign a renewal franchise agreement.</u>	
<u>Insufficient Funds or Late Payment Fee</u>	<u>Currently \$300, subject to change.</u>	<u>On due date of Royalty, National Advertising Fee, Technology Fee, or any other amounts due if payment not made in full.</u>	<u>Payable if there are insufficient funds in your account to cover withdrawal of amounts due or payment is late.</u>
<u>Late Reporting Administrative fee</u>	<u>Currently \$300, subject to change.</u>	<u>On due date of Royalty.</u>	<u>Payable if Gross Revenue is not timely reported.</u>
<u>Convention Fee</u>	<u>Currently \$899 plus travel, accommodation and some meals. Fee will vary depending on venue and location but will not exceed \$2,000 annually.</u>	<u>Paid in monthly installments, in advance. Funds drawn on the 5th of the month or the next business day if the 5th falls on a weekend or public holiday. Travel, accommodation and meals are due as required by service providers.</u>	<u>Attendance at Annual Convention is mandatory.</u>
<u>Optional Meetings and Trainings</u>	<u>As determined by us, but generally \$100 - \$1,500 depending on venue and mode of delivery.</u>	<u>By registration date. Travel, accommodation and meals are due as required by service providers.</u>	

<u>TYPE OF FEE</u> ¹	<u>AMOUNT</u>	<u>DUE DATE</u>	<u>REMARKS</u>
Additional Training Requested by You	Currently \$500 - \$1,000 per day, plus travel and expenses.	Immediately after notice from us.	Paid to us if, at your request, we send one of our staff members to the Franchised Business to provide further assistance. We will charge you a daily rate for that assistance, plus travel expenses for our employee.
Audit	Cost of inspection or audit, <u>not to exceed \$10,000.</u>	Upon demand.	If audit is required due to your failure to report or your records and procedures are insufficient to determine Gross Revenue or audit reveals Gross Revenue or Continuing Royalty are understated by 5% or more or Product purchases from unapproved vendors exceed 10% of your Product purchases, you must pay all costs of audit.
Insurance	You must reimburse our costs	Upon demand.	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Costs and Attorneys' Fees	Varies	Upon demand.	If you breach the franchise agreement and we prevail in any arbitration or litigation, you will owe us our reasonable attorneys' <u>fees and costs.</u>

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS ~~fees and costs.~~
Indemnification	Varies	Upon demand.	You must reimburse us for costs and expenses related to certain claims against us.

- All fees are imposed and collected by and payable to us. Upon our written request, you must sign any document we require to authorize us to withdraw continuing royalties, National Advertising Fees, Technology Fees and any other ongoing fees directly from your bank account. All fees are non-refundable and uniformly imposed.
- ~~If you purchase only one territory, you~~ must pay us a monthly Royalty calculated each month equal to the greater of (a) the amount set forth in the table below for each territory or (b) \$500 per month per territory for the fourth through twelfth months* and \$1,500 per month per territory thereafter:

Monthly Royalty	Gross Revenue for Prior Month
~~76.0%~~	\$0 - ~~\$30,000~~ <u>\$83,300</u>
~~6.0%~~	~~\$30,000.01—\$60,000~~
5.0%	<u>≥\$60,000.01—\$120,000</u> <u>\$83,300</u>
~~4.0%~~	~~\$120,000.01 and above~~

For example, if your Gross Revenue for the prior month is \$~~79~~5,000, you will pay ~~76~~% for the first \$~~30,000~~, ~~6% for the second \$30,000~~ \$83,300 and 5% for the ~~last~~ amount over ~~\$15,000~~ \$83,300.

~~If you purchase two or more territories, you must pay us a Royalty calculated each month equal to:~~
*For the first three months, Royalty is payable on actual Gross Revenue only with no minimum.

Gross revenue is recognized during the month that is the earlier of the date when payment of the final invoice is received or 90 days after a final invoice is issued to the customer. If Franchisee has issued previous invoices to the customer prior to the final invoice, the aggregate amount of all previous invoices and the final invoice shall be reported as Gross Revenue for the month. Gross Revenue for work performed in Gray Areas is to be included. Currently, Gray Area sales are added to the Gross Revenue of your oldest operating territory for purposes of calculating Continuing Royalty. We reserve the right to establish a separate Royalty rate for Gray Areas.

~~Monthly Royalty~~	~~Gross Revenue for Prior Month— 2 Territories~~

7.0%	\$0—\$45,000
6.0%	\$45,000.01— \$90,000
5.0%	\$90,000.01— \$180,000

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Monthly Royalty	Gross Revenue for Prior Month 2 Territories
4.0%	\$180,000.01 and above

~~Gross Revenue is defined in the franchise agreement and includes the total of your Gross Revenue for each separate franchised territory you own, including sales in Gray Areas.~~

~~If you purchase one territory, you must pay us the greater of: (a) the monthly Royalty as calculated above; or (b) \$750 for the first year and \$1,500 thereafter. If you purchase two territories, the minimum monthly Royalty is \$1,500 for the first year and \$3,000 thereafter for both territories combined. For the first three months, Royalty is payable on actual Gross Revenue only with no minimum.~~

3. ~~If you are selling to a new franchisee, the initial franchise fee of \$19,950 is for the full Start-Up Package and initial training.~~

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$19,950	Lump sum or financed through us	When you sign the franchise agreement	Us
Initial Territory Fee ²	\$45,000	Lump sum or partially financed through us	When you sign the franchise agreement	Us
Travel and Living Expenses While Training ^{3 3}	\$1,750 - \$3,000 <u>per person</u>	As incurred	During training	Airlines, hotels, car rental agencies, restaurants and other third parties
Office/Work Space ⁴	\$500 - \$3,000	As incurred	As incurred	Landlord or other supplier
<u>Vehicle⁵</u>	<u>\$7,000 - \$50,000</u>	<u>Buy, lease or finance</u>	<u>Upon opening</u>	<u>Vehicle lessor or dealer</u>

<u>Credit Card Processing Technology</u>	<u>\$30 - \$500</u>	<u>Lease, finance or lump sum</u>	<u>Upon opening</u>	<u>Vendor</u>
<u>Miscellaneous Tools and Office Supplies⁶</u>	<u>\$1,000 - \$3,000</u>	<u>As incurred</u>	<u>As incurred</u>	<u>Vendors</u>
<u>Miscellaneous Opening Costs⁷</u>	<u>\$2,000 - \$3,500</u>	<u>As incurred</u>	<u>As incurred</u>	<u>Vendors</u>

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
~~Vehicle⁵~~	~~\$7,000—\$40,000~~	~~Buy, lease or finance~~	~~Upon opening~~	~~Vehicle lessor or dealer~~
~~Credit Card Processing Technology~~	~~\$30—\$500~~	~~Lease, finance or lump sum~~	~~Upon opening~~	~~Vendor~~
~~Miscellaneous Tools and Office Supplies⁶~~	~~\$1,000—\$3,000~~	~~As incurred~~	~~As incurred~~	~~Vendors~~
~~Miscellaneous Opening Costs⁷~~	~~\$2,000—\$3,500~~	~~As incurred~~	~~As incurred~~	~~Vendors~~
Lead Safe Certification ⁸	\$300 - \$500	Lump sum	As required by applicable law	EPA-Approved Trainer
Contractor's License and Bond ⁹	\$150 - ~~\$1,500~~ <u>\$3,000</u>	Lump sum	As required by applicable law	Bonding or insurance company, Government agencies
Auto Insurance ¹⁰	\$1,000 - \$3,000	Lump sum or monthly installments	Before opening and during the year	Insurance company or broker
Commercial general liability insurance ¹¹	\$500 - \$2,400	Lump sum or monthly installments	Before opening and during the year	Insurance company or broker
Professional Fees	\$750 - \$3,500	As negotiated	Before opening	Professional advisers
Initial Marketing – 3 months ¹²	~~\$15~~ <u>\$2</u> ,000 - ~~\$20~~ <u>\$18</u> ,000	As incurred	During first 3 months after opening	Media agencies
TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS

				TO BE MADE
Additional Funds – before opening and first three months ¹³	\$15,000 - \$25,000	As incurred	As incurred	Various
TOTAL ESTIMATED INITIAL INVESTMENT	\$10<u>96</u>,930 – \$1<u>78</u>3,850			

None of the fees or payments you make to us are refundable. Whether payments to others are refundable depends upon the arrangements you make with them. Except as disclosed in Item 10, we do not offer direct or indirect financing for any of the above items.

1. [Payable only with your first franchise agreement.](#) The Initial Franchise Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States armed forces, as more particularly described in Item 5. [The Initial Franchise Fee](#)

includes initial training and the Start-up package.

2. The Initial Territory Fee is discounted by 15% if you are a veteran, active service member or spouse of a veteran or active service member of the United States armed forces, as more particularly described in Item 5.
3. Training consists of a combination of up to ~~44~~¹³ days of virtual/in-person Academy training at the HFC Experience Center in Coppell, Texas. This expense includes travel, lodging, food and personal expenses while attending in-person training in Coppell, Texas. This amount varies depending on whether you drive or fly. You must also pay the wages of your employees for their time during training.
4. Most of our franchisees operate their franchised businesses out of their homes. If you decide to obtain an office/workspace outside of your home, or if you choose to operate from a retail location, your initial investment will be higher depending on real estate or leasing marketing conditions in your area. Generally, most office/workspace locations are approximately 500 – 1,200ft² and are located in a strip mall, or other commercial building.
5. You must have a white vehicle with the approved BATH TUNE-UP[®] signage for each franchised business. We give you the artwork files for the signage. This is the estimated cost per vehicle. The white vehicle must be in unblemished condition. The vehicle must be continuously maintained and present a professional impression. Since we do not know if you already own a white vehicle or the manufacturer, model or condition of the vehicle you may be using, the low range assumes that you can affix the required signage to a white vehicle that you already own, which complies with our standards, or that you lease or place a down payment on a vehicle. The high range involves an estimate if you must purchase, or lease, a white vehicle, plus the cost to purchase and affix the signage, to comply with our standards. You should not purchase your vehicle for cash unless you will still have at least that same amount available as additional working capital to operate your business. From time to time your affiliation with HFC may allow for discounts on these vehicles

and our recommendation is to check with your Operations Manager before purchasing or leasing.

6. We recommend additional tools and office supplies required for your franchised business. See Exhibit G for a complete list of recommended items.
7. While we provide you with a Startup Package when you pay the Initial Franchise Fee, there is other information, equipment and inventory that you will need to operate your franchised business. We will provide you with a list of Approved and Partnership Vendors who sell the equipment and inventory necessary to operate your franchised business. You must purchase services, products, equipment and inventory from our Partnership Vendors and Approved Vendors. Included in this estimate is Quick Books Online financial software which integrates with our operations system.
8. The Federal Environmental Protection Agency (EPA) requires that businesses performing renovation, repair and painting projects that disturb lead-based paint in homes, child care facilities and pre-schools built before 1978 be certified by the EPA or an EPA-authorized state, use certified renovators who are trained by EPA-approved training providers and follow lead-safe work practices. We estimate that the certification process will take about 8 hours to complete.
9. A contractor's license and bond are required only in states that require a contractor's license.
10. Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$1,000,000. We must be named as an additional insured.
11. Such policy must be on an occurrence basis with a combined single limit for bodily injury, death or property damage of not less than \$2,000,000. We must be named as an additional insured.

12. This estimate is for the first three months of operations. We recommend you initially spend a minimum of \$4,000 per month on local marketing.
13. This category estimates an additional cash reserve needed to cover initial operating expenses during the first three months of operation. The amount of additional funds that you may need varies based on a variety of factors, including whether you choose to have an office outside your home, the number of employees you choose to hire and the salary and other benefits you choose to pay, gasoline purchases and vehicle maintenance expenses. We have relied on the experience of our United States KITCHEN TUNE-UP® franchisees to compile these estimates. We encourage you to contact our existing franchisees to evaluate this on your own. We recommend you have \$100,000 in working capital for the first year of operations.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may purchase products and services for Bath Improvements only from us, Partnership Vendors or Approved Vendors.

You must purchase all products, equipment and services outlined in the Manuals. The specifications for them will include standards for performance, design and appearance. Our specifications maintain the integrity of the Marks and may be modified periodically.

You must participate in our corporate phone tracking system (currently Invoca) which utilizes dynamic telephone numbers to track the source of your leads. The Invoca service is paid for from the National Advertising Fund.

We are an approved supplier of advertising and promotional materials using our Marks. In 2024⁵, we received \$~~227,781~~279,465, or about 1.69% of our total revenue of \$~~13,929,258~~14,830,621 from this source. Neither we nor

our affiliates are currently approved suppliers of any other products but we reserve the right to become a supplier in the future.

We have two types of third party designated suppliers: Partnership Vendors and Approved Vendors. Partnership Vendors are those who have proven, to our satisfaction, that their services and/or products are of a quality which will promote customer satisfaction with the Services and Products provided by the franchised business. Approved Vendors are those vendors, other than Partnership Vendors, from whom franchisees have approval in writing from us to purchase products for resale.

Most Partnership Vendors and Approved Vendors will provide us ~~discounts and~~ rebates based on purchases by our franchisees. ~~Discounts generally are 10% of the purchase price.~~ Rebates generally are 1% to 10% of the purchase price. We may use ~~all discounts and~~ rebates for any purpose that we and our affiliates deem appropriate. During 2024⁴⁵ we received ~~discounts and~~ rebates of \$~~1,857,597~~1,856,830, or about ~~13.3~~12.5% of our total revenue of \$~~13,929,258~~14,830,621 from this source.

We endeavor to negotiate arrangements with Partnership Vendors and Approved Vendors to enable you to purchase at competitive prices.

We may, but are not required to, provide you with material benefits based on your purchases from Partnership Vendors and Approved Vendors.

Any purchases of products or services by you from any vendor other than us, a Partnership Vendor or an Approved Vendor will be considered a material breach of the franchise agreement and constitute grounds for immediate termination of the franchise agreement on written notice from us.

We estimate that about 95% of purchases for the establishment of the franchised business will be made from Partnership Vendors and Approved Vendors. After your franchised business is established and operating on a regular basis, we estimate that you will make up to 95% of your required purchases from Partnership Vendors or Approved Vendors. We estimate that your cost for consumable supplies will be 3%

to 5% of your total Gross Revenue for ~~restoration~~remodeling services. Of the sums spent by you for consumable supplies, about 5% will be for purchases of the private label products purchased from us.

We approve vendors on a case by case basis after careful review of the quality of the products they provide to us and our franchisees. If you believe that you have a product which equals or exceeds the performance characteristics of any product we sell, you may seek prior written approval for the substitute product. To seek prior written approval for a substitute product, you must submit a sample of the product for testing, along with any other information that we reasonably request. We will test the product, or have the product tested, to determine whether it equals or exceeds the performance characteristics of the present products. Our criteria for approving products and the suppliers of those products are not available to you. Our approval of substitute products will not be unreasonably withheld, and you will receive our reply within 30 days after our receipt of the product sample and any reasonably requested information. You are responsible for and will be billed for any reasonable costs we incur as part of this request for testing, not to exceed \$500. We can revoke our approval at any time if we determine in our sole judgment that an Approved Vendor no longer meets or exceeds our standards. You will receive 30 days advance written notice of any revocation of our approval.

None of our officers owns an interest in any of our Partnership Vendors or Approved Vendors. We do not currently participate in any purchasing or distribution cooperatives.

Insurance

You must obtain before you begin operating your Franchised Business and must maintain at all times the types of insurance and the minimum policy limits specified in the Manual. Currently we require:(i) general liability insurance in the amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate;(ii) general casualty insurance covering the full replacement cost of your vehicle; and (iii) auto liability for owned vehicles in the amount of \$1,000,000 combined single limit and for hired and non-owned vehicles in the amount of \$1,000,000 combined single limit. We also recommend umbrella liability insurance of

\$1,000,000. Your general liability policy must include employment practices coverage. You may be required to acquire additional insurance by the laws in your area. The insurance policies must protect you, us, and our respective past, present and future officers, directors, owners, managers, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon or in connection with the condition, operation or use of the Franchised Business. We must be named as an additional insured under each policy that we require. Upon our request or as specified in the Manual, you must provide us with certificates of insurance or other proof of insurance in the form we request evidencing the required coverage. We may require additional types of coverage or increase the required minimum amount of the coverage upon reasonable notice.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 2 and 3	Items 7, 8, 11 and 12
~~b. Pre-opening purchases/leases~~	~~Sections 4 and 8~~	~~Items 5, 7, 8 and 11~~
~~c. Site development and other pre-opening requirements~~	~~Sections 3, 4 and 8~~	~~Items 5, 7, 8 and 11~~
~~d. Initial and ongoing training~~	~~Section 7~~	~~Items 6, 7 and 11~~
~~e. Opening~~	~~Section 2~~	~~Item 11~~
~~f. Fees~~	~~Sections 4, 5, 7, 9, 10, 11 and 12~~	~~Items 5, 6 and 7~~
~~g. Compliance with standards and policies/Operating Manual~~	~~Sections 2, 3, 6 and 8~~	~~Items 8, 11 and 15~~

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
<u>b.</u> <u>Pre-opening purchases/leases</u>	<u>Sections 4 and 8</u>	<u>Items 5, 7, 8 and 11</u>
<u>c.</u> <u>Site development and other pre-opening requirements</u>	<u>Sections 3, 4 and 8</u>	<u>Items 5, 7, 8 and 11</u>
<u>d.</u> <u>Initial and ongoing training</u>	<u>Section 7</u>	<u>Items 6, 7 and 11</u>
<u>e.</u> <u>Opening</u>	<u>Section 2</u>	<u>Item 11</u>
<u>f.</u> <u>Fees</u>	<u>Sections 4, 5, 7, 9, 10, 11 and 12</u>	<u>Items 5, 6 and 7</u>
<u>g.</u> <u>Compliance with standards and policies/Operating Manual</u>	<u>Sections 2, 3, 6 and 8</u>	<u>Items 8, 11 and 15</u>
h. Trademarks and proprietary information	Sections 6, 7 and 8	Items 13 and 14
i. Restrictions on products/services offered	Sections 2, 6 and 8	Items 8, 11, 12 and 16
j. Warranty and customer service requirements	Sections 2, 4, 8 and 13	Items 11 and 12
k. Territorial development and sales quotas	Sections 2 and 8	Item 12
l. Ongoing product/service purchases	Sections 7 and 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Section 8	Items 6, 8, 11 and 17
n. Insurance	Section 8	Items 6, 7 and 8
o. Advertising	Sections 4 and 8	Items 6, 7, 8 and 11

p.	Indemnification	Section 13	Item 6
q.	Owner's participation/ management/staffing	Sections 7 and 8	Items 11 and 15
r.	Records and reports	Section 8	Item 11
s.	Inspections and audits	Section 8	Items 6 and 11
t.	Transfer	Section 9	Item 17

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
p. Indemnification	Section 13	Item 6
q. Owner's participation/ management/staffing	Sections 7 and 8	Items 11 and 15
r. Records and reports	Section 8	Item 11
s. Inspections and audits	Section 8	Items 6 and 11
ut. ~~Renewal~~ Transfer	Section ~~5~~ 9	Item 17
vu. ~~Post-termination obligations~~ Renewal	Section ~~12~~ 5	Item 17
v. Post-termination obligations	Section 12	Item 17
w. Non-competition covenants	Section 8 and Exhibit H	Items 15 and 17
x. Dispute resolution	Section 11	Item 17
y. Personal guaranties of agreements	Schedule 1	Items 15 and 22

ITEM 10. FINANCING

If you meet our credit standards, we will, at your request, provide financing as shown below.

To obtain financing, you must sign a Secured Promissory Note and General Security Agreement substantially in the form of Exhibits J and K to this disclosure document. No separate personal guaranty is required to obtain financing. Payments begin with the first royalty due date. The note can be prepaid without penalty at any time during its term. The General Security Agreement grants us a security interest in substantially all of your assets to secure your payments under the Secured Promissory Note. You waive your right to notice of a collection action and to assert any defenses to collection against us.

Key terms are as follows:

Item Financed	Amount Financed	Min. Down Payment	Term (months)	Rate of Interest Plus Finance Charge	Monthly Payment	Prepay Penalty	Liability On Default	Loss of Legal Right
Initial Franchise Fee and Part of Initial Territory Fee	\$36,000	\$0	60	10%	~~\$764.89~~ <u>67.30</u>	None	Lose franchise, pay unpaid balance, attorney fees and costs	Waive notice

We do not receive any direct or indirect payments or other consideration from any person for the placement of financing.

Although we have never done so, we have a right to sell your promissory note at a discount rate to a third party which may be immune under the law to any defenses to payment you may have against us. We do not guarantee any notes, leases, or 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 Obligations

1. Designate your Territory (Franchise Agreement §§ 1.19, 2.1, Schedule 2).
2. Approve your Showroom, if you decide to establish one (Franchise Agreement § 3.3).
3. Allow you to use our Marks (Franchise Agreement § 6.1).
4. As discussed in Item 11, provide an initial training program (Franchise Agreement § 7.1).
5. Provide you with the BATH TUNE-UP® Startup Package (Franchise Agreement § 7.5, Schedule 3).
6. Provide you with proprietary information for use in connection with training your staff (Franchise Agreement § 7.9).
7. Provide you with electronic access to the Manuals and materials at initial training (Franchise Agreement § 7.9). Exhibit F to this disclosure document includes a copy of the table of contents of the Operating Manual as of December 31, 2024. The Operating Manual had 212 pages on that date.
8. Provide you with a list of the standard equipment, tools, supplies and inventory you will need for the operation of your franchised business and advise you of suggested sources for those items (Franchise Agreement § 7.10).
9. Assist you in developing pre-opening and initial post-opening promotion of the franchised business ~~(Franchise Agreement § 7.11).~~

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[\(Franchise Agreement § 7.11\).](#)

Site Selection and Time to Opening

You may operate your franchised business out of your home. If you operate out of your home, you must begin operating your franchised business within 30 days from the date you complete initial training. If you choose, you may secure office/warehouse space for your franchised business. We do not provide any assistance to you in the selection of an office/warehouse site, nor do we own the site and lease it to you. There is no time limit for you to find your site. You do not need our approval of your site, as long as it is in your territory.

You do not have to establish a showroom site, but if you are approved to do so, it must be located within the territory, you must ensure that the showroom complies with our written specifications and other requirements as set forth in the Manuals, you must obtain our prior written approval and you must enter into our then-current showroom addendum. We do not help you select a showroom site. We will have 14 days within which to indicate our approval or disapproval of a showroom site. We will require that the showroom be located at least one mile within the borders of your territory. We do not provide assistance with obtaining equipment, signs, fixtures, opening inventory and supplies.

The typical length of time between the signing of the franchise agreement and beginning operation of your franchised business is 15 to 30 days. Factors that may affect this time period include whether you will operate out of your home, an office/warehouse or a showroom, the satisfactory completion of initial training and availability of BATH TUNE-UP® materials for you to begin operating the franchised business.

Post-Opening Obligations

During the operation of your franchised business, we will provide the following services and assistance to you:

1. Police the Marks and distinguishing characteristics as necessary (in our sole discretion) to protect the System (Franchise Agreement § 6.6).
2. Train you and/or your staff as we develop new products, services and methods (Franchise Agreement § 7.6).
3. Make our representatives available to you during normal business hours for consultation and guidance with respect to the operation and management of the franchised business (Franchise Agreement § 7.7).
4. At your request, we will make additional or refresher on-site training available at your business as we deem appropriate, at the rate of \$500 per day plus travel and living expenses (Franchise Agreement § 7.4).
5. At our option, hold a Convention for franchisees and other meetings to discuss topics which we determine to be appropriate and in the best interests of the System, such as trends in services and products, sales techniques, performance standards, and marketing programs (Franchise Agreement § 7.8).
6. Assist you in developing initial post-opening promotion of your Franchised Business and, from time to time, provide you with promotional and advertising information (Franchise Agreement § 7.11).
7. Provide you with a 12 week post training program and launch team to guide you through the

opening activities of your franchise (Franchise Agreement Schedule 3).

8. Establish and maintain a web site that provides information about the BATH TUNE- UP™ System and identifies you and our other franchisees (Franchise Agreement § 8.11).
9. Establish and maintain, at our option, an electronic portal through which we disseminate the Manuals as well as marketing collateral, training and other digital assets (Franchise Agreement § 8.14).

We do not have any obligation to assist you in establishing prices, such as setting minimum and/or maximum prices at which you must sell products and services.

You will agree in your Franchise Agreement that we are not joint employers of your employees and other personnel. We do not and will not share or codetermine any of your employees' essential terms and conditions of employment. More specifically, in no case do we have any authority to determine or set your employees': (1) wages, benefits, and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. You alone have sole authority to determine any or all your employees' essential terms and conditions of employment.

Advertising

For your first franchise agreement, ~~¥~~you must pay the greater of 1% of your Gross Revenue for the immediately preceding month or

\$500 to the National Advertising Fund. For your second franchise agreement, you must pay the greater of 1% of your Gross Revenue or \$250 per territory. This amount may be increased, at any time, but cannot exceed the greater of 2% of your Gross Revenue or \$500 per territory (Franchise Agreement § 4.4(a)).

We will administer the National Advertising Fund. We will spend National Advertising Fees for local, regional and national advertising, and public relations programs and initiatives as we deem necessary or appropriate for the promotion or protection of the System including website development and maintenance, public relations, media costs, commissions, digital marketing, market research, creative and production costs. We are entitled to retain 15% of National Advertising Fees as an administrative fee (Franchise Agreement § 4.4(e) and (f)).

The money in the National Advertising Fund will be used primarily for local, regional and national advertising, to enhance the BATH TUNE-UP® image, and to develop marketing support. As of the year ended December 31, 2024~~5~~, we spent the National Advertising Fund as follows:

- ~~36~~34% Production (website maintenance, content creation, new technology platforms)
- ~~48~~47% Media Placement and SEO (digital advertising, email marketing, social media, local pay-per-~~click~~click support)
- ~~10~~9% Administrative
- ~~6~~10% Other (technology).

Businesses owned by us or our shareholders and affiliates, KITCHEN TUNE-UP® franchisees or franchisees of our affiliates may contribute to the National Advertising Fund at a different rate or not at all.

We alone will determine all matters involving advertising, public relations, and promotional campaigns. On a national or regional basis, we may impose an additional assessment on affected

franchisees for special advertising or promotional activities if two thirds of all affected BATH
TUNE-UP® Franchised

Businesses agree in writing (Franchise Agreement § 4.4(d)).

Some local advertising is funded by the National Advertising Fund. You will also place your own local advertising. ~~We recommend you invest at least 8% to 10% of your Gross Revenue in~~ In the future, you may be required to invest the amount specified in the Manuals and the Franchise Agreement on local advertising (Franchise Agreement § 8.3(a)). You may purchase advertising materials from us or develop advertising materials for your own use, at your own cost, but we must approve the advertising materials in advance and in writing. We are not required to spend any amount on advertising in your territory.

We established a Franchise Advisory Council (“FAC”) in 2023. The FAC may make recommendations regarding our administration of the National Advertising Fund. We are not required to implement those recommendations. The FAC currently consists of three franchisee members elected by BATH TUNE-UP® franchisees. The bylaws provide for up to 10 franchisee members representing up to 5 different regions including Canada. The purpose of the FAC is to advise us in connection with issues facing franchisees, including but not limited to advertising policies. The FAC serves in an advisory capacity only and does not have operational or decision-making power.

We do not and are not, in any way, required to spend any National Advertising Fees in your territory. However, all National Advertising Funds are spent to benefit all BATH TUNE-UP® franchisees generally, including you. If we do not spend all National Advertising Fees collected during the year, the remaining money is retained for future years. National Advertising Fees are not refundable or rebated to you. None of the National Advertising Fees are used primarily to solicit franchise sales. Our advertising may include a telephone number to call about franchising opportunities.

We will deposit National Advertising Fees into a separate national advertising operating account. No interest is credited for your benefit or paid to you (Franchise Agreement § 4.4(j)). The National Advertising Fund is not in a trust, fiduciary relationship, or any other similar special arrangement.

Upon your written request, we will provide you with a summary statement of annual receipts and expenditures from the National Advertising Fund during the prior calendar year on or before March 31 (Franchise Agreement § 4.4(l)). The National Advertising Fund is not separately audited from our general funds audit.

In the future, we may establish a national support services network providing qualified representatives to handle customer problems. The cost of that service may be paid partially or wholly from the National Advertising Fund.

We can require advertising cooperatives to be formed, changed, or merged; and, we can dissolve a cooperative if it is not conducting its affairs in the best interests of the System, or contrary to System requirements. All votes of franchisees in a cooperative area will be based on one vote per territory. At the present time, no advertising cooperatives exist.

If we determine that an advertising cooperative is appropriate, we will designate the area, which, in our judgment, includes franchisees with common needs and interests. Franchisees within an advertising cooperative area will contribute the same amount or percentage to the common cooperative fund. Any franchisor outlets within the cooperative area will contribute to the advertising cooperative fund in the same manner as the other franchisees. The franchisees within an advertising cooperative area will administer the cooperative and determine whether governing documents will be developed and utilized. Similarly, the members of the cooperative will determine whether annual or periodic financial statements will be prepared and made available for review by the franchisees. You are required to participate.

You may not develop, create, generate, own, lease or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or in part, the Marks or any

of them, or any words, symbols, or terms confusingly similar to any of them without our express prior written consent (Franchise Agreement § 6.7). You may not use the Marks to promote the Franchised Business via social media without our prior written consent (Franchise Agreement § 6.8).

Computer System and Software

On the date that you begin your virtual classroom training we will provide you with a laptop computer. If you lose or damage either, you must replace it. We do not provide any ongoing maintenance, repairs, upgrades, or updates for either computer, and therefore you should not incur any annual costs incurred for any optional or required maintenance updating, upgrading or support contracts for the point of sale or computer systems. However, if you lose or damage your laptop computer, you must replace it, which could cost between \$1,500 - \$2,250. If you acquire additional computers, your computer must have at least 32 gigabytes of RAM. We recommend Windows 11 Professional or better. Microsoft Office 365 Standard or better, must be installed. In order to protect you and the entire system from Internet threats, your computer must have an active subscription of MacAfee, Norton or similar antivirus software. We estimate the cost of your computer system will range between \$1,500 to \$2,250. **If your computer system deviates from these specifications, it will be incompatible with our hardware and software and we will be unable to provide you with technical support.** Your device must have high-speed (broadband, DSL, FIOS) Internet access.

We can require you to use any ~~web~~cloud-based application or software that we or others develop and can require you to enter into any software license and maintenance agreements for the software that we prescribe. The required software and applications are subject to change from time to time as notified and specified in the Manuals. We also can require you to sign or assent to a “terms of use” agreement with respect to all software that we designate. You must acquire any computer hardware necessary for the software that we designate (Franchise Agreement § 8.1(d)). There are no contractual limitations on the frequency or cost of required upgrades. ~~Since computer technology is evolving rapidly, it is difficult to predict the extent of required upgrades or your estimated costs, however, we would not expect such costs to exceed \$1,000 per year.~~We estimate upgrades could cost between \$1,500 to \$2,500.

Currently, we provide to all franchisees, without additional charge, access to our BATH TUNE-~~UP~~UP® Customer Relations Management System (“CRM System”). You are required to operate your franchise with the CRM System which is used to receive, nurture and manage customer leads, schedule appointments, generate proposals and invoices, house project photography, record employee time and complete payroll, as well as track profit margins and run various reports. You must use the CRM System for daily functions like tracking and entering purchase orders and receipts, updating inventory, generating sales reports, inventory management, and analysis of financial information relating to the Franchised Business. In addition, you are currently required to use ProfitKeeper for reporting gross sales and other financial information relating to your Franchised Business.

You must give us unrestricted independent electronic access (including user IDs and passwords, if necessary) to your computer system for the purposes of obtaining information relating to gross revenues of the Franchised Business, inventory levels, aged inventory and cost of goods sold. You must permit us to download and transfer data on a real-time basis or as frequently as possible, as we determine. There are no contractual limitations on our right to independently access data stored in your computer system.

You must comply with all policies and procedures as described in our Manuals, and sign any required agreements for use of our Intranet or any electronic communication, or data storage/retrieval system, website or software, as we periodically require, including policies that require you to identify yourself in all electronic communications as an independently owned business. We are not obligated to monitor or create/maintain any backup of email and information/data related to email. There are no contractual limitations on our right to access information and data on the electronic communication and Internet/electronic mail systems. You agree you have no right of privacy and we may access these email communications and data. Any access to, monitoring or copies of, data related to electronic

communications and emails will be at our discretion.

We own all data provided by you and/or your suppliers and affiliates and may use, share and disclose the data, including your financial information and assessments or similar data with our affiliates, their franchisees and our franchisees, and all prospective franchisees without restriction and without compensation.

Training

The training program consists of a combination of in-person and virtual training and lasts for up to ~~14~~13 days. In addition, online training totaling 40-60 hours must be completed before classroom training begins. Our current curriculum and method and location of delivery is shown in the table below but is subject to change at any time without notice:

TRAINING PROGRAM

Subject	Hours of ~~In-~~ <u>In</u>-Person Classroom or Virtual Training	Hours of ~~On-The-On~~ <u>The Job</u> Training <u>Training</u>	Location
Setting Up Your Business	~~9.0~~ <u>7.5</u>	~~3.0~~ <u>5.5</u>	Virtual and Franchised Location
Operating Your Business	~~13.0~~ <u>7.5</u>	~~6.5~~ <u>11.0</u>	~~Coppell, TX,~~ Virtual and Franchised Location
Hiring	~~3.0~~ <u>2.25</u>	0	Virtual
Profitability and Pricing	~~6.0~~ <u>3.25</u>	~~0~~ <u>3.0</u>	Virtual <u>and</u> Franchised Location
Project Planning	~~23.0~~ <u>12.75</u>	~~6.0~~ <u>7.25</u>	Coppell, TX, <u>Virtual</u> and Franchised Location
Sales	~~22.0~~ <u>14.0</u>	~~6.5~~ <u>14.0</u>	Coppell, TX, <u>Virtual</u> and Franchised Location
Marketing	~~12.0~~ <u>12.75</u>	~~3.5~~ <u>8.0</u>	~~Coppell, TX,~~

			Virtual and Franchised Location
Vendor Products & Live Supplier Workshops	21.0	4.5	Coppell, TX and Franchised

Subject	Hours of ~~In-~~ <u>In-Person</u> Classroom or Virtual Training	Hours of ~~On-The-On~~ <u>The Job</u> Training <u>Training</u>	Location
<u>Vendor Products & Supplier Workshops</u>	<u>18.75</u>	<u>0.5</u>	<u>Coppell, TX,</u> <u>Virtual and</u> <u>Franchised</u> Location
Mentoring/Launch Team	~~12.00~~	~~36.0~~ <u>30.0</u>	Virtual and Franchised Location
TOTAL	~~121.0~~ <u>78.75</u>	~~66.0~~ <u>79.25</u>	

We conduct the classroom and practical training program ~~6 to 8~~4 times per year depending on whether at least 2 prospective franchisees wish to attend. The classroom and practical training program covers the subjects referenced in the above table. Pam Hajicek has been our Director of Training since January 2021 and supervises our training program. Our trainers include:

Name	Title	Date Joined KTU
Pam Hajicek	Director of Training	September 2020
Sarah Eisenbeisz	Director of Marketing	June 2008
Amanda Twete	Director of ~~Operations~~ <u>Bath Tune-Up</u>	April 2019
Larry Bishop	Senior Director of Operations	November 2022
~~Amber Allen~~ <u>Laura Ramirez</u>	~~Director of~~ <u>Procurement and</u> ~~Supplier Relations~~ <u>Sales Manager</u>	April 202 <u>3</u>
~~Brandy Ward~~	~~Director of Sales~~	~~July 2021~~
Dave Lentz	Operations Manager	April 2023
Lindsay Hutchinson	Local Area Marketing Manager	April 2019
~~Megan Wakefield~~ <u>Lydia Serrano</u>	Local Area Marketing Manager	~~March 2024~~ <u>June 2025</u>

Training for up to two people is provided without charge.

There is no training requirement for franchise agreements other than your first one with us.

If we have room at a training session, you may send additional people to in-person training. We will train one additional person at the same training session as the original trainee at no additional charge. Additional people may attend either the same or later in-person training sessions, subject to class availability, by paying a charge of \$150 per person per day. You must pay all other costs associated with in-person training, including lodging and airfare, car rental, meals, and wages for your employees during training.

You will not be considered a graduate of our training program, or receive your Certification of Training, until you have successfully completed all phases of our training program. You or your manager must complete the initial training program to our satisfaction before you begin operating the Franchised Business. At the initial training program we give you access to proprietary information for use in training your staff. The materials we provide remain our sole property.

Upon reasonable notice and at no charge to you, we may require you or your designated personnel to attend additional training courses, seminars, conferences or other programs that we consider relevant or appropriate to the successful operation of the System. You must pay all costs you and your employees incur while attending any additional training programs, including costs of travel, hotel and meals.

ITEM 12. TERRITORY

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

During the term of the Franchise Agreement, we will grant you a protected territory. We will not establish another franchised business in your Territory that sells and installs Bath Improvements using our System and Marks. Franchisees are prohibited from doing business in the contracted territory of other franchisees, however, we cannot guarantee that another franchisee will not breach the franchise agreement and do business in your Territory. Your Territory will be described by United States Postal Service ZIP Codes in your franchise agreement. Each territory will begin with about 41,000 households. The ZIP codes making up your territory will not change even if their boundaries are expanded or contracted by the Postal Service or if the population within them decreases or increases.

We may negotiate agreements with Key Accounts, such as commercial customers that have multiple sites, offices, or retail premises across two or more territories. We may charge you a reasonable percentage of the job or a fee in return for Key Account referrals. We anticipate such charge will approximate 5% to 10% of the job. If you wish to service Key Accounts in your Territory as our subcontractor, you must sign our then-current Master Services Agreement which shall govern all work performed by you for Key Accounts. You may choose whether to service any particular Key Account on a case by case basis. If you choose to opt out with respect to any Key Account in your Territory, we may subcontract with other franchisees or third parties to service the Key Account.

If we establish a Company-Owned Operation (COO) in the future, a COO may contract with Significant Key Accounts. A Significant Key Account is one that requires such a substantial capital investment in product, or such complexity or volume of work, that a single franchisee cannot practicably perform the work required. In such cases, COO may contract with the Significant Key Account for its own account and underwrite the product purchase, offering you the opportunity to perform some or all of the installation services as COO's subcontractor, for reasonable compensation. If necessary, a COO may also subcontract with other franchisees or third parties to service the Significant Key Account in the territory without compensation to you.

We may also, in the future, arrange other referral programs, such as web site referral programs, under which you pay fees to referral sources in return for business in your Territory. We will give

| you

information about these programs as they are developed and you may decide whether to opt out of them. If you do not expressly opt out of a referral program, you will be considered to have opted in.

You must promote, market, and engage in the Franchised Business diligently and effectively, develop to the best of your ability the potential of the Franchised Business within your Territory, and devote and focus your full time attention and efforts to its promotion and development.

You may not relocate your Territory without our consent. You do not need our approval for the location of your Franchised Business within your Territory, but if you decide to have a retail showroom our prior written approval is required and it must be located at least one mile within the borders of your Territory.

Because the Franchised Business consists of the sale and related installations of Bath Improvements within your Territory, alternative means of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing media, used to generate sales without performing installations, whether they are directed to customers inside or outside your Territory, are not permitted without our prior consent.

You may not use the Internet to solicit business except as described in Sections 6.8 (Use of Marks in Social Media) and 8.11(d) (Franchisor's Web Site) of the franchise agreement. You may not intentionally direct your advertising or marketing at customers in other franchisees' territories. You must obtain our prior written approval before selling Bath Improvements for installation in unassigned Gray Area outside your assigned Territory. Generally, we will grant permission for you to operate in Gray Area. The Bath Improvements you sell must be installed in buildings located in your Territory or, with our consent, in Gray Area.

If we give you permission to operate in Gray Area, we have the right to sell or assign it, or part of it, at any time, without notice to you. You will not have a right of first refusal or option to buy a territory that was formerly designated as Gray Area.

Although we will not grant anyone else the right to operate in your territory, except as described above and in section 2.2(b) of the franchise agreement or the joint marketing provisions contained in section 2.2(c) of the franchise agreement, we do not promise that another franchisee will not violate his or her franchise agreement and conduct business in your territory.

You may increase your territory only by entering into a franchise agreement for an available additional territory. An additional territory must generally be contiguous or close to your first territory. We will grant an additional territory to you only if you are not in default of your first franchise agreement and if you otherwise meet our criteria for new franchisees.

We have the right to operate or establish businesses similar to your Franchised Business, using the same Marks you will use and providing service to customers anywhere outside your Territory, regardless of how close they are to your Territory.

We ~~have~~reserve the right to ~~make sales~~sell products using our principal mark within your Territory ~~by means of the Internet, catalog sales~~through online channels, direct marketing or any other ~~means~~method that does not involve both sale and installation of ~~Bath Improvements~~bathroom remodeling. We do not have to compensate you for making such sales. We may introduce ecommerce capabilities in the future. If this occurs, we ~~do so, you will~~establish a financial arrangement that benefits both you and us, and your participation will be required ~~to participate~~.

We have the right to establish businesses similar to the Franchised Business that operate under a different trade name and marks within your Territory without compensating you. However, we do not have any plans to do so.

In addition, we and our affiliates may (a) manufacture Bath Improvement components or other products for sale to other retailers and wholesalers who will sell the components or other products under different trademarks, (b) sell Bath Improvement components and other products at retail, without custom measuring or installation, under different trademarks, (c) acquire or be acquired by a company that operates and/or franchises Bath Improvement businesses within your Territory without using the System and the Marks, (d) acquire or be acquired by a manufacturer of products associated with Bath Improvement activities, (e) sell Bath Improvement components and services through any other means that do not involve both the System and the Marks, and (f) advertise and promote the System and the Marks at any location within or outside your Territory.

We may respond to customer complaints in your Territory, which we may resolve in our discretion.

You will not have any options or rights of first refusal or similar rights within your Territory or adjacent territories. You will not have the right to acquire additional BATH TUNE-UP® franchises anywhere.

Under the franchise agreement, your territorial protection will not depend upon the volume of sales generated nor your penetration of the potential market. Except as described in this Item, there are no circumstances under which we may modify your territorial rights during the term of the franchise agreement.

ITEM 13. TRADEMARKS

You will have the right to operate your business under the Marks described below.

REGISTRATION NUMBER	MARK	REGISTRATION DATE
Registration No. 6548366	BATH TUNE-UP	Registered November 2, 2021
Registration No. 6713108		Registered April 26, 2022

We have filed, and intend to continue to file, all required renewal applications and affidavits. BATH TUNE-UP is registered on the Principal Register of the United States Patent and Trademark Office.

You must follow our rules when you use our Marks. You cannot use all or any part of our name or Marks as all or part of your company's legal name. You may not use any modifying words, designs or symbols with our Marks. You may use the phrase "Bath Tune-Up of _____" as a fictitious business name. You must obtain our approval for your fictitious business name. You may not use our Marks or name in connection with the sale of unauthorized product or service or in a manner we have not authorized in writing.

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

You must notify us immediately if you learn about an infringement of or challenge to your use of our Marks. We will take the action we think appropriate. We will defend you against any claim against you because of your authorized use of our Marks or any judgment resulting from a claim, suit or demand arising from your use of the Marks according to the terms of the franchise agreement except a claim by a prior user of the name "BATH TUNE-UP®". We control any administrative proceedings or litigation involving a trademark we license to you.

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

We do not know of any prior rights or infringing uses in your Territory or of any material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, trademark administrator of this state, or any court, or any pending infringement, opposition, or cancellation proceeding, that could materially affect your use of our Marks. We do not know of any litigation involving the Marks.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Although we have not filed a copyright registration application for the Manuals, we claim a copyright in its contents and those of our other manuals. The information contained in the Manuals is proprietary. Except for your right to use the Manuals, other manuals and our marketing materials, you do not receive the right to use any item covered by a patent or copyright. You must promptly tell us when you learn about unauthorized use of any of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses recovered by a third party because of claims of infringement or misappropriation of proprietary information, patents, or copyrights based on your authorized use of this information.

We do not own any rights in, or licenses to, any patents that are material to the franchise. We do not have any pending patent applications that are material to the franchise.

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

We prefer franchisees who plan to participate actively in the direct operation and daily affairs of the Franchised Business. We do not want to grant franchises to people who are merely seeking a passive investment. If you do not operate the Franchised Business yourself, you must employ at least one manager on a full time basis. If you operate your franchise as a company, the manager does not have to have an equity interest in your company. You must disclose the identity of the manager to us and, should the identity of the manager change, you must notify us in writing. The manager must complete our initial training program, devote his or her entire time during normal business hours to the management, operation, and development of the Franchised Business, maintain confidentiality of the trade secrets [described in Item 14](#) and conform to the covenants not to compete [described in Item 17](#).

If the franchisee is a company, anyone who has direct or indirect control of the company or a direct or indirect beneficial interest in the company, must sign the Personal Covenant and Guarantee attached to the franchise agreement as Schedule 1. If you are married, your spouse also must sign the Personal Covenant and Guarantee.

ITEM 16. RESTRICTION ON WHAT FRANCHISEE MAY SELL

You may offer and sell in the Franchised Business only goods and services that we have authorized you to sell. Unless we instruct you otherwise, you do not have to sell all the products and services we

authorize, but we suggest that you do so.

We have the right to change the authorized goods and services. The investment you must make in equipment, supplies and initial inventory because of these changes will not exceed \$5,000 per year per territory without your prior approval.

Unless we approve otherwise in writing, you may only provide sales and services with respect to bathrooms located within your Territory. Unless we instruct otherwise, you may operate in unassigned territories known as Gray Area adjoining your territory. Any operations in Gray Area are subject to sale of a territory that includes it or part of it to another franchisee, to initiation of “company-owned” operations in the Gray Area, and to our rules and regulations. Any advertising in Gray Area may include only our ~~toll-free~~toll-free telephone number, and not your local telephone number.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	5.1	10 year initial term.
b. Renewal or extension of the term	5.2	2 consecutive 5-year terms.
c. Requirements for franchisee to renew or extend	5.2	Pay renewal fee and sign franchise agreement in our then- current form, not be in default, make necessary upgrades to the Franchised Business. The new franchise agreement may have materially different terms and conditions than your original franchise agreement.
d. Termination by franchisee	None	You may terminate under any grounds permitted by law.
e. Termination by franchisor without cause	None	Not applicable

PROVISION	SECTION IN AGREEMENT	SUMMARY
f. Termination by franchisor with cause	10.1	We can terminate (i) if you commit a material default or (ii) if a condition occurs, the non-occurrence of which was presumed.
g. “Cause” defined – curable defaults	10.3	You have 7 days to cure service mark violations (must begin the cure within 24 hours after notice). You have 30 days to cure defaults not listed in Section 10.2.
h. “Cause” defined – ~~non-~~ <u>non</u> -curable defaults	10.2	Non-curable grounds for termination include: adjudication as a bankrupt, assignment for the benefit of creditors, admission of insolvency, abandonment of the Franchised Business, mutual agreement to terminate, material misrepresentation relating to the acquisition of the Franchised Business or engaging in conduct reflecting materially and unfavorably upon the operation and reputation of the Franchised Business or the Marks, failure to comply with any federal, state or local law applicable to the Franchised Business within 10 days of notification of noncompliance, repeated breaches whether or not corrected after notice, repeated failure to comply with the Franchise Agreement, whether or not corrected after notice, seizure of Franchised Business, final judgment against Franchisee not satisfied within 30 days, conviction of felony or misdemeanor involving moral turpitude, failure to pay fees to Franchisor within 5 days after receiving written notice, continued operation of Franchised Business would result in imminent danger to public health and safety, any other franchise agreement between Franchisor and Franchisee is terminated, misappropriation of customer deposits, repeated audit reveals understatement of Gross Revenues by 5% or more.
i. Franchisee’s obligations on termination/ ~~non-~~ <u>non</u> -renewal	12.1	Obligations include removal of BATH TUNE-UP® marks and payment of amounts due us. You must assign all telephone numbers relating to the business to us. (See r. below)

PROVISION	SECTION IN AGREEMENT	SUMMARY
j. Assignment of contracts by franchisor	9.1	We may assign the franchise agreement if we determine the transferee is financially capable of performing our obligations and if the transferee agrees to assume such obligations.
k. “Transfer” by franchisee – definition	1.20, 9.2	Includes transfer of contract or assets or any ownership change.
l. Franchisor approval of transfer	9.2(b)	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	9.2(b)(i)-(vii)	New franchisee qualifies, initial franchise fee paid, transfer fee paid, purchase agreement approved, training arranged, release signed by you, all money due and owing to us paid by you, and current agreement signed by new franchisee. (Also see r. below.)
n. Franchisor’s right of first refusal to acquire franchisee’s business	9.3	We can match any offer for your Franchised Business.
o. Franchisor’s option to purchase	Not applicable	Not applicable
p. Death or disability of franchisee	9.6	Heir or successor must complete initial training within 30 days after the date of transfer.
q. Non-competition covenants during the term of the franchise	8.10	Subject to state law, you may have no involvement in competing business anywhere in U.S. or in any other country where we have applied to register our trademarks.
r. Non-competition after the franchise is terminated or expires	8.10, 12.1	Subject to state law, you may not engage in any competing business for 2 years within the former territory or within 25 miles of any BATH TUNE-UP™ territory. You must totally de-identify when your franchise rights have ended.

PROVISION	SECTION IN AGREEMENT	SUMMARY
s. Modification of the agreement	14.3	No modifications generally, but Manuals and specifications are subject to change.
t. Integration/merger clause	14.2	Only the terms of this franchise disclosure document, the franchise agreement and Manuals are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	11.3 – 11.4	Except for certain claims, and subject to state law, all disputes must be mediated and arbitrated in Brown County, South Dakota.
v. Choice of forum	11.6	Subject to applicable state law, claims for equitable or injunctive relief must be conducted in South Dakota.
w. Choice of law	14.1	Federal law applies to arbitration and trademark issues. The law of your state applies to amendment of your franchise agreement, the maximum rate of interest that can be charged, and post-termination non-competition issues. Except as required by applicable state law, South Dakota law applies to all other issues.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if 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 possible performance at a particular location or under particular circumstances.

The following is historical financial information concerning the unaudited reported results of a subset of our existing outlets, namely those franchisees who were open for business for all of calendar year 2024⁴⁵ (9 single territory franchisees and ~~10~~¹² multiple territory franchisees operating ~~27~~³¹ territories for an aggregate total of ~~36~~⁴⁰ territories, or ~~94.7~~^{97.6}% of the territories open for all of 2024⁴⁵). We had a total of ~~29~~³⁰ franchisees as of December 31, 2024⁴⁵ representing an aggregate total of ~~48~~⁵³ territories. Financial information for the

remaining 79 franchisees/4013 territories is excluded as these franchisees were not open for all of 20245, either ~~due to opening~~because they opened during calendar year 20245 (78 franchisees /9 territories), ~~closing during 2024 (6 franchisees/9 territories) or transferring a territory during 2024 such that the territory was not operated by the same franchisee for all of 2024~~ 12 territories) or did not provide sufficient financial data (1 franchisee/1 territory).

A. Annual Sales Levels

The following table shows annual gross sales reported by franchisees with a single territory and with multiple territories, that were in business throughout calendar year 20245. Figures for franchisees that had multiple territories are total sales for all territories – not average per territory – and if a franchisee’s additional territory opened during 20245, the total sales do not represent a full year of sales for the additional territory. All gross sales figures are presented without regard to the size of the territory.

During 20245 there were 9 reporting franchisees who operated a single territory throughout the year, and 4012 reporting franchisees who operated multiple territories each throughout the year.

These sales results are based upon the sales reported to us by the franchisees.

MEASURE	<u>2025</u>	2024	~~2023~~
Average Sales – One Territory ¹	<u>\$338,268</u>	\$303,701	~~\$130,038~~
Average Sales – Two or More Territories ²	<u>\$882,531</u>	\$602,982	~~\$550,393~~
~~Territories²~~			
Median Sales – One Territory ³	<u>\$398,540</u>	\$274,762	~~\$88,976~~
Median Sales – Two ~~or~~ Or More Territories ³	<u>\$669,233</u>	\$449,382	~~\$330,052~~
~~Territories³~~			
75 th Percentile – One Territory ⁴	<u>\$415,650</u>	\$473,549	~~\$179,254~~
75 th Percentile – Two or More Territories ⁴	<u>\$1,071,603</u>	\$755,591	~~\$700,167~~
~~Territories⁴~~			
Average Sales of Middle 50% - One Territory ⁵	<u>\$370,893</u>	\$246,888	~~\$59,781~~
~~Territory⁵~~			
Average Sales of Middle 50% - Two or More Territories ⁵	<u>\$722,999</u>	\$375,151	~~\$151,387~~
25 th Percentile – One Territory ⁶	<u>\$309,342</u>	\$206,879	~~\$26,339~~
25 th Percentile – ~~T~~ two or More Territories ⁶	<u>\$452,310</u>	\$214,821	~~\$308,122~~

Notes:

1. Represents 9 single territory franchisees and 9 territories in 2024~~5~~; ~~11~~9 single territory franchisees and ~~11~~9 territories in 2023~~4~~. ~~35~~ or ~~33~~56% of the single territory franchisees attained or surpassed the stated average results. The lowest amount reported for a single territory franchisee was \$~~104,754~~96,384 and the highest was \$~~526,170~~503,464.
2. Represents ~~10~~12 multiple territory franchisees and ~~27~~31 territories. 4 or ~~40~~33% of the multiple territory franchisees attained or surpassed the stated average results. The lowest amount reported for a multiple territory franchisee was \$~~164,653~~342,950 and the highest was \$~~1,848,339~~2,618,483.
3. Shows the midpoint of annual sales. 5 or 56% of the single territory franchisees attained or surpassed the stated median results. ~~5~~6 or 50% of the multiple territory franchisees attained or surpassed the stated median results.
4. Reported sales by the 75th percentile of franchisees; only 25% of franchisees reported sales higher than this level.
5. Equals the mean (average) annual gross sales of those franchisees whose reported sales fell between the top 25% and the bottom 25%.
6. Reported sales by the 25th percentile of franchisees; only 25% of franchisees reported sales lower than this level.

The following unaudited data are as reported by our franchisees via our CRM System for 2024~~5~~. We excluded the CRM System data of franchisees who were not open for all of 2024~~5~~. The following data are for the ~~19~~21 franchisees (representing ~~36~~40 territories) open for all of 2024~~5~~.

B. Cost of Goods Sold/Gross Profit

The average cost of goods sold (that is, the cost to franchisees of Bathroom Improvements products and consumables sold by the franchisees) as a percentage of the price at which the franchisees sold those products and consumables to their customers) was ~~46~~51% of the gross (retail) sales price with an average gross profit of ~~54~~49%. The average cost of goods comprises average labor costs of ~~25~~28% of the gross (retail) sales price and average products cost of ~~21~~24%.

In addition to the cost of goods sold, you will also incur other expenses that are not included in this calculation, such as monthly payments (lease or financing) for the required vehicle, rent for office/warehouse space, telephone and other utility expenses, automobile, general liability, and other types of insurance, royalties and advertising expenses, federal, state and local taxes, and financing expenses if you finance any part of your investment. You may also incur other expenses, depending upon the manner in which you operate the business.

C. Average Sale Amount

	Average Sale Amount	High Amount	Low Amount	Number and Percent age Attaini ng or Exceedi ng Average	Median Sale Amount	Num and- Peree Attain Excee Medi Amou

				<u>Low Amount</u>		
Bathtub Remodel	\$ ~~11,696~~ <u>12,257</u>	\$ ~~23,545~~ <u>32,737</u>	~~\$3,013~~	~~14-~~ (48%) <u>\$3,322</u>	~~\$11,600~~	~~15-~~ (52%)
Full Bathroom Remodel	\$ ~~29,231~~ <u>29,480</u>	\$ ~~93,347~~ <u>108,591</u>	~~\$10,538~~	~~117-~~ (41%) <u>\$5,170</u>	~~\$25,992~~	~~143-~~ (50%)
Misc.	\$ ~~6,788~~ <u>4,964</u>	\$ ~~39,315~~ <u>56,305</u>	~~\$150~~	~~32-~~ (33%) <u>\$207</u>	~~\$4,044~~	~~48-~~ (50%)
Shower Remodel	\$ ~~14,266~~ <u>14,983</u>	\$ ~~29,683~~ <u>45,239</u>	~~\$1,715~~	~~22-~~ (45%) <u>\$2,011</u>	~~\$13,799~~	~~24-~~ (49%)
Tub/Shower Conversion	\$ ~~12,346~~ <u>17,665</u>	\$ ~~37,549~~ <u>63,264</u>	~~\$2,040~~	~~40-~~ (44%) <u>\$2,820</u>	~~\$11,658~~	~~46-~~ (50%)
Vanity Only Sales	\$ ~~8,614~~ <u>7,251</u>	\$ ~~22,349~~ <u>18,232</u>	~~\$3,277~~	~~3-~~ (43%) <u>\$3,695</u>	~~\$4,594~~	~~4-~~ (57%)

D. Average Gross Profit

Single Territory Franchisees

Service Line	%
Bathtub Remodel	~~55.3~~ <u>54.1%</u>
Full Bathroom Remodel	~~50.2~~ <u>47.4%</u>
Miscellaneous Sales	~~59.4~~ <u>53.7%</u>
Shower Remodel	~~56.1~~ <u>46.3%</u>
Tub/Shower Conversion	~~46.3~~ <u>49.4%</u>
Vanity Only Sales	~~66.5~~

Multiple Territory Franchisees

Service Line	%
~~Bathtub Remodel~~	~~49.1~~
~~Full Bathroom Remodel~~	~~46.5~~
~~Miscellaneous Sales~~	~~46.8~~
~~Shower Remodel~~	~~47.0~~
~~Tub/Shower Conversion~~	~~39.3~~
Vanity Only Sales	~~77.1~~ <u>60.5%</u>

E. Product Mix

Service Line	%
Bathtub Remodel	~~4.3~~ <u>2.7</u>
Full Bathroom Remodel	~~68.6~~ <u>76.6</u>
Miscellaneous Sales	~~3.6~~ <u>0</u>
Shower Remodel	~~9.5~~ <u>8.7</u>
Tub/Shower Conversion	~~12.4~~ <u>8.2</u>
Vanity Only Sales	~~1.6~~ <u>8</u>

F. Closing Rate

The average of all franchisees was ~~36~~37%. The median was ~~31~~35%.

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

Written substantiation for the financial performance representations will be made available to

the prospective franchisee upon reasonable request.

Other than the preceding financial performance representations, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting ~~Heidi Morrissey~~ [Jarrett Smith](#) at

14 S. Main Street, Suite 1C, Aberdeen, South Dakota 57401, (605) 225-4049, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

Systemwide Outlet Summary for ~~2022, 2023 and~~ 2024 and 2025

Outlet Type	Year	Outlets At Start Of Year	Outlets At End Of Year	Net Change
~~Franchised~~	~~2022~~	~~25~~	~~41~~	~~+16~~
<u>Franchised</u>	2023	41	48	+7
	2024	48	48	0
~~Company-Owned~~	~~2022~~ <u>5</u>	~~0~~ <u>48</u>	~~0~~ <u>53</u>	~~0~~ <u>+5</u>
<u>Company-Owned</u>	2023	0	0	0
	2024	0	0	0
~~Total Outlets~~	~~2022~~ <u>5</u>	~~25~~ <u>0</u>	~~41~~ <u>0</u>	~~+16~~ <u>0</u>
<u>Total Outlets</u>	2023	41	48	+7
	2024	48	48	0
	<u>2025</u>	<u>48</u>	<u>53</u>	<u>+5</u>

[CONTINUED ON THE FOLLOWING PAGE]

TABLE NO. 2

Transfers of Outlets From Franchisees to New Owners (Other Than Franchisor or an Affiliate) For ~~2022~~, 2023 ~~and~~, 2024 ~~and~~ 2025

State	Year	Number Of Transfers
Georgia	202 ~~2~~ <u>3</u>	0
	<u>2024</u>	<u>1</u>
	202 ~~3~~ <u>5</u>	0
<u>North Carolina</u>	202 ~~4~~ <u>3</u>	~~1~~ <u>2</u>
~~North Carolina~~	202 ~~2~~ <u>4</u>	0
	<u>2025</u>	<u>0</u>
<u>Ohio</u>	2023	2
	2024	0
~~Ohio~~	202 ~~2~~ <u>5</u>	~~1~~ <u>0</u>
<u>South Carolina</u>	2023	~~2~~ <u>3</u>
	2024	0
~~South Carolina~~	202 ~~2~~ <u>5</u>	0
<u>Washington</u>	2023	~~3~~ <u>0</u>
	2024	0
Total	202 ~~2~~ <u>5</u>	1
<u>Total</u>	2023	7
	2024	1
	<u>2025</u>	<u>1</u>

[CONTINUED ON THE FOLLOWING PAGE]

TABLE NO. 3

Status of Franchised Outlets For ~~2022, 2023 and~~, 2024 and 2025

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	~~Non-~~ <u>Non</u> -Renewals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
~~AZ~~	~~2022~~	~~1~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~3~~
<u>AZ</u>	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
~~CA~~	2022 <u>5</u>	~~0~~ <u>3</u>	~~4~~ <u>0</u>	0	~~0~~ <u>1</u>	0	0	~~1~~ <u>2</u>
<u>CA</u>	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
~~CO~~	2022 <u>5</u>	~~1~~ <u>2</u>	~~1~~ <u>0</u>	~~0~~ <u>2</u>	0	0	~~1~~ <u>0</u>	~~1~~ <u>0</u>
<u>CO</u>	2023	1	1	0	0	0	0	2
	2024	2	4	0	0	0	1	5
~~FL~~	2022 <u>5</u>	~~0~~ <u>5</u>	~~2~~ <u>5</u>	0	0	0	~~0~~ <u>1</u>	~~2~~ <u>10</u> ¹
<u>FL</u>	2023	2	0	0	0	0	0	2
	2024	2	0	2	0	0	0	0
~~GA~~	2022 <u>5</u>	~~4~~ <u>0</u>	1	0	0	0	0	~~2~~ <u>1</u>
<u>GA</u>	2023	2	1	0	0	0	0	3
	2024	3	0	1	0	0	0	2
~~ID~~	2022 <u>5</u>	~~0~~ <u>2</u>	0	0	0	0	0	~~0~~ <u>2</u>
<u>IN</u>	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2025</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>KS</u>	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
~~IN~~	2022 <u>5</u>	~~4~~ <u>0</u>	~~0~~ <u>1</u>	0	0	0	0	1
<u>MI</u>	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~MI~~	2022 <u>5</u>	1	0	0	0	0	0	1

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	~~Non-~~ <u>Non-Rene</u> wals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
<u>MN</u>	2023	~~4~~ <u>3</u>	0	0	0	0	0	~~4~~ <u>3</u>
	2024	~~4~~ <u>3</u>	~~0~~ <u>2</u>	0	0	0	0	~~4~~ <u>5</u>
~~MN~~	2022 <u>5</u>	~~4~~ <u>5</u>	~~2~~ <u>0</u>	0	0	0	0	~~3~~ <u>5</u>
<u>NJ</u>	2023	~~3~~ <u>0</u>	0	0	0	0	0	~~3~~ <u>0</u>
	2024	~~3~~ <u>0</u>	~~2~~ <u>0</u>	0	0	0	0	~~5~~ <u>0</u>
~~NC~~	2022 <u>5</u>	~~4~~ <u>0</u>	2	0	0	0	0	~~6~~ <u>2</u>
<u>NC</u>	2023	6	1	0	0	0	0	7
	2024	7	0	2	0	0	0	5
~~OH~~	2022 <u>5</u>	~~3~~ <u>5</u>	~~2~~ <u>0</u>	0	0	0	~~0~~ <u>1</u>	~~5~~ <u>4</u>
<u>OH</u>	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	2	3
~~OR~~	2022 <u>5</u>	~~0~~ <u>3</u>	~~4~~ <u>0</u>	0	0	0	0	~~4~~ <u>3</u>
<u>OR</u>	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~PA~~	2022 <u>5</u>	~~5~~ <u>1</u>	0	0	0	0	0	~~5~~ <u>1</u>
<u>PA</u>	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
~~SC~~	2022 <u>5</u>	~~2~~ <u>5</u>	~~4~~ <u>0</u>	0	0	0	0	~~3~~ <u>5</u>
<u>SC</u>	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
~~TN~~	2022 <u>5</u>	~~0~~ <u>3</u>	0	0	0	0	~~0~~ <u>1</u>	~~0~~ <u>2</u>
<u>TN</u>	2023	0	0	0	0	0	0	0
	2024	1	0	0	0	0	0	1
~~TX~~	2022 <u>5</u>	~~4~~ <u>1</u>	0	0	0	0	0	~~4~~ <u>1</u>
<u>TX</u>	2023	4	4	1	0	0	0	7
	2024	7	2	0	0	0	0	9
~~UT~~	2022 <u>5</u>	~~0~~ <u>9</u>	~~2~~ <u>0</u>	0	0	0	0	~~2~~ <u>8</u>
<u>UT</u>	2023	2	0	0	0	0	1	1
	2024	1	0	1	0	0	0	0
	2022 <u>5</u>	0	0	0	0	0	0	0

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	~~Non-~~ <u>Non-Rene</u> wals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
~~VA~~								
<u>VA</u>	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	202 ~~2~~ <u>5</u>	1	~~0~~ <u>3</u>	0	0	0	0	~~1~~ <u>4</u>
~~WA~~								
<u>WA</u>	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	202 ~~2~~ <u>5</u>	~~2~~ <u>5</u> <u>1</u>	~~1~~ <u>7</u> <u>0</u>	0	0	0	~~1~~ <u>0</u>	~~4~~ <u>1</u>
~~Total~~								
<u>Total</u>	2023	41	9	1	0	0	1	48
	2024	48	9	6	0	0	3	48
	<u>2025</u>	<u>48</u>	<u>12</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>3</u>	<u>53</u>

~~1: One outlet opened in 2022, and the same outlet closed in 2022.~~

1: One territory was relocated from Texas to Colorado.

~~{CONTINUED ON THE FOLLOWING PAGE}~~

TABLE NO. 4

**Status of
Company-Owned
Outlets For Years ~~2022,~~
2023 ~~and,~~ 2024 ~~and~~ 2025**

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets ~~Re-~~ ~~Re-~~ Acquire d From Franchisees	Outlets Closed	Outlets Sold ~~On-~~ ~~To~~ Franchisees	<u>Outlets At</u> End Of Year
All States	202 ~~23~~	0	0	0	0	0	0
	202 ~~34~~	0	0	0	0	0	0
	202 ~~45~~	0	0	0	0	0	0
Total	202 ~~23~~	0	0	0	0	0	0
	202 ~~34~~	0	0	0	0	0	0
	202 ~~45~~	0	0	0	0	0	0

TABLE NO. 5

**Projected Openings in Fiscal Year Ending December
31, 202~~46,~~ for 2025**

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company- ~~Owned~~ - ~~Owned~~ Outlet in the Next Fiscal Year
Arizona	0	1	0
~~California~~ Arkansas	0	1	0
Colorado	0	1	0
~~Connecticut~~	0	1	0
Florida	0	1	0
~~Idaho~~	0	1	0
~~Illinois~~	0	1	0
Indiana	0	1	0
~~Maryland~~ Kansas	0	1	0
~~Minnesota~~	0	1	0
~~New York~~	0	1	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company- ~~Owned~~ -Owned Outlet in the Next Fiscal Year
~~North Carolina~~	0	1	0
~~North Dakota~~	0	0	0
Ohio	0	1	0
~~Oklahoma~~	0	0	0
~~Oregon~~	0	1	0
~~Pennsylvania~~	0	1	0
~~South Carolina~~	0	1	0
Tennessee	0	1	0
Texas	0	1	0
Utah	0	1	0
~~Virginia~~ Wisconsin	0	1	0
Totals	0	~~20~~11	0

Exhibit C is a list of the names, outlet business addresses and outlet business telephone numbers of our franchisees as of January 9~~8~~, 202~~5~~6. For franchisees operating multiple territories, Exhibit C shows the numbers of territories they were operating.

Exhibit D is a list of the names, cities and states and current business telephone numbers (or if unknown, last known home telephone numbers) of BATH TUNE-UP® franchisees: who transferred territories in 2024~~5~~ (1 territory); who had territories terminated, not renewed or reacquired by us in 2024~~5~~ (6~~4~~ territories); who otherwise voluntarily or involuntarily ceased to operate territories in 2024~~5~~ (3 territories); or who had not communicated with us within 10 weeks of the issuance date of this disclosure document (no territories).

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the BATH TUNE-UP® franchise system. You may wish to speak with current and former franchisees, ~~—~~ but be aware that not all such franchisees will be able to communicate with you.

There is no trademark-specific franchisee organization associated with the franchise system being offered in this disclosure document.

ITEM 21. FINANCIAL STATEMENTS

Exhibit B includes our parent's audited financial statements dated as of and for the years ended December 31, 2025, 2024, and 2023 ~~and 2022~~.

~~[REMAINDER OF PAGE INTENTIONALLY BLANK]~~

ITEM 22. CONTRACTS

The following agreements are proposed for use in this state in connection with the franchise we offer:

TITLE OF AGREEMENT	EXHIBIT/ SCHEDULE #	SIGNED BY
Franchise Agreement, State Addendum and Schedules	Exhibit A	You and us
Personal Covenant and Guarantee	Schedule 1	All people having direct or indirect “Control”* over Franchisee or a direct or indirect beneficial ownership interest in Franchisee, including the spouse of Franchisee.
Consent to Transfer and Assumption of Franchise (includes Release of Claims)	Exhibit H	You, new franchisee and us
Veteran’s Addendum to Franchise Agreement	Exhibit I	You (only if you are a veteran) and us
Secured Promissory Note	Exhibit J	You (Obligor)
General Security Agreement	Exhibit K	You (Pledgor) and us
~~Addendum to Franchise Agreement—Two-Territories~~ ACH Authorization Form	Exhibit L	You ~~(only if you purchase two territories)~~ and us

*“Control” means possession of the direct or indirect power to direct or cause the direction of your management and policies, whether through the ownership of voting securities, by contract, or otherwise.

ITEM 23. RECEIPTS

Attached as the last page of this disclosure document is a receipt. Please sign it, date it **as of the date you receive the disclosure document**, and return it to us. A duplicate of the receipt is attached for

your records.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

ADDENDUM TO HFC KTU, LLC
FRANCHISE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDA TO THE DISCLOSURE DOCUMENT
FOR FRANCHISEES IN FRANCHISE REGISTRATION STATES ONLY

The following only applies in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin:

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.

ADDENDUM TO HFC KTU, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

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

Neither the franchisor, nor any person identified in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

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

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a franchise agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Unless the transaction is exempt under the statute, Section 31125 of the California Corporations Code requires the franchisor to give the franchise a special disclosure document before soliciting a proposed material modification of an existing franchise.

The franchise agreement requires binding arbitration. The arbitration will occur in ~~Brown~~Orange County, ~~South Dakota~~California, with the costs being determined according to the rules of the American Arbitration Association.

The franchise agreement contains a liquidated damages clause. Under Civil Code Section 16711 certain liquidated damages clauses are unenforceable.

In Item 6, the maximum interest allowed in California is 10% per annum. Item 6 is modified in California to comply with California law and charging a maximum of 10% per annum.

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

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

~~Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.~~

OUR WEBSITE ADDRESS IS ~~HTTPS://BATHTUNE-UP.COM/~~WWW.BATHTUNEUP.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT

ADDENDUM TO HFC KTU, LLC
FRANCHISE DISCLOSURE DOCUMENT

OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

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

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, Any provision of a franchise agreement, franchise disclosure document, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.

(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

California has a labor law known as California Assembly Bill 5 or "AB5" that governs when someone is classified as an employee or an independent contractor. Your franchise agreement states that you are an independent contractor, but AB5 may mean you are an employee instead. Being an employee may entitle you to minimum wage, sick and family leave, unemployment and workers' compensation, expense reimbursements, protection from retaliation and discrimination, and other benefits given to employees. You should research and consult with an attorney regarding California's labor laws.

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. Note: maximum price agreements are not per se violations of the Sherman Act.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The last two paragraphs of Section 16.1 in the Franchise Agreement are deleted in their entirety and not applicable in the State of California.

ADDENDUM TO HFC KTU, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII

Hawaii

HAWAII DISCLAIMER

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in Hawaii authorized to receive service of process:
Commissioner of Securities

Department of Commerce and Consumer Affairs Business
Registration Division

335 Merchant Street
Honolulu, HI 96813

(1) Item 1 is amended to add the following:

The name and address of our agent in this state authorized to receive service of process is: the Commissioner of Securities of the Department of Commerce and Consumer Affairs, 335 Merchant Street, Honolulu, Hawaii 96813.

(2) Item 5 of the disclosure document is modified to include the following paragraph:

On request of the Commissioner of Securities of the Department of Commerce and Consumer Affairs, we have agreed to defer collection of all initial fees until we have performed all our pre-opening obligations.

(3) Item 17, Summary column for (i) is amended to add the following:

Under Hawaii law, on termination or refusal to renew the franchise, you are entitled to be compensated for the fair market value, at the time of the termination or expiration of the franchise, of your inventory, supplies, equipment and furnishings purchased from us or a supplier we designated; except that personalized materials that have no value to us need not

be compensated for. If we refuse to renew the franchise for the purpose of converting your business to one we own and operate, we, in addition to the remedies described above, will compensate you for the loss of goodwill. We may deduct from the compensation reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment and furnishings under this requirement, and may offset from the compensation any moneys you owe us.

(4) Item 20 is amended to add the following:

Registrations are effective or proposed registrations will shortly be on file in the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

Proposed registrations or filings for these franchises are or will be shortly on file in no other state.

No states have refused, by order or otherwise, to register these franchises.

No states have revoked or suspended the right to offer these franchises.

~~(5)~~ There are no states in which a proposed registration of these franchises has been withdrawn.

~~(6)~~5 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.

ADDENDUM TO HFC KTU, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

Illinois

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

~~Franchisees' rights upon Termination and Non-Renewal are set forth in s~~Sections 19 ~~and 20~~ of the Illinois Franchise Disclosure Act sets forth the conditions and notice requirements for termination of a franchise agreement.

Section 20 of the Illinois Franchise Disclosure Act sets forth the conditions of non-renewal of a franchise agreement. along with the compensation requirements.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

~~THE FRANCHISOR RESERVES THE RIGHT TO IDENTIFY "KEY ACCOUNTS" WITHIN YOUR TERRITORY. THE FRANCHISOR, ITS AFFILIATES AND OTHER FRANCHISEES MAY SERVICE A "KEY ACCOUNT" WITHIN YOUR TERRITORY WITH NO COMPENSATION PAID TO YOU IF YOU DECLINE TO PARTICIPATE IN KEY ACCOUNT REFERRALS.~~

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 Ffranchisor. This provision supersedes any other term of any document executed in connection with the franchise.

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

THE FRANCHISOR RESERVES THE RIGHT TO IDENTIFY "KEY ACCOUNTS" WITHIN YOUR TERRITORY. THE FRANCHISOR, ITS AFFILIATES AND OTHER FRANCHISEES MAY SERVICE A "KEY ACCOUNT" WITHIN YOUR TERRITORY – WITH NO COMPENSATION PAID TO YOU – IF YOU DECLINE TO PARTICIPATE IN KEY ACCOUNT REFERRALS.

ADDENDUM TO HFC KTU, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

Maryland

~~Based on the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.~~

~~Amendments to Item 17 of the disclosure document:~~

1. Item 17m (Transfer) is amended to add the following statement:

The general release required as a condition of transfer does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17u (Dispute Resolution by Arbitration or Mediation) is amended to add: "Franchisee may bring a lawsuit for claims arising under the Maryland Franchise Registration and Disclosure Law." under the heading "Summary".

Item 17v (Choice of Forum) is amended to state: ~~"None for equitable/injunctive relief and South Dakota~~ California for arbitration/mediation proceedings, and Maryland for a lawsuit for claims arising under the Maryland Franchise Registration and Disclosure Law" under the heading ~~"for "~~ "Summary".

2. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

3. The franchise agreement says that we may require you to sign a release of claims as a condition of renewal or transfer of your franchise. The release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Under the franchise agreement, you must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland Franchise ~~L~~law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Any claims arising under the Maryland Franchise Registration and Disclosure ~~L~~law must be brought within three years after the franchise is granted.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Based on the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

ADDENDUM TO HFC KTU, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

Minnesota

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

NSF checks are governed by Minnesota Statute 60A.113, which puts a cap of \$30 on service charges.

No statement, questionnaire, or acknowledgement 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.

ADDENDUM TO HFC KTU, LLC

This provision supersedes any other term of any document executed with the franchise.

Notwithstanding anything to the contrary contained in the Franchise Agreement, Franchisor will protect Franchisee's right to use the Franchisor's trademarks, service marks, trade names, logotypes or other commercial symbols licensed under this Agreement or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use thereof.

ADDENDUM TO HFC KTU, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK
~~New York~~

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT ~~IX~~A OR YOUR PUBLIC LIBRARY FOR ~~SERVICES~~RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ~~THAT~~ ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS ~~WHICH~~THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, ~~with regard~~the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, ~~other than routine litigation incidental to the business, which are that is~~ significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations. C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ~~10-ten~~ years ~~period~~ immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, ~~or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law,~~ resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; ~~it being the intent of this proviso~~ intends that the non-waiver provisions of General Business Law Sections 687.4(4) and 687.5(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”:

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

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”,” and Item 17(w), titled “Choice of law”:

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

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

ADDENDUM TO HFC KTU, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

North Dakota

1. The Summary column of Item 17(c) of this Disclosure Document is modified to read as follows:

You may renew your license, subject to **HFC KTU LLC** approving the location of your location during the renewal period, if you: give advance written notice of intent to renew; sign then-current form of franchise agreement; have complied with modernization and replacement provisions; have been in good standing for at least 6 months; have right to maintain possession; pay renewal fee; and sign (together with each Principal Owner) general release, except as to claims arising under the North Dakota Franchise Investment Law.

- ~~21~~1. The Summary column of Item 17(r) of this Disclosure Document is modified by adding the following sentence:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

- ~~32~~2. The Summary column of Item 17(u) of this Disclosure Document is amended by adding the following sentences:

Under the North Dakota Law, if applicable, the site of arbitration must be agreeable to all parties and may not be remote from your place of business.

- ~~43~~3. The Summary column of Item 17(v) of this Disclosure Document is amended to read as follows:

The North Dakota Law, if applicable, prohibits us from requiring you to consent to the jurisdiction of courts outside North Dakota, including courts in South Dakota.

- ~~54~~4. The Summary column of Item 17(w) of this Disclosure Document is modified to read as follows:

If the North Dakota Law applies, the law of North Dakota.

- ~~65~~5. If the North Dakota Law applies, we are prohibited from requiring you to waive trial by jury for any claims arising under the North Dakota Law.

ADDENDUM TO HFC KTU, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND

~~**Rhode Island**~~

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the disclosure document, any litigation ~~(but not arbitration)~~ arising under the franchise agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by §19-28.1-14 of the Rhode Island Franchise Investment Act, the Agreements will be governed by the laws of the State of Rhode Island.

ADDENDUM TO HFC KTU, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA

~~South Dakota~~

The franchise agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the franchise agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with § 11 of the Commercial Arbitration Rules of the American Arbitration Association.

Under South Dakota law, termination provisions covering breach of the franchise agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the disclosure document and franchise agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination. Under SDCL 37-5B-21, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void.

Any acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

ADDENDUM TO HFC KTU, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

Virginia

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17 of the fFranchise dDisclosure dDocument for HFC KTU LLC, for use in the Commonwealth of Virginia is amended as follows:

Additional Disclosure:

The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the fFranchise aAgreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Washington

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, ~~THE~~ FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements

that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment

Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Further, Section 16.1 of the Franchise Agreement is deleted and replaced with the following:

16.1 Certain Acknowledgments and Representations of Franchisee

If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor’s license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manuals, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manuals.

If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Territory.

The signing of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

Any individual signing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

EXHIBIT A

FRANCHISE AGREEMENT, STATE ADDENDUM AND SCHEDULES



~~FRANCHISE AGREEMENT~~

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FRANCHISE AGREEMENT

This Franchise Agreement (Agreement) is entered into as of _____ (“Effective Date”), between HFC KTU LLC, a Delaware limited liability company (“Franchisor”), and _____, a(n) _____ proposing to do business in the state of _____ as Bath Tune-Up of _____ (“Franchisee”). Franchisee will begin operation under this Agreement on _____ (“Operating Date”).

RECITALS

A. Franchisor is engaged in the administration and development of programs for a business (“Franchised Business”) for the sale and installation of Bath Improvements using our expertise (“System”) and BATH TUNE-UP® marks (“Marks”), as defined below, as well as other proprietary information owned by, and identified with, Franchisor. Franchisor is the owner of the Marks, the System, and all rights in respect of each of them. Franchisor’s activities in general, and its franchise program in particular, are undertaken to develop, maintain, and enhance the Marks and Franchisor’s overall reputation in retail sales and related services relating to home improvement and wood treatment services.

B. Franchisee wishes to be franchised by the Franchisor to use the System, the Marks, and the goodwill of Franchisor to conduct the Franchised Business. Franchisor is willing to grant to Franchisee a franchise for the System and the Marks, in accordance with the provisions of this Agreement and the Manuals, as amended from time to time, on the terms and conditions set forth below.

C. Franchisee acknowledges that, in the administration of this Agreement and in taking actions with respect to its relationship with Franchisee, Franchisor must take into account the needs of all people operating under the Marks, the effect upon those people as a whole, and the need to protect the Marks for the benefit of those people and Franchisor.

1. DEFINITIONS

1.1. ~~Affiliate~~ Action

“Action” means a suit, proceeding, claim, demand, investigation, or inquiry, whether formal or informal.

1.2. Affiliate

An “Affiliate” of Franchisor or Franchisee, as the case may be, means all people in the following categories when they are conducting business activities related to Franchisor or Franchisee: (a) all people who Control, are Controlled by, or are under common Control with, Franchisor or Franchisee, (b) all direct or indirect shareholders, partners, members, or owners of Franchisor or Franchisee, regardless whether they Control Franchisor or Franchisee, and (c) all officers, directors, employees, and agents of Franchisor or Franchisee and of Franchisor’s or Franchisee’s other Affiliates.

1.23. Approved Vendors

~~The term~~ “Approved Vendors” means those vendors, other than Partnership Vendors, from whom Franchisee has approval in writing from Franchisor to purchase products for resale.

1.34. Bath Improvements

~~The term~~ “Bath Improvements” means bathroom updates and full bath remodels including tub/shower surrounds, tub/shower conversions, glass shower walls, lighting fixtures, plumbing fixtures such as toilets, walk-through, jetted and soaker tubs, sinks, mirrors, vanity replacements, cabinet hardware and shelf organizers. Also included are other services and products generally related to home improvement and

remodeling, such as flooring, general construction material, plumbing and electrical repairs and replacement.

1.5. Business Entity

“Business Entity” means a corporation, a general or limited partnership, a limited liability company or any other type of business entity.

1.46. Company-Owned Operation

~~The term~~ “Company-Owned Operation” or “COO” means a business or businesses similar to some or all aspects of the Franchised Business owned and operated by Franchisor or its Affiliate for its own account.

1.57. Control

~~The term~~ “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract, or otherwise.

1.8. Crisis Management Event

“Crisis Management Event” means any event that occurs at or otherwise involves the Franchised Business, or that occurs generally at a local, regional, national or even global scale, which has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, or any other similar circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

1.9. Event of Default

“Event of Default” means any breach of this Agreement, including without limitation, those breaches expressly described in this Agreement.

1.61.10. Franchised Business

~~The term~~ “Franchised Business” means the sale to customers located in the Territory of Bath Improvements, in accordance with the System and using the goodwill associated with the Marks, all upon the terms and conditions stated in this Agreement. For purposes of this Agreement, a customer is located in the Territory if the location where the Franchised Business’s services will be performed is located in the Territory.

1.71.11. Gray Area

~~The term~~ “Gray Area” means an area ~~adjoining the Territory~~ that is not part of any other franchisee’s territory, nor an area served by the Company-Owned Operation.

1.81.12. Gross Revenue

~~The term~~ “Gross Revenue” means the aggregate of all revenues, sales and other income of Franchisee from whatever source derived, including Gray Area, regardless of whether collected by Franchisee, arising out of, in connection with or relating to the Franchised Business including, without limitation, (a) income from the sale of any products or other items; (b) income from any services provided; and (c) all proceeds from any business interruption insurance, but excluding (i) all refunds and discounts made in good faith to a customer; (ii) any sales, use, retail sales and equivalent taxes which are collected by Franchisee for or on behalf of any governmental or other public body and actually remitted to such body; and (iii) the value of any coupon, voucher or other allowance authorized by Franchisor and issued or granted to customers of Franchised Business which is received or credited by Franchisee in full or partial satisfaction of the price of any product or service offered in connection with the Franchised Business. Franchisor reserves the right to institute policies in the Manual or otherwise in writing and from time to time, regarding the inclusion in Gross Revenue of any pre-paid goods and services (including, without limitation, gift cards and gift certificates) and delivery and redemption thereof.

1.13. Indemnified Parties

“Indemnified Parties” means Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners, members, managers, agents, representatives, independent contractors, attorneys, accountants, employees, successors and assigns.

1.91.14. Key Account

~~The term~~ “Key Account” means any (a) potential or existing customer that has multiple sites, offices, or retail premises across two or more franchised territories, (b) any home improvement retail or wholesale outlet, construction company, contractor, or similar business whose clientele includes potential customers for Bath Improvements across two or more territories, and (c) referral sources that offer to refer

customers across two or more territories to Franchisor for a fee.

1.15. Losses and Expenses

“Losses and Expenses” means all compensatory, exemplary, incidental, consequential, or punitive damages (including lost profits); all fines, charges, costs, or expenses imposed by courts or other governmental authorities or by arbitrators; reasonable attorneys’ fees and all court or arbitration costs, settlement amounts, or judgments relating to litigation or arbitration; compensation for damages to Franchisor’s reputation and goodwill; costs of or resulting from Franchisee’s delays, costs of any necessary corrective advertising material and media time/space, and costs of changing, substituting or replacing advertising; and all expenses of recall, refunds, compensation to third parties, public notices, and other similar amounts incurred in connection with the matters for which Losses and Expenses are to be paid.

1.16. Manager

~~The term~~ “Manager” means the employee or agent of Franchisee who has been designated by Franchisee as the person responsible for the day-to-day operation of the Franchised Business and who has successfully completed initial training. If Franchisee is an individual, Franchisee may be the Manager.

1.17. Manuals

“Manuals” means and collectively includes all manuals, policy statements, directives, bulletins and

~~The term “Manuals” means the Confidential Operations Manual and the collection of policies and procedures (regardless of title) to be adhered to by Franchisee in performing under this Agreement. The Manuals will be made available on Franchisor’s electronic portal. The Manuals include all amendments and supplements prescribed by Franchisor from time to time.~~

memoranda that contain prescribed or recommended standards, procedures, policies and advice (i.e., brand standards) relating to a Franchised Business's operation and management and to marketing the Products and services as sold by Franchised Businesses. The Manual discloses certain elements of Franchisor's proprietary System, and its contents are and will remain Franchisor's trade secrets and exclusive property.

1.128. Marks

~~The term “Marks” means “BATH TUNE UP®” and all other proprietary marks registered or pending with the United States Patent and Trademark Office, as well as all common law trademarks and Marks, trade names, logotypes, insignias, designs, and other commercial symbols which Franchisor uses and authorizes others to use to identify the~~ refers to and includes (i) the “Bath Tune-Up” service mark and logo, (ii) the “Bath Tune-Up” trade name, (iii) the elements and components of Bath Tune-Up trade dress and (iv) any and all additional, different or replacement trade names, trademarks, service names, service marks, trade dress, logos and slogans that Franchisor adopts from time to time to identify the System and the Products and services offered by Franchised Businesses.

1.139. Monthly Operating Report

~~The term “Monthly Operating Report” means the monthly report which provides the information in the format that Franchisor requires regarding the operation of the Franchised Business.~~

1.20. Owner

“Owner” means each person having direct or indirect Control or direct or indirect beneficial ownership interest in Franchisee.

1.141.21. Partnership Vendors

~~The term “Partnership Vendors” means those vendors that have proven, to Franchisor's satisfaction, that their services and/or products are of a quality which will promote customer satisfaction with the Services and Products provided by the Franchised Business.~~

1.22. Privacy Law

“Privacy Law” means any international, national, federal, provincial, state, or local law, code, rule or regulation that regulates the processing of Client Information in any way, including data protection laws such the California Consumer Protection Act of 2018 and other similar laws, rules or regulations, laws regulating marketing communications and/or electronic communications such as the CAN-SPAM Act and “Do Not Call” laws, rules and regulations, information security regulations, the most current Payment Card Industry Data Security Standard, ISO 27001, ISO 27002, and security breach notification rules.

1.151.23. Products

~~The term “Products” means all Bath Improvements parts, hardware, materials, supplies and any other tangible items as authorized by Franchisor.~~

1.161.24. Showroom

~~The term “Showroom” means a fixed location for the display and/or sale of Products and~~

services associated with the Franchised Business.

~~1.17~~1.25. System

~~The term~~ “System” means a comprehensive marketing and operational system, as amended from time to time, prescribed by Franchisor to be used in the conduct of the Franchised Business, as described in this Agreement and the Manuals as amended from time to time. The System includes, among other things, the Marks and certain advertising, marketing and sales programs and techniques, Franchisor-controlled telephone numbers, training programs and materials, artwork, graphics, and layouts, slogans, names, and

titles, text, and other intellectual property that Franchisor makes available to Franchisee. Franchisor, in its sole discretion, may improve and/or change the System from time to time (including adding to, deleting, or modifying elements of the System, establishing categories or classifications of franchisees, and amending the Manuals) for the intended purpose of making the System more effective, efficient, economical, or competitive, adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions, enhancing the reputation or public acceptance of the System, and/or better serving the public.

1.181.26. Territory

~~The term~~ “Territory” means the geographic area described in the attached Schedule 2, which is defined by U.S. Postal Service ZIP Codes (the boundaries of which are subject to adjustment by the Postal Service). On the Effective Date, the Territory consists of about 41,000 households but the number of households is subject to growth and shrinkage over the Term.

1.191.27. Transfer

“Transfer” means the voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of (1) the Franchise, this Agreement or any interest in or right under this Agreement, or of all or substantially all of the assets of Franchisee’s Franchised Business or in an interest therein, including (a) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (b) any transfer upon Franchisee’s death or the death of any person having Control of Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession; or (b) any foreclosure upon Franchisee’s Franchised Business or the transfer, surrender or loss by Franchisee of possession, control or management of Franchisee’s Franchised Business or (2) of any direct or indirect Control in Franchisee or revenues or income of Franchisee’s Franchised Business, including (a) any transfer, redemption or issuance of a legal or beneficial Control in Franchisee or any Business Entity that has a Control in Franchisee or of any interest convertible to or exchangeable for a legal or beneficial ownership interest in Franchisee or any Business Entity that has Control in Franchisee;

(b) any merger or consolidation between Franchisee or any Business Entity that has Control in Franchisee and another Business Entity, whether or not Franchisee is the surviving Business Entity; (c) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (d) any transfer upon Franchisee’s death or the death of any of the Principals by will, declaration of or transfer in trust or under the laws of intestate succession; or (3) any foreclosure upon Franchisee’s Franchised Business or the transfer, surrender or loss by Franchisee of possession, control or management of Franchisee’s Franchised Business. No Person (including any employee or independent contractor) may hold any Control in Franchisee’s Franchised Business other than an undivided interest in the Franchise as a whole, and then only in compliance with the transfer restrictions in this Agreement.

~~The term “Transfer” means any direct or indirect sale, assignment, transfer, conveyance, delegation of duties, gift, declaration of trust, pledge, mortgage, hypothecation, or other encumbrance, voluntarily or involuntarily, by operation of law or otherwise, whether as a single transaction or as part of a series of transactions, of any interest in a person, this Agreement, or all or substantially all of the assets of a person.~~

2. THE FRANCHISED BUSINESS

2.1. Grant of Franchise

Franchisor grants to Franchisee, and Franchisee accepts, a franchise (“Franchise”) to participate in and use the System by conducting the Franchised Business solely within the Territory in strict accordance with this Agreement and the Manuals, from the Operating Date until the end of the Term, unless sooner terminated. The Franchised Business must be operational and conducting business within thirty (30) days after successful completion of classroom training. Nothing contained in this Agreement may be interpreted as a guarantee of success. Franchisee retains the right to conduct businesses and perform services other than the Franchised Business, but subject to the restrictions on engaging in competitive activities under Section 8.10, and subject to all other applicable provisions of this Agreement and the Manuals. Franchisee may not use the Marks, all or any part of the System, or any of Franchisor’s other proprietary information in connection with any other businesses or services without the express prior written permission of the President or other executive officer of Franchisor, which permission, if granted, will bring the other businesses or services within the scope of the Franchised Business.

2.2. Limited Exclusivity

(a) Except as provided in paragraphs (b), (c), (d) and (e) of this section, during the Term, Franchisor will not establish or operate within the Territory, or franchise any third party to establish or operate within the Territory, any other Bath Improvements business using the System and the Marks.

(b) Franchisee may not contract with Key Accounts. Franchisee agrees that, from time to time, Franchisor may enter into agreements with Key Accounts that contemplate performance in multiple territories, including the Territory, of sales and/or installations of Bath Improvements. If Franchisee wishes to service Key Accounts in the Territory as Franchisor’s subcontractor, it shall sign Franchisor’s

~~then-~~

then-current

~~current~~ Master Services Agreement which shall govern all work performed by Franchisee for Key Accounts. Franchisee may choose whether to service any particular Key Account on a case by case basis. If Franchisee chooses to opt out with respect to any Key Account in the Territory, or if Franchisee fails to provide sales, installations, or other services to a particular Key Account in the Territory on any two occasions in a 12-month period, Franchisor may provide or grant others the right to provide sales, installations, or other services with respect to that particular Key Account in the Territory for the remainder of the term.

A customer in the Territory with a job that is too large for Franchisee to undertake or that Franchisee chooses not to service shall be deemed to be a Key Account for purposes of this Section 2.2(b) even if that Key Account is limited to the Territory.

(c) Franchisee acknowledges that, from time to time, opportunities may arise to participate in joint marketing efforts with other BATH TUNE-UP® franchisees. If Franchisee is afforded the opportunity to participate in joint marketing efforts but declines to do so, the participating BATH TUNE-UP® franchisee must offer any leads for the Territory generated as a result of the joint marketing effort to Franchisee on reasonable terms and conditions (including maximum lead fees per referral) specified from time to time in the Manuals, not to exceed \$500. If the participating franchisee complies with Franchisor's guidelines on the offering terms for the leads and Franchisee declines to accept the lead on the terms offered, then the participating franchisee will not be required to turn over the lead to Franchisee and the participating franchisee may instead work the lead in the Territory without compensation to Franchisee.

(d) Franchisee agrees that if, as a result of Franchisee's default of this Agreement and as an

alternative to termination, Franchisor withholds customer leads generated on Franchisee's behalf by Franchisor as described in sections 8.11(e) and 10.6 of this Agreement, Franchisor may provide or grant other franchisees the right to provide sales, installations or other services with respect to those customer leads in the Territory until Franchisee cures the breach.

(e) Except to the limited extent expressly provided in paragraph (a) of this section the rights granted to Franchisee under this Agreement are non-exclusive and Franchisor expressly reserves all other rights, including the exclusive, unrestricted rights, directly and indirectly, itself and through its employees, representatives, franchisees, licensees, assigns, agents, and others: (i) to own and operate, and to franchise others to own and operate, Bath Improvements businesses using the System and the Marks at any location outside the Territory, (ii) to solicit, sell to, and service Key Accounts and the clients of those Key Accounts, wherever located (including within the Territory), subject to compliance with paragraph (b) of this Section 2.2 and Section 8.16, (iii) to acquire or be acquired by a company that operates and/or franchises Bath Improvements businesses within the Territory without using the System and the Marks, (iv) to acquire or be acquired by a manufacturer of products associated with Bath Improvements activities, (v) to sell Bath Improvements services and products through any other means that do not involve both the System and the Marks (including within the Territory), and (vi) to advertise and promote the System and the Marks at any location within or outside the Territory.

2.3. Reserved Rights

Nothing contained in this Agreement will accord Franchisee any right, title or interest in or to the Marks, System, operational techniques, service concepts, proprietary information, or goodwill of Franchisor, except only those rights granted by this Agreement.

2.4. Area and Scope of Operation

Franchisee will only conduct its Franchised Business within the Territory and must maintain a business address within the Territory even if Franchisee operates out of its own home located outside the Territory. Unless Franchisee will operate out of its own home (in which case Franchisee must still maintain a business address within the Territory and any advertising of the Franchised Business must display the business address within the Territory and not Franchisee's home address), its office must be located within the Territory. Any warehouse or other facilities must be located within the Territory.

Except as to Gray Area, Franchisee may provide sales and services only with respect to locations within the Territory. Franchisee must (i) diligently and effectively promote, market, and engage in the Franchised Business within the Territory, (ii) develop, to the best of its ability, the potential for the Franchised Business from within the Territory, (iii) operate the Franchised Business so as to maximize the Gross Revenue of the Franchised Business, and (iv) devote and focus its full-time attention and efforts to that promotion and development.

Unless otherwise instructed by Franchisor, Franchisee may operate in Gray Area. Any operations in Gray Area are subject to sale of the territory to another franchisee, to initiation of "company-owned" operations in the Gray Area, and to Franchisor's rules and regulations, including that [Gray Area Gross Revenue shall be combined with Gross Revenue of a particular territory owned by Franchisee for purposes of calculating Continuing Royalty, and](#) any advertising in Gray Area can only include Franchisor's toll-free telephone number, and not the local telephone number of Franchisee. [Franchisor reserves the right to impose a different Continuing Royalty calculation for sales in Gray Area.](#)

Franchisee does not receive any right of first refusal or other rights of any type to a Gray Area by virtue of operations in that Gray Area. Franchisor may sell any Gray Area territory at any time, without advance notice to Franchisee. Upon notice from Franchisor, Franchisee will immediately cease all marketing activities in any Gray Area. Franchisor may give a notice to cease marketing without regard to whether the Gray Area has been sold to another franchisee. After Franchisor gives notice to cease marketing, Franchisee may (for a maximum of 30 days) complete installations of Bath Improvements for which orders were completed before Franchisor gave Franchisee notice to cease marketing in the area.

Franchisee's Initials: _____

3. LOCATION OF BUSINESS

3.1. Principal Place of Business

Franchisee's principal place of business is at the following location:

_____.

3.2. Office/Warehouse

Unless the Franchised Business will be operated from the Franchisee's residence, Franchisee will secure an office and/or warehouse in the Territory at which (among other things) Franchisee shall accept delivery of Products before installation.

3.3. Showroom

Franchisee does not have to establish a Showroom, but if it decides to do so: (i) the Showroom must be located within the Territory; (ii) Franchisee must ensure the Showroom complies with Franchisor's

written specifications and other requirements for Showrooms set forth in the Manuals; and (iii) the Showroom requires Franchisor's prior written approval. If Franchisee wishes to establish a Showroom, Franchisee will find and submit to Franchisor, for Franchisor's approval, a location for the Showroom and such information regarding the Showroom location as Franchisor may require.

Franchisor will have 14 days from receipt of all the requested information to approve or disapprove the Showroom location. Franchisor has the right to grant or withhold approval of any proposed Showroom location in its business judgment. Any proposed relocation of the Showroom in the future will be subject to the same approval process as set forth above. Franchisee acknowledges and agrees that Franchisor's consent to the location, and any information regarding the location communicated to Franchisee regarding the standard site selection criteria for Showroom locations, does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the location for a Showroom or for any other purpose. Franchisor's recommendation or consent to the location indicates only that Franchisor believes that the location falls within the acceptable criteria for Showroom locations that Franchisor has established at the time of the consent to the location. Franchisee acknowledges and agrees that Franchisee's selection of the location is based on Franchisee's own independent investigation of the suitability of the location and that Franchisor's approval is not a guarantee or promise of success.

Franchisee may display and offer for sale all Products that have been approved for sale by franchisees of Franchisor. Unless otherwise approved in writing by Franchisor (which consent may be withheld arbitrarily or otherwise in Franchisor's sole discretion), Franchisee may not sell any products other than Products that have been approved for sale by all franchisees of Franchisor. Franchisee acknowledges

that Franchisor may have other franchisees in the same general area of Franchisee's Showroom and that Franchisor may consider the interests of all franchisees in deciding whether to allow additional products to be sold from the Showroom.

To ensure no sales are made in the territories of other franchisees and to avoid misunderstandings when customers are quoted a price for Products that are different than the prices of other franchisees, Franchisee must as a preliminary matter first determine if the customer is from another franchisee's contracted territory. If so, Franchisee must refer the customer to the franchisee in whose territory the customer is located and provide such franchisee's name and contact information and must not quote any prices, sales terms or other information to the customer. Franchisee will not be compensated for these referrals but will provide them as a means to protect the goodwill of the BATH TUNE-UP® brand and the Marks.

4. PAYMENTS BY FRANCHISEE

4.1. Initial Franchise Fee

If Franchisee is not a party to another franchise agreement with Franchisor, Franchisee will pay to Franchisor an Initial Franchise Fee of \$19,950. Franchisee will receive the BATH TUNE-UP® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America upon signing of this Agreement by Franchisee. The Initial Franchise Fee is not refundable.

4.2. Territory Fee

If Franchisee is purchasing the Territory from Franchisor (rather than an existing franchisee), Franchisee will also pay Franchisor a Territory Fee of \$45,000. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America, upon signing of this Agreement by Franchisee. The Territory Fee is not refundable.

4.3. Continuing Royalty

(a) Throughout the Term of this Agreement, Franchisee will pay a “Continuing Royalty” calculated each month in arrears equal to the greater of: (a) the percentage of Gross Revenue calculated below; or (b) a minimum monthly Continuing Royalty of ~~\$750~~500 per territory for the ~~first 12~~fourth through twelfth months of the Term and

\$1,500 per territory thereafter:

Continuing Royalty	Gross Revenue for Prior Month <u>per Territory</u>
~~7.6.0%~~	\$0 - ~~\$30,000~~ <u>83,300</u>
~~6.0%~~	~~\$30,000.01 to \$60,000~~
5.0%	~~≥\$60,000.01 to \$120,000~~ <u>83,300</u>
~~4.0%~~	~~\$120,000.01 and above~~

For example, if Franchisee’s Gross Revenue for the prior month is ~~\$79~~5,000, Franchisee will pay ~~7.6%~~ for the first ~~\$30,000~~, ~~6% for the second \$30,000~~83,300 and 5% for the ~~last \$15,000~~remainder. Gross Revenue for work performed in Gray Area is to be included. Franchisor reserves the right to impose a different Continuing Royalty calculation for Gray Area sales.

~~Notwithstanding the foregoing,~~ *fFor the first three months of the Term, Continuing Royalty is payable on actual Gross Revenue

only with no minimum.

~~For purposes of this Section 4.3,~~ Gross Revenue is recognized ~~when the work is completed~~ and during the month that is the earlier of the date when payment of the final invoice is received or 90 days after a final invoice is issued to the customer. If Franchisee has issued previous invoices to the customer prior to the final invoice, the aggregate amount of all previous invoices and the final invoice shall be reported as Gross Revenue for the prior month.

If Franchisee renews this Agreement, the amount of the Continuing Royalty throughout the renewal term will be the Continuing Royalty provided for in the then-current form of Franchise Agreement being issued by Franchisor.

~~(b) The Continuing Royalty payable for any month for which a Gross Revenue report has not been submitted when due as required by Section 8.6(b) shall be calculated based on an imputed Gross Revenue of \$60,000 for the month. If, once the late Gross Revenue report is received, Franchisor determines that the Gross Revenue for that month was: (a) less than \$60,000, the overpayment of Continuing Royalty shall be applied to the Continuing Royalty for the month following the month in which the Gross Revenue report was received by Franchisor; or (b) more than \$60,000, the underpayment of Continuing Royalty shall be added to the Continuing Royalty for the month following the month in which the late Gross Revenue report was received by Franchisor.~~

~~(e)~~ Payments of Continuing Royalty are not refundable.

4.4. National Advertising Fee

(a) Throughout the Term of this Agreement, Franchisee will pay Franchisor the greater of one percent (1%) of Franchisee's monthly Gross Revenue for the previous month or \$500 per month if this is Franchisee's first BATH TUNE-UP® franchise agreement with Franchisor or the greater of one percent (1%) and \$250 per month if this is Franchisee's second or subsequent BATH TUNE-UP® franchise agreement with Franchisor. Monthly National Advertising Fund payments are paid in arrears. Franchisor may increase this amount but not above 2% of Franchisee's monthly Gross Revenue. ~~Gross Revenue for work performed in Gray Area is to be included.~~

(b) Payments of National Advertising Fee are not refundable.

(c) Franchisor may in the future establish the BATH TUNE-UP® National Support Services Network, through which qualified representatives will be able to respond to inquiries from customers of BATH TUNE-UP® franchisees. The costs for these services may be reimbursed partially or wholly from the National Advertising Fund (“Fund”).

(d) On a national or regional basis, Franchisor may impose an additional assessment upon some or all of its franchisees for special designated advertising or promotional activities, if 2/3 of all affected BATH TUNE-UP® franchisees agree to that assessment in writing.

(e) The National Advertising Fees will be contributed to the Fund for such national, regional, local and other advertising and public relations programs and initiatives as Franchisor, in its sole discretion, may deem necessary or appropriate for the promotion or protection of the System. The Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to Franchisee, or to any franchisees, with respect to the Fund. Franchisor has the absolute right to direct the creative concepts, materials, endorsements and media used in the advertising and public relations programs, as well as the placement and allocation of the programs.

(f) The Fund will be used and expended for website development and maintenance, public relations, media costs, commissions, Internet marketing, market research costs, creative costs and production costs including, without limitation, the costs of creating promotions and artwork, printing costs and other costs relating to advertising, promotional and public relations programs and initiatives undertaken by Franchisor, and, in Franchisor’s sole discretion, the costs, expenses, settlements or judgments to resolve claims, complaints, or lawsuits by customers of franchisees when Franchisor determines such resolution is necessary or appropriate to protect the reputation or goodwill of the System, the Marks, or Franchisor. Franchisor reserves the right to place and develop such advertisements and promotions and to market on behalf of the System, either directly or through advertising agencies retained or formed for such purpose.

(g) The Fund will be accounted for separately from the other funds of Franchisor. The Fund may not be used to defray any of Franchisor's general operating expenses, except for any reasonable salaries that Franchisor may incur in activities reasonably related to the Fund's advertising and promotional programs (including, without limitation, conducting market research, managing programs supported by the Fund, and retaining outside agencies), and an administrative fee of 15% of the annual aggregate National Advertising Fees received by Franchisor. Any sums remaining in the Fund at the end of a fiscal year must carry over in the Fund to the next fiscal year.

(h) Franchisee acknowledges and agrees that the Fund is intended to maximize general public recognition and patronage of businesses for the benefit of the System as a whole, and that Franchisor undertakes no obligation in administering the Fund to ensure that any particular Franchisee benefits directly or pro-rata from the placement or conduct of such advertising and promotion.

(i) The Fund may not be used for any initiative intended solely to market the sale of franchises. Franchisee acknowledges and agrees, however, that certain activities supported by the Fund, including, without limitation, maintenance of the website, public relations activities, and community involvement activities, may include information about franchising opportunities.

(j) No interest on unexpended National Advertising Fees will be imputed for the benefit of or payable to Franchisee and no interest on Franchisor expenditures in excess of national advertising fees collected will be imputed for the benefit of, or payable to, Franchisor.

(k) Franchisor will determine the cost, form of media, content, format, production, timing,

location (including regional or local concentration and seasonal exposure) and all other matters relating to advertising, public relations, and promotional campaigns.

(l) On or before March 31 of each year, if requested in writing by Franchisee, Franchisor will deliver to Franchisee a summary statement of receipts and expenditures of the Fund relating to the preceding calendar year, certified to be correct by an officer of Franchisor.

4.5. Technology Fee

Throughout the Term of this Agreement, Franchisee will pay Franchisor, in advance, a monthly Technology Fee in the amount specified in the Manuals. [Franchisor may increase the Technology Fee by up to 3% annually.](#) The Technology Fee is applied towards the cost of operating, upgrading and supporting Franchisor's technology platforms including the BATH TUNE- UP® customer relations management software and any successor or replacement thereof. Because changes to technology are dynamic and not predictable within the Initial Term, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, the Technology Fee is subject to change from time to time. Payments of Technology Fee are not refundable.

4.6. Convention Fee

Franchisor may hold a convention of franchisees on an annual basis or at such other interval as Franchisor may from time to time determine ("Convention"). Franchisee will pay Franchisor a Convention registration fee ("Convention Fee") for one individual to attend Convention. The amount of the Convention Fee will vary depending upon the location of the city and venue where the Convention will be conducted. The Convention Fee is payable in advance and charged monthly. The Convention Fee does not cover the costs associated with travel, lodging or other miscellaneous expenses associated with the Convention.

Convention Fees for additional persons attending Convention will be collected at time of registration. The Convention Fee is not refundable.

4.7. Means and Time of Payment

Franchisee must authorize Franchisor to withdraw Continuing Royalty Fees, National Advertising Fees, Technology Fees, Product purchases from Franchisor or an Affiliate of Franchisor and all other fees and payments due under this Agreement directly from Franchisee's bank account. Funds to cover fees must be available for withdrawal from Franchisee's bank account from the first day of each month in which payment is due. Franchisee must immediately make arrangements with its bank to authorize these withdrawals. Franchisee must sign any document required by Franchisor to enable its payment to Franchisor of Continuing Royalties, National Advertising Fees, Technology Fees and any other ongoing fees by electronic funds transfer, pre-arranged draft, sweep of its bank account or any other method of funds transfer, at Franchisor's option. Franchisee will authorize Franchisor and its bank to debit Franchisee's account directly for the payment of all Continuing Royalty fees, National Advertising Fees, Technology Fees and all other payments due under this Agreement by signing and delivering an Authorization Agreement for Pre-Authorized Payments in the form attached as Exhibit L to this Agreement.

4.8. Late or Insufficient Funds Fee

Late or dishonored payments or payments not paid in full due to insufficient funds will be subject to a late or insufficient funds fee in the amount specified in the Manuals, not to exceed \$500.

4.9. Late Reporting Administrative Fee

If Gross Revenues are not timely reported as required under Section 8.6(b) and the Manual, a late reporting administrative fee will be assessed in the amount set forth in the Manual, not to exceed \$500.

4.9.4.10. No Accord or Satisfaction

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due under this Agreement, the payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or

remedy. No statement on any payment or in any letter accompanying any payment or elsewhere will constitute or be construed as an accord or satisfaction.

4.101. Fees for Optional Referrals

Unless Franchisee has advised Franchisor in writing of its election not to participate in a particular referral program or Key Account program, Franchisee must pay the referral fees required by the program for any customer referrals Franchisee receives from the program. All referral fees payable as a result of Franchisee's participation in a particular referral program managed by Franchisor are payable to Franchisor at the times specified for the program, but no more frequently than monthly.

4.112. Consumer Price Index

Each fixed amount payable under this Agreement may be increased on April 1 annually by the increase, if any, in the Consumer Price Index for All Urban Consumers for the prior year ended December 31.

5. TERM

5.1. Initial Term

The initial term of this Agreement (“Term”) is ten (10) years from the Operating Date, unless sooner terminated under the provisions of this Agreement.

In the event this Agreement is executed in connection with a renewal of an existing franchise agreement or with the grant of a second additional term, Section 5.2 below is deemed deleted and is of no force or effect.

5.2. Additional Term

(a) Subject to the terms and conditions contained in this Section 5.2, Franchisee may extend its franchise relationship for two additional, consecutive five-year terms, upon the following conditions:

(i) Franchisor will notify Franchisee of the expiration date of the Term of this Agreement and will transmit to Franchisee a copy of its then current franchise agreement and franchise disclosure document approximately 180 days before the expiration of the Term.

(ii) After receipt by Franchisee of the then current franchise agreement complete in all material respects, but not later than 30 business days after receipt by Franchisee of the notice, franchise agreement and disclosure document, Franchisee will sign and return the then-current franchise agreement. Upon receipt, Franchisor will sign one copy and return it to Franchisee. The new agreement will become effective concurrently upon expiration of the Term of this Agreement. If Franchisee fails or refuses to sign and return to Franchisor the new franchise agreement within the time frame stated in this section, all of Franchisee’s rights and options to enter into an additional franchise agreement will expire.

(iii) Franchisee will pay a \$5,000 renewal fee per territory at the time the new franchise agreement is signed by Franchisee.

(iv) Franchisee will attend and satisfactorily complete Franchisor’s then-current Initial Training Program for new franchisees. All costs of travel, accommodation and meals are Franchisee’s responsibility.

~~Franchisee's responsibility.~~

(v) On the Operating Date of the new franchise agreement, Franchisee and its Affiliates may not be in default under this or any other agreement with Franchisor and its Affiliates, and Franchisee must have materially performed all of its obligations under this Agreement over the life of this Agreement.

(b) If Franchisor ceases granting franchises in the state in which the Franchised Business is operating, Franchisor will notify Franchisee at least 180 days before the expiration of the Term of that cessation, whereupon Franchisee's right to enter into a new franchise agreement will be terminated in its entirety at the end of the Term.

(c) If Franchisor determines not to grant an additional franchise agreement by reason of a default by Franchisee which is incurable or has not been cured by Franchisee within the applicable time period or failure of Franchisee to fully perform its obligations under this Agreement, Franchisor will give Franchisee notice of its intention not to grant an additional term (i) within the minimum time required by

the jurisdictional authorities, or (ii) in the absence of a specific period, within 30 days after Franchisee gives its notice of its wish to enter into a new franchise agreement but not less than 90 days before the termination date of this Agreement.

(d) After the signing by Franchisee of a subsequent franchise agreement, and before the effective date of the new franchise agreement, Franchisee will bring its Franchised Business into full compliance with the standards then applicable to new BATH TUNE-UP® franchisees.

5.3. Holdover Term

If the parties have not executed a renewal franchise agreement prior to the expiration of the Initial Term, but the Franchisee continues to operate the Franchised Business and the Franchisor accepts any fees or otherwise permits such continued operation, the, unless otherwise agreed in writing, the Franchisee shall be deemed to be operating on a month-to-month basis pursuant to the terms and conditions of the expired franchise agreement. Either party may terminate the month-to-month arrangement at any time upon thirty (30) days' prior written notice to the other party. The existence of this holdover period shall not be construed as a waiver of Franchisor's right to enforce any provision of the expired franchise agreement or as a commitment to renew or extend the franchise relationship.

5.3.4. Notice of Expiration Required by Law

If applicable law requires that Franchisor give a longer period of notice to Franchisee than provided in this Agreement prior to the expiration of the Term, Franchisor will give the additional required notice. If Franchisor does not give the required additional notice, this Agreement will remain in effect on a ~~month-~~month-to-month basis only until Franchisee has received the required additional notice.

6. INTELLECTUAL PROPERTY

6.1. Marks

(a) Franchisor grants to Franchisee the right during the Term to use and display the Marks in accordance with the provisions contained in this Agreement and in the Manuals, solely in the operation of the Franchised Business. Franchisee acknowledges that Franchisor prescribes minimum standards respecting the nature and quality of the goods and services used by Franchisee in which the Marks are used. Franchisee agrees to be responsible for and to supervise all of its employees and agents to insure the proper use of the Marks in compliance with this Agreement. Franchisee will use the Marks solely in the Franchised Business and may not use or display the Marks in the operation of any business, the performance of any other service, or the conduct of any other activity outside the scope of the Franchised Business. Franchisee agrees that all of Franchisee's use of the Marks under this Agreement inures to the benefit of Franchisor. Nothing in this Agreement will give Franchisee any right, title, or interest in or to any of the Marks, except a mere privilege and franchise during the Term to display and use the Marks strictly according to the limitations provided in this Agreement and the Manuals. Franchisee agrees that all art work, graphics, layouts, slogans, names, titles, text, or similar materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, its employees, agents and subcontractors and any other party with whom Franchisee contracts to have the materials produced will become the sole property of

Franchisor, including copyright and trademark rights, and Franchisee agrees on behalf of itself, its employees, its agents, its subcontractors, and any other party with whom it may contract to have the materials produced, to promptly sign any and all appropriate documents in this regard. Franchisee agrees to join with Franchisor in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any

reason, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee will consent in writing to the cancellation and will join in any cancellation petition. The expense of any of the foregoing recording activities will be borne by Franchisor.

(b) Franchisor has advised Franchisee that the name "BATH TUNE-UP®" may have been used by other people in the conduct of a Bath Improvements business prior to Franchisor's registration of its Mark and that those prior users may have the legal right to continue to use the name "BATH TUNE- UP™" in the geographical area in which they have used it. Franchisor has further advised Franchisee that the mechanisms for determining whether a particular trade name is being used by another person (i) vary substantially from locale to locale and Franchisor cannot assure Franchisee that the name "BATH TUNE-~~UP~~-UP™" is not currently being used in the Territory, (ii) may require a search of local trademark and Mark registration records, fictitious business name filings, or both, or some other records maintained by city, county, or state agencies or entities, and (iii) may be imperfect and fail to reveal some protected uses. Franchisee understands that, before signing this Agreement and accepting the Territory, Franchisee should have obtained advice from local counsel regarding the appropriate search and protection mechanisms and have conducted an appropriate search and investigation in the Territory to determine whether there is any prior user of the name "BATH TUNE-UP®".

(c) The name "BATH TUNE-UP®" may be in use by other businesses in the United States who are not Franchisor's franchisees or in any way affiliated with Franchisor. Franchisee acknowledges that Franchisee is responsible for finding out whether the name "BATH TUNE-UP®" is already being used in the Territory. As a material part of the consideration for Franchisor's grant of a franchise to Franchisee, Franchisee waives any claim that Franchisor is liable to Franchisee for damages or losses resulting from any prior use of the name "BATH TUNE-UP®" by anyone else. Nothing in the preceding sentence, however, will be considered to limit a party's respective obligations under Section 6.6 below.

6.2. Acts in Derogation of the Franchisor's Rights

(a) Franchisee agrees that the Marks are the exclusive property of Franchisor. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership by virtue of Franchisee's licensed use of the Marks or otherwise. Ownership and title of the Marks and Franchisor's manuals, bulletins, instruction sheets, forms, methods of operation, and goodwill are and will remain vested solely in Franchisor, and Franchisee's right of use is only co-extensive with the Term of this Agreement. Franchisee acknowledges that the material and information now and from now on provided and/or revealed to Franchisee under this Agreement (including the contents of the Manuals) are confidential trade secrets of Franchisor and are revealed in confidence, and Franchisee will keep and respect the confidences so reposed, both during and after the Term of this Agreement. Franchisor expressly reserves all rights with respect to the Marks, confidential trade secrets, methods of operation, and other proprietary information, except as expressly granted to Franchisee in this Agreement or in the Manuals. Franchisor will disclose its trade secrets to Franchisee by loaning to Franchisee for the Term of this Agreement manual and other written materials containing the trade secrets, through training and assistance provided to Franchisee, and by and through the performance of Franchisor's other obligations under this Agreement. Franchisee acknowledges that Franchisor is the sole owner of all proprietary information and trade secrets, that the information is being imparted to Franchisee only by reason of its special status as a Franchisee of the

System, and that the trade secrets are not generally known to the bathroom improvement industry or public at large and are not known to Franchisee except by reason of the disclosure. Franchisee further acknowledges that it will acquire no interest in the trade secrets, other than the right to use them in the development and operation of the Franchised Business during the Term of this Agreement. In addition, Franchisee acknowledges that the use or duplication of the trade secrets except as expressly permitted by this Agreement will constitute an unfair method of competition and that Franchisor will suffer irreparable

injury by it. Franchisee agrees that it will not do or permit any act or in derogation of any of the rights of Franchisor in the Marks, either during or after the Term of this Agreement, and that Franchisee will use the Marks only for the uses and in the manner franchised under and as provided in this Agreement. Furthermore, Franchisee and its employees and agents will not engage in any acts or conduct that impairs the goodwill associated with the Marks.

(b) In connection with the operation of the Franchised Business, Franchisee agrees that at all times and in all advertising, promotions, signs, and other display materials, on its letterheads, business forms, and at all authorized business sites, in all of its business dealings related to them and to the general public, it will identify the Franchised Business under a fictitious business name, approved by Franchisor, together with the words “AN INDEPENDENTLY OWNED AND OPERATED FRANCHISEE” or any other similar designation that is prescribed by Franchisor, all in the form, size, and style as prescribed in the Manuals. In its sole discretion, Franchisor retains the right to deny the use of certain words or phrases in the fictitious business name. Franchisee will file and keep current a “Fictitious Business Name Statement” (or similar document) with respect to its fictitious business name in the county or other designated region in which Franchisee is conducting business and at any other places as may be required by law. Prior to beginning business under the Marks, Franchisee will supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious business names. Franchisor must approve in advance the total appearance of the fictitious business name (and other identifying words). Franchisee further agrees that it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, joint venturer, agent, or employee of Franchisor or other owner of the Marks or (iii) any of Franchisor’s other franchisees. If Franchisee is a corporation, Franchisee will not use in its corporate name either the Marks or any words confusingly similar thereto.

6.3. Use and Modification of Marks

Franchisor may add to, substitute, or modify any or all of the Marks from time to time, by directive in the Manuals. Franchisee will accept, use, display, or cease using, as may be applicable, the Marks, including any modified or additional trade names, trademarks, Marks, logotypes, and commercial symbols, and will within 30 days of receiving notification, begin to implement the changes and use its best efforts to complete the changes as soon as practicable at its own expense. On the expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, sign in Franchisee’s name and on Franchisee’s behalf any and all documents necessary, in Franchisor’s judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and fictitious business name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee’s attorney-in-fact to do so.

6.4. Use of Other Trademarks

Franchisee may not use or display or permit the use or display of trademarks, trade names, Marks, insignias or logotypes, other than the fictitious business name (i) in any advertisement that contains the words “BATH TUNE-UP®” or any other Marks, (ii) in or on any place of business of Franchisee in any manner that is reasonably visible from outside the place of business, or (iii) in any computer system used at any place of business of Franchisee, or otherwise in connection with the Franchised Business, in any

manner that could lead any person to believe that the other trademarks, trade names, Marks, insignias, or logotypes or the products or services with which they are associated are owned or offered by the Franchisor or its Affiliates, except as otherwise expressly permitted in this Agreement or in the Manuals.

6.5. Prohibition Against Disputing Franchisor's Rights

Franchisee may not, during or after the Term of this Agreement, in any way, dispute or impugn the

validity of the Marks, the rights of Franchisor to the Marks, or the right of Franchisor or other franchisees of Franchisor to use the Marks.

6.6. Mark Infringement Claims and Defense of Marks

If Franchisee receives notice or otherwise becomes aware of any claim, suit, or demand against it by any party other than Franchisor or its affiliates, on account of any alleged infringement, unfair competition, or similar matter arising from Franchisee's use of the Marks in accordance with the terms of this Agreement, Franchisee will promptly notify Franchisor of the claim, suit, or demand. Franchisee may not settle or compromise any such claim, suit, or demand by a third party without the prior written consent of Franchisor. Franchisor will defend, compromise, or settle at its discretion any such claim, suit or demand at Franchisor's cost and expense, using attorneys selected by Franchisor, and Franchisee agrees to cooperate fully in the matter. Provided that Franchisee has fully complied with the obligations of this section, Franchisor will indemnify Franchisee against all judgments resulting from any claim, suit, or demand arising from Franchisee's use of the Marks in accordance with the terms of this Agreement. Franchisor will have the sole discretion to determine whether a similar trademark or Mark being used by a third party is confusingly similar to the Marks being used by Franchisee and whether and what subsequent action, if any, should be undertaken with respect to the similar trademark or service mark.

6.7. Use of Marks on the Internet

(a) Franchisee may not develop, create, generate, own, franchise, lease, or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols, or terms confusingly similar to any of them without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time. Without limiting the generality of the foregoing, Franchisee will not cause, permit or allow the Marks, or any of them, or any words, symbols or terms confusingly similar to any of them, be used or displayed in whole or part: (i) as, or as a part of, an Internet domain name, (ii) as, or as a part of, a uniform resource locator (or "URL," the unique address assigned to each page of a Web site) at any level or address, or (iii) on or in connection with any Internet home page, Web site, bulletin board, newsgroup, chat-group, buddy list, instant messenger, meta-tag (or the comparable identifier in any future technology) or other Internet-related activity, without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time. Franchisee may not link to or frame any part of Franchisor's Web site (including the Franchisee Page, if any) to any other Web site or authorize any third party to link to or frame any part of Franchisor's Web site (including the Franchisee Page, if any) without Franchisor's express prior written consent, and then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time.

(b) Except as provided below, Franchisee may not use, nor authorize any third party to use, the Marks to advertise, promote, offer, or sell any goods or services through the Internet, if those goods or

services are the same as or similar to those (i) which are offered at or from the Franchised Business, (ii) which bear any of the Marks, or (iii) which are otherwise offered or sold under the Marks. Franchisee may, however, use the Marks to sell goods or services through the Internet in compliance with the Manuals or with Franchisor's prior written consent, but then only in the manner and in accordance with the procedures, policies, standards, and specifications that Franchisor establishes from time to time.

Franchisor is the owner of, and will retain all right, title, and interest in and to the domain name

“BATH TUNE-UP®”, the URL, all existing and future domain names, URLs, addresses and subaddresses (including the Franchisee Page subaddresses), all computer programs and computer code (e.g., HTML, Java) used for or on Franchisor’s Web site, excluding any computer programs and computer code owned by third parties (collectively, “Software”), all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data prepared for, used on or in connection with, displayed on, or collected from or through Franchisor’s Web site (collectively, “Content”), and all intellectual property rights in or to any of them.

(c) Franchisee must participate in programs and/or adhere to any then current policies or specifications Franchisor develops, maintains or requires from time to time with respect to the use of Artificial Intelligence in connection with the development and operation of the Franchised Businesses generally or the Franchised Business. For purposes of this Agreement, Artificial Intelligence means a field of science concerned with building computers and machines that can reason, learn, and act in such a way that would normally require human intelligence or that involves data whose scale exceeds what humans can analyze.

6.8. Use of Marks in Social Media

(a) Franchisee may not promote the Franchised Business or use the Marks in any manner on any social media site existing now or in the future (including, without limitation, on blogs, vlogs, Facebook, LinkedIn, Twitter, Instagram, Flickr, Tumblr, Pinterest, Google+, Vine and Snap Chat) or on file-, audio- or video- sharing sites, other than in accordance with Franchisor’s written standards. Franchisor has final authority over all social media marketing, and Franchisee must comply with Franchisor’s brand standards regarding use of social media in the operation of the Franchised Business. Franchisee may not post communications about the Franchised Business or the System that would disclose the System’s confidential or proprietary information, violate any relevant laws, regulations or guidelines or violate the terms of use imposed by the social media site. Franchisee may not post communications about the Franchised Business or the System on any public-facing social media site that is not authorized by Franchisor for use by Franchisee. Franchisee must ensure that policies it adopts for its employees’ social media use are consistent with the requirements for social media advertising set forth herein.

(b) Franchisor is under no obligation to provide Franchisee with access to branded social media pages or other social media assets. Any social media pages or other social media assets that Franchisor, in its sole discretion, chooses to make available to Franchisee will be provided only on condition that Franchisee updates them regularly. Any such social media pages or other social media assets maintained by Franchisee shall be deemed “advertising” and shall be subject to all terms of this Section

6.8. Franchisor has the right, but not the obligation, to conduct social media campaigns on behalf of all, or any subset of, Franchisees via local social media.

6.9. Copyrights

Franchisee acknowledges that Franchisor owns the worldwide copyrights and other intellectual property rights to all components of the System that are original works of authorship subject to copyright, including, without limitation, the Manuals, marketing materials, website text, artwork, photographs, musical compositions, sound recordings, audiovisual works, computer software, and architectural designs (collectively, the “Copyrighted Materials”). Franchisee acknowledges and agrees that it may not make translations, copies, adaptations of or modifications to the Copyrighted Materials without the prior written consent of Franchisor.

Neither this Agreement nor the operation of the Franchised Business in any way gives Franchisee

any interest in the Copyrighted Materials other than the right to use the Copyrighted Materials solely in connection with the Franchised Business, solely in accordance with the terms and conditions of this Agreement and solely during the term of this Agreement.

Franchisee acknowledges that Franchisor will own the copyrights and all other rights to translations, modifications and adaptations of or to the Copyrighted Materials made by Franchisee from time to time. Franchisee hereby assigns to Franchisor its copyrights and economic rights and waives any moral rights and similar rights with respect to the translated, modified or adapted Copyrighted Materials, and agrees to execute any all instruments and documents, render such assistance and perform such acts and things as may, in the opinion of Franchisor, be necessary or advisable in the furtherance of such assignment and waiver. Franchisee will require the same assignment, waiver and covenant in favor of Franchisor by Franchisee's officers and employees and by any independent contractors or other third parties who translate, modify or adapt the Copyrighted Materials.

6.10. Artificial Intelligence

Franchisee must participate in programs and/or adhere to any then-current policies or specifications Franchisor develops, maintains, or requires from time to time with respect to the use of artificial intelligence in connection with the development, marketing and operation of Franchised Businesses generally or the Franchised Business.

7. INSTRUCTION AND OPERATING ASSISTANCE

7.1. Training Programs

Unless the Initial Franchise Fee was waived under Section 4.1, immediately before the Operating Date, Franchisor will provide virtual training to two management representatives of Franchisee to educate, familiarize and acquaint Franchisee with the business of operating the Franchised Business. Franchisee must successfully complete the initial training program which includes virtual classroom and practical instruction regarding the technical aspects of operating the Franchised Business, basic business operating procedures, basic sales and marketing techniques and other topics selected by Franchisor from time to time ("Initial Training Program"). In addition, Franchisee must participate in and successfully complete Franchisor's "Four Week Pre-Training Program" and "Twelve Week Post-Training/Mentor Program" (collectively, with the Initial Training Program, "Training Programs") which reinforce and supplement the Initial Training Program.

Franchisor will determine the duration of the Training Programs. The Franchisee or the Manager must complete the Initial Training Program before the Operating Date. Before beginning the Training Programs, if Franchisee is not the Manager, the Manager must deliver to Franchisor a signed confidentiality agreement in the form from time-to-time included in the Manuals.

At or immediately before Initial Training (unless the Initial Franchise Fee was waived under Section 4.1, Franchisor will provide Franchisee with the BATH TUNE-UP® Start-Up Package, comprised of those items enumerated in Schedule 3 to this Agreement.

7.2. Additional Attendees

Provided there is sufficient room in an Initial Training class, Franchisor will allow additional responsible management people designated by Franchisee to attend Initial Training. People attending Initial Training must have a demonstrable relationship to the management and operation of the

Franchised

Business by Franchisee. Prior to beginning training, each person must deliver to Franchisor a signed confidentiality agreement in the form from time-to-time included in the Manuals.

Franchisor reserves the right to assess a reasonable charge for training additional attendees. At Franchisor's discretion, any additional trainees may not be allowed to participate in field trips or vendor visits during Initial Training.

7.3. Staff Training

Franchisee and the Franchisee's management personnel attending Initial Training are responsible for training Franchisee's other staff and other management personnel in connection with their respective roles/positions at the Franchised Business. Franchisee may utilize certain of Franchisor's confidential information and proprietary materials, including the Manuals, when conducting training but only to the extent necessary to conduct such training and only pursuant to Franchisor's confidentiality terms and conditions.

7.4. On-Site Assistance

If Franchisee requires and requests additional on-site assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor may provide Franchisee with such assistance at Franchisor's then-current training fee, plus expenses, including Franchisor's travel and lodging expenses, as Franchisor deems necessary in its sole discretion.

7.5. Start-Up Package

Franchisee will receive the BATH TUNE-UP® Start-Up Package described in Schedule 3 to this Agreement if the Initial Franchise Fee is paid in full.

7.6. Staff Training Courses

(a) Franchisor may make available to Franchisee, from time to time, optional staff training courses, seminars, conferences, or other programs, in a suitable location in Franchisor's discretion. Franchisor may charge a reasonable fee for such optional courses. Franchisor reserves the right to exclude prospective trainees from any further training courses who have not attended prerequisite Franchisor training courses.

(b) Upon reasonable notice, Franchisor may require attendance of designated personnel of Franchisee at training courses, seminars, conferences, or other programs other than Initial Training that are considered by Franchisor to be relevant or appropriate to the successful operation of the System. Franchisor will charge no fees for required training courses, seminars, conferences, or other programs.

(c) In connection with any staff training courses described in Sections 7.6(a) and 7.6(b) above, Franchisee will pay the travel, hotel and meal expenses for Franchisee's attendees.

7.7. Continuing Assistance

Representatives of Franchisor will be available on an ongoing basis during normal business hours for consultation and guidance with respect to the operation and management of the Franchised Business. In addition to the Manual, Franchisor may from time to time provide Franchisee with additional materials and/or training relating to the Franchised Business.

Additionally, Franchisor may, at its cost, provide or facilitate structured coaching with respect to aspects of the Franchised Business as Franchisor determines appropriate. If Franchisor facilitates such structured coaching utilizing third party contractors, Franchisee consents to such contractors sharing with Franchisor all financial and other information concerning Franchisee's business derived during the course of such coaching.

7.8. Convention

Franchisor may, at its option, hold a convention or meeting of franchisees annually or at such other interval as Franchisor shall determine. Franchisee will pay the Convention Fee set forth in Section 4.6 and the travel, hotel, and meal expenses for Franchisee and Franchisee's attendees. Attendance at Convention is mandatory.

7.9. Proprietary Materials

At Initial Training or other training programs (if any), Franchisor will provide to Franchisee proprietary information for use in connection with the training of Franchisee's staff. At Initial Training, Franchisor will grant Franchisee electronic access to the Manuals for Franchisee's use during the Term of this Agreement. Franchisor may also from time to time make available to Franchisee for purchase certain materials relevant to the System and the Franchised Business. Franchisee may not, and may not allow its employees or others, to copy, reproduce, disseminate, or otherwise reveal to third parties any of the foregoing proprietary information and related materials without Franchisor's express prior written consent.

7.10. Equipment, Tools, Supplies and Inventory

Franchisor shall recommend the standard equipment, tools, supplies and inventory for use by Franchisee and sources for purchasing such items.

7.11. Initial Promotion and Advertising

Franchisor shall assist Franchisee in developing the pre-opening, and initial post-opening promotion of the Franchised Business. Franchisor will, from time to time, provide Franchisee with promotional and advertising information.

8. OPERATION OF BUSINESS

8.1. Franchisee Operational Requirements

(a) Manager. Franchisee will employ or engage the services of, on a full time basis, at least one Manager who will devote his or her entire time and attention during normal business hours, as defined in the Manuals, to the management, operation, and development of the Franchised Business in a manner that maximizes Gross Revenue consistent with sound marketing and business practices and will not engage in any other business activity requiring his or her active participation during normal business hours.

(b) Vehicle. At any time after the Effective Date, but before the Operating Date, Franchisee must purchase or lease at Franchisee's expense a motor vehicle or motor vehicle and enclosed trailer meeting Franchisor's standards, as set forth in the Manuals (a "Vehicle") for use in the Franchised Business. At its expense, Franchisee must affix Franchisor's approved vehicle signage to the Vehicle in

accordance with the specifications of Franchisor as described in the Manuals and provide a photograph of the fully wrapped Vehicle. Any subsequent modifications to the Mark and distinctive logo on the side of the Vehicle

will be at Franchisee's expense. Franchisee will be responsible for all operating and other expenses associated with the Vehicle. Franchisee will deliver to Franchisor a copy of the bill of sale or lease for the Vehicle within ten days after Franchisee purchases or leases it. Franchisee must at all times maintain a policy of comprehensive liability insurance that meets specifications stated in the Manuals with Franchisor as an additional named insured. The insurance requirements of the preceding sentence will survive so long as Franchisee uses the Vehicle in any business operating under the fictitious business names. If this Agreement is terminated, for whatever reason, Franchisee will immediately remove the name and logo of BATH TUNE-UP® and any other Marks from the Vehicle and cease any further use of that name, logo and Marks.

(c) Partnership Vendors and Approved Vendors. Franchisee must purchase Products only from Franchisor and its Affiliates, Partnership Vendors or Approved Vendors. If Franchisee purchases from a vendor other than Franchisor, an Affiliate of Franchisor, Partnership Vendors or Approved Vendors, Franchisor has the right, at its option, in lieu of termination, to redirect Gray Area and national account leads that would otherwise be directed to Franchisee to another compliant franchisee of Franchisor's choice. In addition, Franchisee will be required to purchase from Franchisor, an Affiliate of Franchisor, Partnership Vendors or Approved Vendors samples, marketing materials, marketing services, and other items necessary to sell Bath Improvements, as well as stationery and business cards containing Franchisor's proprietary Marks. In order to protect the System and its good standing with vendors, Franchisee must pay vendors on time and notify Franchisor of any amounts payable to vendors more than 90 days past due.

(d) Technology and Computer Systems. Franchisor has the right to mandate certain brands, types, makes, and/or models of communications, computer systems, software and hardware including without limitation: (1) back office and point of sale systems, mobile devices, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Franchised Business, between or among Franchised Businesses, and between and among Franchisee's Franchised Business and Franchisor, its designee, and/or Franchisee; (2) physical, electronic, and other security systems; (3) printers and other peripheral devices; (4) archival back-up systems; and (5) Internet access mode (e.g., form of telecommunications connection) and speed (collectively, the "Computer System"). Franchisee must purchase or lease, and thereafter maintain, the Computer System, and comply with Franchisor's requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing.

(i) *Franchisor's Use of Data*

Franchisor shall have the right at any time to retrieve and use such data and information from Franchisee's Computer System that Franchisor deems necessary or desirable, including, without limitation, the uses identified in Section 8.1(d) above. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it must strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and will otherwise operate its Computer System in accordance with Franchisor's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and computer systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, that Franchisee must keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Franchisor shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee must promptly install such additions, changes, modifications, substitutions, and/or replacement to Franchisee's computer hardware, software, telephone, and power lines, and other related facilities, as Franchisor directs periodically in writing. Franchisee must

provide to Franchisor, upon Franchisor's request, all email lists and customer lists used or maintained by Franchisee ~~on the Computer System or elsewhere.~~

(ii) *Required Programs*

Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) software programs and accounting system software that Franchisee must use in connection with the Computer System (“Required Programs”);

(b) updates, supplements, modifications, or enhancements to the Required Programs; (c) the tangible media upon which Franchisee must record or receive data; (d) the database file structure of Franchisee’s Computer System; (e) an electronic portal for informational assistance which may include, without limitation, the Manuals, training, other assistance materials, and management reporting solutions; and (f) answering service requirements. Required Programs are specified in the Manual. Franchisor may substitute the Required Programs at any time.

(iii) *Upgrades and Access*

Franchisee agrees to use the Computer System and Required Programs in the manner that Franchisor requires. Franchisor may charge a reasonable software license fee for any Required Programs. Franchisee agrees to implement and periodically update and make other changes to the Computer System as Franchisor requests in writing, which shall not be more often than one upgrade per year (collectively, “Computer Upgrades”). Franchisee will comply with Franchisor’s written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required Programs, and with respect to Computer Upgrades, at Franchisee’s own expense.

Franchisee agrees to afford Franchisor unimpeded access to its Computer System and Required Programs in the manner, form, and at the times that Franchisor requests. Franchisee must provide Franchisor with user identifications and passwords required to access files and other information contained on the Computer System.

Because changes to technology are dynamic and not predictable within the Term, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor will have the right to establish, in writing, reasonable new standards to address new technologies and data security, whether published in the Manuals or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor’s new standards (and with Franchised Business audits conducted by Franchisor or its designee to confirm Franchisee’s compliance) as if this Section, and other technology provisions in this Agreement, were periodically revised for that purpose.

(e) Extranet/Electronic Portal. Franchisee must comply with Franchisor’s requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee’s Computer System and Franchisor’s Extranet and/or electronic portal and/or such other computer systems as Franchisor may reasonably require. The term “Extranet” means a private network based upon Internet protocols that will allow users inside and outside of Franchisor’s headquarters to access certain parts of Franchisor’s computer network via the Internet. Franchisor may establish an Extranet and/or electronic portal (but is not required to do so or to maintain an Extranet and/or electronic portal). Franchisee must comply with Franchisor’s requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Extranet and/or electronic portal, and utilizing the Extranet and/or electronic portal in connection with the operation of the Franchised Business. The Extranet and/or electronic portal may include, without limitation, the Manuals,

training and other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor ~~may direct~~).

[may direct\).](#)

Franchisee must purchase and maintain such computer software and hardware (including but not limited to telecommunications capacity) as may be required to connect to and utilize the Extranet and/or electronic portal. Franchisor reserves the right to require Franchisee to contribute a reasonable amount toward the cost of the Extranet's and/or electronic portal's maintenance and further development. If Franchisee fails to comply with any policy or procedure governing the Extranet and/or electronic portal, Franchisor may temporarily suspend Franchisee's access to all or any aspect of the Extranet and/or electronic portal (such as a chat room, bulletin board, listserv or similar feature) until Franchisee fully cures the breach. Franchisee will not have any claim against Franchisor or any affiliate arising from such suspension from the Extranet and/or electronic portal pursuant to this Section 8.1(e), and Franchisee hereby waives any such claim it may at any time have and releases Franchisor and its affiliates from any liability arising therefrom.

Franchisee and Franchisor shall each be responsible for protecting their own interests in relation to electronic communications. Franchisor shall have no liability to Franchisee on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss, or omission arising from or in connection with electronic communication of information.

(f) Customer Relations. Except as otherwise specified by Franchisor in the Manuals or otherwise, Franchisee must immediately resolve any customer complaints regarding the quality of products or services of the Franchised Business or any similar complaints. When any customer complaints cannot be immediately resolved, Franchisee must use reasonable efforts to resolve the customer complaints as soon as practical. If Franchisor determines that its intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if Franchisor believes that Franchisee has failed adequately to address or resolve any customer complaints, Franchisor may, without Franchisee's consent, resolve any complaints and charge Franchisee an amount sufficient to cover Franchisor's reasonable costs and expenses in resolving the customer complaints, which amount Franchisee must pay Franchisor immediately on demand. **It is strictly prohibited to use a deposit received from a customer for the purchase of product for any other purpose, including the placement of product orders for other customers.**

(g) Taxes. Franchisee will pay any and all personal property, income, sales, use, excise, ad valorem, and other taxes, regardless of source or nature, which may be imposed, levied, assessed, or charged on, against, or in connection with, the Franchised Business or any product or service sold or furnished by Franchisee under this Agreement or otherwise, by any federal, state, county, municipal, or other governmental agency or subdivision which may have jurisdiction over the Franchised Business or the products or services offered in connection with it.

(h) Staffing. From time to time, Franchisee will hire the additional full-time and part-time staff that Franchisee considers necessary to operate the Franchised Business properly. Although Franchisor may make recommendations to Franchisee (in the Manuals or otherwise) concerning employees, Franchisor and Franchisee are not joint employers of Franchisee's employees and other personnel. Franchisor does not and will not share or codetermine any of Franchisee's employees' essential terms and conditions of employment. More specifically, in no case does Franchisor have any authority to determine or set Franchisee's employees': (1) wages, benefits and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. Franchisee alone has sole authority to determine

may direct).

any or all Franchisee's employees' essential terms and conditions of employment. Franchisee will

indemnify Franchisor (under Section 13.3, below) for any actual or alleged claim that Franchisor and Franchisee are joint employers of any Franchisee employee or personnel and all claims arising out of or relating to Franchisee's employees and Franchisee's hiring, firing, and discipline decisions concerning those employees.

(i) Crisis Management. Franchisee shall promptly notify Franchisor by telephone and in writing of all: (a) safety or health violations, (b) claims exceeding \$1,000, and (c) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain any communications with governmental authorities affecting the Franchised Business during the Term of this Agreement and for one (1) year after the expiration or earlier termination hereof. Further, upon the occurrence of a Crisis Management Event, Franchisee must immediately inform Franchisor by telephone or electronic means, must cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event, and must implement such remediation plan as may be instituted by Franchisor.

8.2. Manuals

(a) Franchisee will operate the Franchised Business in accordance with the Manuals. Franchisor will have the right to modify the Manuals at any time by the addition, deletion or other modification of the provisions of the Manuals. Franchisor agrees that although the modifications to the Manuals may be material in that they may have an effect on the operation of the Franchised Business, they may not conflict with or materially alter the terms of this Agreement. All additions, deletions or modifications will be effective the next business day after notification is posted on Franchisor's electronic portal.

(b) All additions, deletions, or modifications to the Manuals will be equally applicable to all similarly-situated Franchisees. The Manuals, as modified or amended from time to time, will not alter Franchisee's fundamental status and rights under this Agreement. References to the Manuals made in this Agreement, or in any amendments or exhibits to this Agreement, will be considered to mean the Manuals, as amended from time to time.

(c) Except as specifically permitted by Franchisor, at no time may Franchisee, or its employees or agents, make, or cause to be made, any copies or reproductions of all or any portion of the Manuals or disclose the terms of the Manuals to any other person except employees and agents of Franchisee when required in the operation of the Franchised Business.

8.3. Local Area Marketing

(a) Franchisee must use best efforts to promote and advertise the Franchised Business and participate in any local marketing and promotional programs that Franchisor establishes from time to time. In addition to the National Advertising Fee, Franchisor may require that Franchisee invest the amount specified in the Manuals on approved local marketing and promotion, not to exceed 8% of Franchisee's Gross Revenue. We recommend 10% of desired Gross Revenues be invested in local area marketing. Franchisor may require Franchisee to use only those service providers approved by Franchisor.

(b) Franchisee has the right to conduct such advertising and promotions of the Franchised Business as Franchisee in its reasonable discretion desires, provided that:

- (i) Franchisee must advertise and promote only in a manner that will reflect favorably on Franchisor, Franchisee, the products and services and the good name, goodwill and reputation thereof;

- (ii) Franchisee must submit all proposed advertising and promotions to Franchisor for its approval, which approval may not be unreasonably withheld or unduly delayed. Franchisee may not use any advertising or promotions until Franchisor has given its written approval of such advertising or promotions;
- (iii) if Franchisee operates a Showroom, Franchisee must prominently display, at its expense, in and on the Showroom, signs of such nature, form, color, number, location, size and content as Franchisor may direct or approve in writing from time to time. Such signs must be purchased from suppliers approved by Franchisor; and
- (iv) Franchisee hereby acknowledges that all rights, including, without limitation, all intellectual property rights, in all advertising and promotional material prepared by or on behalf of Franchisor are and will at all times remain the property of Franchisor.

8.4. Telephone Numbers and Advertising

(a) At its expense, Franchisee will obtain and maintain a telephone service for the Franchised Business. Franchisee may insert this telephone number in its directory listings, business cards, and stationery in conjunction with the Franchised Business, but may otherwise advertise this telephone number only with Franchisor's prior written consent. If Franchisee operates the Franchised Business from Franchisee's residence, the business number must be separate from Franchisee's personal (residential) telephone number. If Franchisee is engaged in businesses other than the Franchised Business, Franchisee must maintain different telephone numbers and may make no reference to the Franchised Business in any listings in respect of the other businesses. At the time of termination of this Agreement, for any reason, Franchisee will comply with the provisions of Section 12.1(b) below, with respect to telephone numbers.

(b) Upon termination of this Agreement, for any reason, Franchisor will retain or change the telephone number relating to the Franchised Business in its sole discretion and Franchisee will do all things necessary or appropriate to transfer the telephone number to Franchisor, including paying any outstanding accounts with any directories and telephone service providers, and will not provide a call forwarding or telephone number referral with respect to any retained or disconnected telephone number. At any time during the Term of this Agreement, Franchisor may require Franchisee to sign a telephone supersedure form applicable to the telephone number relating to the Franchised Business. Furthermore, upon termination, Franchisee will not indicate in any manner it was previously affiliated with Franchisor.

(c) Franchisor may impose other requirements concerning telephones and telephone numbers in the Manuals. Among other requirements that may be imposed in the Manuals, Franchisor may require that Franchisee's telephones be answered by a live person (either an employee of Franchisee or an answering service) during regular business hours, rather than using voice-mail or a telephone answering machine and that Franchisee utilize call tracking technology as may be prescribed by Franchisor in the Manuals.

8.5. Insurance

Franchisee will have in effect on the Operating Date and maintain during the Term a commercial general liability insurance policy and all other insurance in the types and amounts as are specified in the Manuals. All policies of insurance to be maintained by Franchisee will contain a separate endorsement naming the Franchisor, and if required, its affiliated companies, as additional insured parties. The

policies of insurance will not be subject to cancellation or modification except after 30 days prior written notice to

the Franchisor. Franchisee will cause certificates of insurance or other evidence of insurance coverage in the form Franchisor requests showing compliance with the above requirements to be delivered to the Franchisor annually upon renewal and at any other times that Franchisor requests. If Franchisee does not maintain the insurance coverage required in the Manuals, Franchisor may purchase the policies of insurance it considers to be required and Franchisee will reimburse Franchisor for all costs of the insurance.

8.6. Reporting, Data, Records and Rights of Inspection

(a) Franchisor may, from time to time, specify in the Manuals or otherwise in writing the information that Franchisee will collect and maintain on the Computer System (as defined in section 8.1(d)), and Franchisee will provide to Franchisor such reports as Franchisor may from time to time prescribe in the Manuals. All data pertaining to the Franchised Business, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including without limitation data pertaining to or otherwise concerning the Franchised Business's customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from, Franchisee's Computer System) is and will be owned exclusively by Franchisor without compensation to Franchisee. Copies and originals of such data must be provided to Franchisor on Franchisor's request. Franchisor by this Agreement licenses use of such data back to Franchisee for the Term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the Franchised Business.

(b) Franchisee will submit monthly Gross Revenue reports by the fifth day of the month for the immediately preceding calendar month in the form and via the method prescribed by Franchisor from time to time in the Manuals or otherwise in writing.

(c) Franchisee will submit monthly profit and loss statements by the fifth day of the month for the immediately preceding calendar month in the form and via the method prescribed by Franchisor from time to time in the Manual or otherwise in writing.

(d) Franchisee will maintain during the Term, and for a period of 36 months following expiration or termination of this Agreement for any reason, complete and accurate records of all Gross Revenue and Product purchases related to the Franchised Business, in the form and manner specified by Franchisor in the Manual. Franchisee shall perform timely reconciliation of all Gross Revenue and profit and loss statements and provide copies to Franchisor on request. Franchisor shall have the right to inspect or audit, or cause to be inspected or audited the financial books, records, bookkeeping and accounting records, documents or other materials (collectively, "Documents") in respect of the Franchised Business, including the right, without limitation, to have a person on the premises to check, verify and tabulate Gross Revenue and Product purchases, and/or to examine and make copies of all accounting and business records and procedures. Franchisor may require electronic records be provided in lieu of an in-person inspection or audit. If required by Franchisor, Franchisee will also provide Franchisor, at Franchisee's sole cost and expense, with a certification from Franchisee's accountant that profit and loss statements and statements of Gross Revenue are true and correct. In the event that any such audit or inspection shall disclose an understatement of Gross Revenue, Continuing Royalty or other material financial information related to the Franchised Business, Franchisee shall pay to Franchisor, within fourteen (14) days after receipt by Franchisee of the inspection or audit report, the Continuing Royalty, [National Advertising Fee](#) and other sums due on account of such understatement. Further, if such audit or inspection is made necessary by the failure of Franchisee to furnish Documents as herein required, or if it is determined by any such audit or inspection that Franchisee's records and procedures were insufficient to permit a proper determination of Gross Revenue or Product purchases for any year or part thereof to be made, or that

Gross Revenue, Continuing Royalty or other material financial information for the period in question were understated by

5% or more of the Gross Revenue actually received, Franchisee shall immediately take such steps as may be necessary to remedy such default in accordance with any Franchisor requirement and Franchisee shall promptly pay to Franchisor all costs incurred in connection with such audit or inspection, including, without limitation, charges of an accountant and the travel expenses, room, board and compensation of employees of Franchisor or its designee who performed the audit or inspection, such costs not to exceed \$10,000. In the event any audit or inspection reveals any understatement of 5% or more of Gross Revenue, Franchisor has the right as it deems necessary to conduct further audits or inspections for up to two years thereafter, at Franchisee's expense for all costs and expenses of the subsequent audit or inspection, such costs not to exceed \$10,000 per audit. Franchisee acknowledges and agrees that if a subsequent audit or inspection reveals any understatement of Gross Revenues of 5% or more, in addition to any other available remedies, Franchisor will have the right to terminate this Agreement without any opportunity to cure in accordance with Section 10.2 of this Agreement. If Franchisee's records and procedures were insufficient to permit a proper determination of Gross Revenue or Product purchases, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of Gross Sales or Product purchases from other than approved vendors for the period under consideration and Franchisee shall immediately pay to Franchisor any amount shown thereby to be owing on account of the Continuing Royalty and other sums due on account of any understatement and, as liquidated damages and not a penalty, such sums that would otherwise have been paid to Franchisor by approved vendors in the form of rebate had Franchisee purchased Product from the approved vendors instead of unapproved vendors. Any such estimate shall be final and binding on Franchisee.

(e) Within 60 days after each of Franchisee's fiscal years end, Franchisee will furnish ~~furnish~~ Franchisor with (i) a detailed profit and loss statement in Franchisor's required form together with a balance sheet for the Franchised Business for the previous fiscal year, (ii) a statement of gross sales for the previous fiscal year, and (iii) a list of Franchisee's business offices (including the addresses and telephone numbers of each), along with any further information Franchisor reasonably requests. All of the financial statements and information will be prepared according to the guidelines prescribed by Franchisor in the Manuals, and will be certified by Franchisee, or in the case of a corporate Franchisee, by Franchisee's Chief Executive Officer or Chief Financial Officer, as being true and correct.

(f) Franchisor may, at any time, use any financial report or statement, or any information derived from them, in aggregate form, as part of Franchisor's disclosure document or similar document.

(g) Franchisor and/or its representatives shall have the right at all times during normal business hours, without notice to Franchisee, to inspect the Showroom (if any) to determine whether it is in compliance with the requirements of the Manuals and examine the manner in which Franchisee is conducting its business. In the event of any such inspection, Franchisee and its personnel shall cooperate fully.

8.7. Review

Upon reasonable prior written notice, Franchisor will have the right to send representatives at reasonable intervals during normal business hours, into Franchisee's principal place of business or other offices to inspect Franchisee's operations, business methods, services, financial and other records (of which Franchisor may make copies), management, and administration, to determine the quality and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Manuals.

8.8. Compliance with Laws

Franchisee will (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, some of which are subject of specific policies set forth in the Manuals and which policies must be strictly adhered to, (ii) comply with all applicable wage and hour and other laws and regulations of the federal, state, or local governments, (iii) prepare and file all necessary tax returns, (iv) pay promptly all taxes imposed upon Franchisee or upon its business or property, and (v) at all times comply with the applicable licensing requirements if any, of a State Contractor's License Board (or its equivalent) and other appropriate organizations. Franchisee represents and warrants that it will obtain and maintain all necessary permits, certificates, and/or licenses necessary to conduct the Franchised Business in the Territory. Franchisee will immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification will include all relevant details concerning the proceedings, according to the procedures described in the Manuals.

8.9. Pricing

Franchisee is solely responsible for determining the prices of Products and services offered by the Franchised Business, however, Franchisee is required to comply with any maximum or minimum resale pricing restrictions Franchisor may implement so long as such pricing does not violate applicable law.

8.10. No Competing Businesses

(a) Franchisee acknowledges that, under this Agreement, Franchisee will receive valuable specialized training, trade secrets, and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of the System. Franchisee acknowledges that this specialized training, trade secrets, and confidential information provide a competitive advantage and will be valuable to Franchisee in the development and operation of the Franchised Business, and that gaining access to this specialized training, trade secrets, and confidential information is, therefore, a primary reason why Franchisee is entering into this Agreement.

(b) In consideration for this specialized training, trade secrets, confidential information, and rights, Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee will not during the Term, either directly or indirectly, for itself or through, on behalf of, or in conjunction with any people, partnership, or corporation:

(i) Divert or attempt to divert any business or customer of the Franchised Business to any “Competitor” (as defined below), by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System. For purposes of this Agreement, a “Competitor” is a business that derives revenues from the direct or indirect retail sale of Bath Improvements or services or other products or services similar to those sold by the Franchisor or any of its franchisees.

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to, any Competitor located within the United States, its territories or commonwealths, or any other country, province, state, or

geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks, or operates or licenses others to operate a business under the Marks or similar marks.

(c) For a continuously uninterrupted period of two years, beginning with “expiration date” specified below, Franchisee will not, directly or indirectly, for itself, or through, on behalf of, or in conjunction with any other person:

(i) Divert or attempt to divert any business or customer of the Franchised Business to any Competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to, any Competitor that is, or is intended to be, located within, or within a 25 mile radius of, the Territory or the territory of any BATH TUNE-UP® business in existence or under development as of the expiration date.

For purposes of this section, “expiration date” is the date that this Agreement expires without renewal or is terminated (regardless of the reason for termination), or that Franchisee transfers all of its interest in this Agreement.

(d) Franchisee acknowledges that each of the covenants contained in this section is a reasonable limitation as to time, geographical area, and scope of activity to be restrained, and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Each of the covenants in this section will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this section. This section will not apply to the ownership of less than a 1% beneficial interest in the outstanding equity securities of any publicly held company.

(e) Franchisee understands and acknowledges that Franchisor may, in its sole discretion, reduce the scope of any covenant in this section without Franchisee's consent, effective immediately upon notice to Franchisee. Franchisee agrees that any covenant as so modified will be fully enforceable, and Franchisee covenants that it will comply with the modified covenant.

(f) Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this section.

(g) Franchisee must require and obtain signing of covenants similar to those set forth in this section (including covenants applicable upon the termination of a person's employment with Franchisee) from its Manager. Additionally, at Franchisor's request, Franchisee will require and obtain signing of similar covenants to those identified in the preceding sentence from any personnel of Franchisee who have received or will have access to training from Franchisor. Franchisee will also require all people who Control Franchisee or who own (directly or indirectly) 10% or more of Franchisee to sign similar covenants. Any covenants required under this section will be substantially in the form of this section.

8.11. Franchisor's Web Site

(a) Franchisor has established and will maintain from time to time one or more sites on the Internet that may, among other things, facilitate orders, provide information about the System and the products and services that are offered at businesses operated under the Marks, and allow end-users to locate a nearby business operated under the Marks (Franchisor's Web site). Franchisor has sole discretion and control over the design and content of Franchisor's Web site. Franchisor may, at its sole option, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content, and functionality of Franchisor's Web site, (ii) make operational changes to Franchisor's Web site, (iii) change or modify the URL and/or domain name of Franchisor's Web site, (iv) substitute, modify, or rearrange Franchisor's Web site, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (A) comply with applicable laws, (B) respond to changes in market conditions or technology, and (C) respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to Franchisor's Web site, and (vi) disable or terminate Franchisor's Web site without any liability to Franchisee.

(b) Franchisor may link Franchisor's Web site to the Web sites of third parties, including electronic service providers, Franchisor's Affiliates, and other providers of goods and services. Franchisor may also permit third parties to link (including links to interior pages of Franchisor's Web site, including the Franchisee Page) and frame Franchisor's Web site (including the Franchisee Page). Franchisor may place legal notices, disclaimers, Franchisor's Marks, corporate logos and slogans, advertisements, endorsements, trademarks, and other identifying information on Franchisor's Web site, all of which may

be modified, expanded, or eliminated at Franchisor's option. Further, Franchisor may establish or participate in programs whereby Franchisor refers end-users to other Web sites, or Franchisor receives referrals from other Web sites. All consideration (monetary and non-monetary) received by Franchisor on account of the placement or sale of advertisements, endorsements, and sponsorships on Franchisor's Web site (including any Franchisee Page), and all consideration (monetary and non-monetary) received by Franchisor on account of affiliate programs, will belong only to Franchisor. Franchisor may also establish programs that encourage repeat visits to Franchisor's Web site by end-users.

(c) Franchisor's Web site may include one or more interior pages that identify BATH TUNE-~~UP~~-UP™ franchisees operating under the Marks, including the Franchised Business, by among other things, geographic region, address, telephone numbers, and other appropriate matters. Franchisor's Web site may also include one or more interior pages dedicated to franchise sales by Franchisor and/or relations with Franchisor's investors.

(d) Franchisor may, from time to time, establish one or more interior pages on Franchisor's Web site dedicated in whole or in part to the Franchised Business ("Franchisee Page"). Franchisor may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's compliance with the procedures, policies, standards, and specifications that Franchisor may establish from time to time. Any modifications (including customizations, alterations, submissions, or updates) to the content made by Franchisee for any purpose will be considered to be a "work made for hire" under the copyright laws, and therefore, Franchisor will own the intellectual property rights in and to the modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee assigns those modifications to Franchisor for no additional consideration and with no further action required and will sign any further assignments as Franchisor may request.

(e) Without limiting Franchisor's general unrestricted right to permit, deny, and regulate Franchisee's participation on Franchisor's Web site in Franchisor's sole discretion, if Franchisee breaches this Agreement, or any other agreement with Franchisor or its affiliates, Franchisor may disable or terminate

the Franchisee Page and remove all references to the Franchised Business on Franchisor's Web site or redirect customer leads to other franchisees pursuant to section 2.2(d) until the breach is cured.

(f) Franchisor has no control over the stability or maintenance of the Internet generally. As a result, Franchisor is not responsible for damage or loss caused by errors of the Internet. Furthermore, Franchisor is not liable for any direct, indirect, special, incidental, exemplary, or consequential damages arising out of the use of, or the inability to use, Franchisor's Web site or the Internet, including loss of profits, goodwill, or savings, downtime, or damage to or replacement of programs and data, whether based in contract, tort, product liability, or otherwise.

8.12. E-mail, Internet, Social Media and Other Media

(a) Franchisee must comply with Franchisor's current requirements and policies (as described in the Manuals or otherwise communicated in writing) ~~with respect to~~ for all digital media (including, but not limited to, Franchisor's web site) ~~in connection with, when representing or promoting~~ the Franchised Business ~~and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, in social media or any other media, regarding the Franchised Business. Such activities include, without limitation, online, on social media, or through any other digital channels.. This includes participation in any Internet blogs, vlogs or and social media sites platforms. Any such online activities which are not expressly permitted that are not specifically allowed in the Manuals or otherwise in writing, or for which Franchisee has not that have not been previously received approval from by Franchisor, will be subject to require~~ Franchisor's prior written approval.

(b) Franchisee ~~may~~ is permitted to advertise and promote the Franchised Business ~~via~~ on social media, ~~which~~ platforms using

~~must be comprised of~~ pages, communications and content ~~located on third party platforms using~~ featuring the Marks as ~~specified~~ directed by Franchisor ~~(collectively, "Franchisee's Social Media")~~, ~~provided that. If required by Franchisor is granted, Franchisor must have~~ administrator access ~~rights to all~~ Franchisee's Ssocial Mmedia accounts. All ~~uses of Franchisee's Ssocial Mmedia pages and communication channels and uses must be established in accordance, and at all times be in~~ activity must be set up and maintained in full compliance with ~~the~~ Manuals.

(c) Franchisee agrees not to transmit or cause any other party to transmit consumer advertisements or solicitations by e-mail or other digital media without Franchisor's prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending e-mails, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the CAN-SPAM Act of 2003).

(d) Franchisee must promptly discontinue any advertising or promotion using social media, whether or not previously agreed to by Franchisor, upon notice from Franchisor that it reasonably considers that such use of social media does not conform to the System standards. Upon the expiration or termination of this Agreement, Franchisee will assign ownership (to the extent Franchisor does not already own them) of all domain names, account names, handles, and user names used by Franchisee in its business under this Agreement and Franchisee will take all such actions as Franchisor reasonably requires to disassociate Franchisee from any such names and social media pages.

8.13. Electronic Commerce

Franchisor may, at its ~~sole option, use Franchisor's Web~~ discretion, utilize its website or another Webdedicated site ~~created for the purpose, to engage in~~ to conduct online commerce ("Electronic Commerce." ~~The term "~~"~~Electronic Commerce" means" refers to the process of~~ offering and selling merchandiseproducts and services ~~associated with~~ related to the Marks, ~~and as well as~~ receiving and ~~accepting~~ processing orders and payments for that merchandise these products and services, ~~directly or indirectly, through any means of electronic communication channels, including receiving and accepting orders over~~ but not limited to the Internet. ~~Upon~~ If requested by Franchisor's ~~request, Franchisee will be required to~~ must participate in Electronic Commerce and will be required to sign Franchisor's ~~then-current electronic commerce participation agreement, which. This agreement will outline, among other things: (i) state the terms on which Franchisee and Franchisor will share program revenues and expenses, (ii) authorize Franchisor, from time~~

other things: (i) the terms for sharing program revenues and expenses between Franchisee and Franchisor; ~~to time;~~ (ii) Franchisor's authority to establish, ~~and thereafter modify,~~ update procedures, policies, protocols, ~~and~~ standards, and specifications ~~that~~ governing Electronic Commerce and ~~the~~ use of ~~end-user information, customer data;~~ (iii) ~~the~~ required ~~specified~~ computer ~~(hardware and,~~ software), and communications equipment; and (iv) ~~authorize~~ Franchisor's right to ~~disable~~ suspend or terminate ~~end-users~~ customers' ability to place orders or ~~schedule~~ book appointments with Franchisee during any period ~~that in which~~ Franchisee is in breach of this ~~Agreement~~ or any other agreement with Franchisor or its ~~A~~ affiliates.

8.14. Franchisor Electronic Portal

(a) Franchisor may ~~establish and maintain, at its option,~~ at its discretion, create and manage either a series of "dedicated "private" pages on ~~Franchisor's Website~~ website (~~described as outlined~~ in Section 8.11) or an electronic portal ~~through either of which. These platforms may be used for communication among~~ Franchisor, its franchisees ~~of Franchisor~~, and their ~~respective~~ employees ~~may communicate with each other, and through which Franchisor may disseminate, as well as for sharing~~ the Manuals, updates ~~to it~~, and other confidential information. Franchisor ~~will have sole discretion and control~~ retains full authority over all aspects of the electronic portal, including its content and ~~functionality~~ features. Franchisor ~~will have no obligation~~ is not required to maintain the electronic portal indefinitely, ~~and may dismantle~~ discontinue it at any time without any obligation or liability to Franchisee.

(b) ~~If Franchisor establishes an electronic portal, Franchisee will have the privilege to use the~~

(b) If Franchisor creates an electronic portal, subject to Franchisee will be allowed to use it as long as Franchisee's strictly compliances with the standards and specifications, protocols, and restrictions (collectively, "Franchisor Protocols") that Franchisor may establish update from time to time. These Franchisor Protocols may relate to cover, among other things: (i) the use of prohibiting abusive, slanderous, or otherwise defamatory, or offensive language in electronic communications; (ii) restricting communications between or among Franchisees that endorse promote or encourage breach violations of any franchisee's franchise agreement; (iii) ensuring confidentiality treatment of materials that shared by Franchisor transmits via the electronic portal, (iv) through the portal; (iv) enforcing password protocols and other security precautions, requirements; (v) establishing grounds and procedures for Franchisor's suspending or revoking a Franchisee's portal access to the electronic portal; and (vi) outlining privacy policies governing for Franchisor's access to and use of electronic communications that posted by franchisees post to the electronic. Franchisee understands that, as the portal administrator, Franchisor has the technical ability to access and review any communication posted on the portal. Franchisee acknowledges that, as administrator of the electronic portal, Franchisor can technically access and view any communication that any person posts on the electronic portal. Franchisee further also acknowledges that the electronic portal and, along with all communications that are posted to it, will become be owned by Franchisor's property, free of any, and neither Franchisee nor any other party may claims of privacy or privilege that Franchisee or any other person may assert over the content shared on the portal.

(c) Franchisee will establish and continually maintain (during all times that the electronic portal is established and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Manual) to the electronic portal that allows Franchisor to send messages to and receive messages from Franchisees, subject to the Franchisor Protocols.

(d) If Franchisee breaches this Agreement or any other agreement with Franchisor or its Affiliates, Franchisor may disable or terminate Franchisee's access to the electronic portal without Franchisor having any liability to Franchisee, and in which case Franchisor will only be required to provide Franchisee a paper copy of the Manuals and any updates to it, unless Franchisee is not otherwise entitled to the Manuals.

8.15. Change in Status Processing

Requests for (i) change of fictitious business name, (ii) changes in designated Manager or (iii) other changes in status as may be specified from time to time by Franchisor, will be made on the form as designated by Franchisor in the Manuals.

8.16. Key Accounts

Franchisee acknowledges that to competitively attract and effectively service Key Accounts,

Franchisor may need to establish policies governing the manner in which Key Accounts will be serviced. Franchisee will comply with all Key Account policies.

Franchisee further acknowledges that Key Account policies to be established by Franchisor may obligate Franchisee to pay to Franchisor a lead referral fee or a percentage of the job in exchange for referral of leads from the Key Account. Franchisee acknowledges that Franchisor makes no representation or warranty that any specified amount of Key Account business will be provided within the Territory.

8.17. Vendor Allowances

Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, discounts, commissions, credits, monies, payments or benefits (collectively, "Allowances") offered by vendors to Franchisor or its affiliates based upon Franchisee's (and other franchisees') purchases of Products and other goods and services. Franchisee acknowledges that such Allowances are additional consideration for the rights granted by Franchisor to Franchisee under this Agreement and that Franchisor has exclusive right, title and interest in and to any and

all such Allowances. Franchisee further acknowledges that Franchisor is entitled to collect, retain and utilize any or all such Allowances without restriction (unless otherwise instructed by the vendor).

8.18. Privacy

~~(a) With regards to Privacy Information (defined below) Franchisee and Franchisor must comply with their obligations under applicable Privacy Law. "Privacy Information" means all information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household. Privacy Information includes but is not limited to, the following if it identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household: identifiers such as a real name, alias, postal address, unique personal identifier, online identifier, Internet Protocol address, email address, account name, social security number, driver's license or state identification card number, passport number, signature, physical characteristics or description, telephone number, insurance policy number, bank account number, credit card number, debit card number or any other financial information, medical information or health insurance information; characteristics of protected classifications under state or federal law; commercial information, including records of personal property, products or services purchased, obtained or considered, or other purchasing or consuming histories or tendencies; biometric information; Internet or other electronic network activity information including, but not limited to, browsing history, search history, and information regarding a consumer's interaction with an Internet Web site, application, or advertisement; geolocation data; audio or electronic information; professional or employment related information; education information that is not publicly available personally identifiable information as defined in the Family Educational Rights and Privacy Act (20 USC § 1232g; 34 CFR Part 99); and inferences drawn from any of the information identified in this subsection to create a profile about a consumer reflecting the consumer's preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities and aptitudes. "Personal Information" does not include publicly available information that is lawfully made available to the general public from federal, state or local government records. "Publicly available" does not mean biometric information collected by a business about a consumer without the consumer's knowledge. "Privacy Law" means any local, state or federal data privacy or data security law or regulation.~~

(b) Use of Privacy Information. In no circumstances shall Franchisee or Franchisor ever sell the Privacy Information. Franchisee further agrees not to access, use or process the Privacy Information, except in the furtherance of its rights and obligations under this Agreement but at all times in compliance with Privacy Law. Franchisee shall be solely liable for any and all violations of Privacy Law that may arise from its failure to comply with this provision.

(c) Privacy Information Requests. To the extent Franchisor does not have the ability to address requests made under applicable Privacy Law by individuals that are the subject of any of the Privacy Information, Franchisee shall, upon Franchisor's request, provide reasonable assistance to Franchisor in responding to such requests.

(d) Audits. During the term of this Agreement, at Franchisor's request and subject to reasonable notice, Franchisee shall provide Franchisor with information sufficient to establish its compliance with the obligations set forth in this section 8.18 and the applicable Privacy Laws.

8.19. PCI DSS Compliance

Franchisee must comply with the Payment Card Industry Data Security Standards (PCI DSS) as these standards may be revised and modified by the Payment Card Industry Security Standards Council

(PCISSC) or such successor replacement organization, and/or in accordance with other standards as we may specify. In addition, if requested, you must submit annually to us a fully completed copy of your PCI Attestation of Compliance on the then-current PCISSC form or such successor or replacement form(s) and/or processes. In all cases, Franchisee is solely responsible for protecting the Franchised Business from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, data-related problems, and attacks by hackers.

8.20. Nondisclosure and Confidentiality

Franchisee acknowledges that it has had no part in the creation or development of nor does it have any property or other rights or claims of any kind in or to any element of the System, the Marks or any matters dealt within the Manuals. Franchisee also acknowledges that all disclosures made to Franchisee relating to the System, including, without limitation, the specifications, standards, procedures and the entire contents of the Manuals, are communicated to Franchisee solely on a confidential basis and as trade secrets, in which Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, Franchisee agrees to maintain the confidentiality of all such information during the term of this Agreement and at any time thereafter and may not disclose any portions of the Manuals or any information whatsoever with respect to Franchisee's or Franchisor's business affairs or the System, other than as may be required to enable Franchisee to conduct its business. Franchisee further agrees not to use any such information in any other business or in any manner not specifically approved in advance in writing by Franchisor. For the avoidance of doubt, Franchisee is not precluded by this Agreement from contacting or otherwise engaging with governmental authorities regarding the franchise. However, if/when Franchisee receives a valid legal order or is otherwise required by applicable laws to disclose any of Franchisor's confidential information or trade secrets to any governmental agency or court, Franchisee should promptly notify Franchisor in writing regarding such receipt of the request and provide a copy of the request and all relevant information regarding the request as it pertains to Franchisor's confidential information or trade Secrets, including any specific required date for dissemination. Before complying with the request, subject to any specific disclosure deadline in the request, Franchisee should provide Franchisor at least 14 days' time to review the request and, at Franchisor's election and cost, permit Franchisor to seek a protective order or other remedy with the requesting party. Franchisee must provide Franchisor with reasonable assistance with any such action Franchisor elects to undertake. If Franchisor elects not to contest the request or if Franchisor is unsuccessful with its efforts and Franchisee remains legally compelled to make such disclosure, then Franchisee may do so, but Franchisee should: (a) only disclose that portion of the confidential information or trade secrets that it is required to disclose; (b) use reasonable efforts to ensure that such confidential information or trade secrets is afforded confidential treatment; and (c) concurrently provide Franchisor a copy of all information provided to the governmental authority.

9. ASSIGNMENT

9.1. Assignment by Franchisor

Franchisor and any holder of an ownership interest in Franchisor may voluntarily, involuntarily, directly or indirectly sell, assign, transfer, license, sublicense, sublease, collaterally assign, grant a security, collateral or conditional interest, intervivos transfer, testamentary disposition or other disposition of all or any part of its rights or obligations under this Agreement or any ownership interest in Franchisor to any Person without Franchisee's consent. Specifically, and without limitation to the foregoing, Franchisor may offer its securities privately or publicly; may merge, spin-off, acquire other Business Entities, or be acquired by another Business Entity; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to any such transaction. If Franchisor assigns its rights in this Agreement, such assignment will constitute a novation as to Franchisor and Franchisor will be released from all further liability to Franchisee under this Agreement after the effective date of such transfer, and the transferee will be liable to Franchisee as if it was the original party to this Agreement. Nothing contained in this Agreement requires Franchisor to offer any services or products, whether or not bearing the Marks, to Franchisee if Franchisor assigns its rights in this

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~~Franchisor may Transfer this Agreement, or all or any part of its rights, privileges, and obligations under this Agreement, to any other person, provided that, in respect to any Transfer resulting in the subsequent performance by the assignee of the functions of the Franchisor: (i) at the time Franchisor Transfers this Agreement, Franchisor reasonably believes that the transferee is financially responsible and economically capable of performing the delegated obligations of Franchisor, and (ii) the transferee of Franchisor expressly assumes and agrees to perform the obligations. Following the Transfer by Franchisor, Franchisor will be relieved of all obligations or liabilities then existing or thereafter able to be asserted under this Agreement.~~

9.2. Assignment by Franchisee

This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee (if Franchisee is an individual) or the people who directly or indirectly Control Franchisee or directly or indirectly own (in this context, an “Equity Holder) a beneficial interest in Franchisee (if Franchisee is person other than an individual), and the trust and confidence reposed by Franchisor in Franchisee and its Equity Holders. Franchisee and its Equity Holders each covenant to actively and substantially participate in the ownership and operation of the Franchised Business.

(a) Without the prior written consent of Franchisor and subject to Franchisor’s right of first refusal provided for in Section 9.3, neither Franchisee nor any Equity Holder may Transfer any interest in Franchisee, this Agreement, or all or substantially all of the assets of Franchisee used in connection with the Franchised Business. As further clarification of the foregoing restrictions, Franchisee may not ~~sub~~-sub-franchise or attempt to sub-franchise this Agreement, or a portion but not all of Franchisee’s rights under this Agreement, without the express prior written permission of Franchisor. Any Transfer or purported Transfer in violation of this section will be void.

(b) Franchisor may withhold its consent to a sub-licensing of all or part of Franchisee's interest in the Agreement for any reason whatsoever in Franchisor's sole discretion. If Franchisee or any of its owners proposes to make any other form of Transfer, and if Franchisor elects not to exercise its right of first refusal (or if the right of first refusal is not applicable to the proposed Transfer, as provided in this Agreement), Franchisor may withhold or condition Franchisor's consent to any Transfer, as Franchisor deems appropriate, based on the circumstances of the Transfer or otherwise. If Franchisor believes that the terms and conditions of any Transfer would not be in the best interests of the Franchisor, the proposed transferee or the BATH TUNE-UP® System, Franchisor may refuse to consent to such Transfer. Without limitation, Franchisor may consider the effect that the Transfer and the prospective transferees will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the Marks, or Franchisor, or any of Franchisor's Affiliates. Additionally, it will not be unreasonable for Franchisor to impose, among other things, the following conditions precedent to its consent to any Transfer:

(i) The proposed assignee of the interest to be subjected to the Transfer will complete Franchisor's application for a franchise agreement, and Franchisee and the proposed assignee will fully disclose in writing all of the terms and conditions of the proposed Transfer.

(ii) The proposed assignee(s) of the interest to be subjected to the Transfer demonstrate(s) that it has or they have the skills, qualifications, and economic resources necessary, in Franchisor's reasonable judgment, to conduct the business contemplated by this Agreement. Among other things, this may require the possession of certain skills and qualifications of the prospective transferee, including experience in or ability to learn the bathroom improvement business, financial and operational skills and qualifications, economic resources, reputation and character of the prospective transferees, and the ability of the prospective transferee(s) to fully and faithfully conduct the Franchised Business as contemplated by this Agreement. Without limiting the generality of the foregoing, if a contractor's license is required in the state in which the Territory is located, the proposed assignee or one or more of the principal officers, shareholders or directors of the proposed assignee must qualify for, and obtain, or otherwise obtain for the benefit of the Franchised Business such as through an employee of Franchisee, such contractor's license prior to the effective date of the Transfer.

(iii) The proposed assignee of the interest to be subjected to the Transfer expressly assumes in writing for the benefit of Franchisor all of the obligations of Franchisee under this ~~Agreement~~.

Agreement.

(iv) If the proposed Transfer will result in a new Franchisee under this Agreement, the new Franchisee signs the then current form of Franchise Agreement being used by Franchisor and pays the then-current initial franchise fee under the franchise agreement.

(v) As of the date of the proposed Transfer, Franchisee is in full compliance with all of its obligations to Franchisor, whether under this Agreement or under any other agreement, arrangement, or understanding with Franchisor.

(vi) Franchisee, assignee and each shareholder of a corporate assignee sign the then current form of Consent to Transfer and Assumption of Franchise Agreement.

(vii) Franchisee, Franchisee's Equity Holders, and Franchisee's transferees must provide to Franchisor an unconditional, general release of all claims any of them may have against Franchisor, its Affiliates, and their respective officers, directors, shareholders, partners and employees.

(viii) Franchisee pays to Franchisor a non-refundable transfer fee equal to the amount then being charged by Franchisor, not to exceed \$. In addition, if the proposed assignee of the interest to be subjected to the Transfer was already in Franchisor's lead database at the time of first contact between Franchisee (or its Equity Holder) and the proposed assignee, then Franchisor may require

Franchisee to pay the referral fee then being charged by Franchisor plus the amount of any broker fees that Franchisor must pay a third-party (not an employee of Franchisor).

(c) If Franchisee is not an individual, Franchisee will provide Franchisor at the Effective Date with a copy of Franchisee's governing documents (such as articles of incorporation, bylaws, operating agreement, or partnership agreement) and all other agreements among the Equity Holders (such as buy/sell agreements). If Franchisee is a corporation or other entity that issues capital stock, Franchisee will provide Franchisor at the Effective Date with a prototype stock certificate. As a condition to entering into the Franchise Agreement, a Franchisee that issues capital stock will be required to place the following legend on all stock certificates:

"The transfer of this stock is subject to the terms and conditions of that certain Franchise Agreement dated _____ between this corporation and HFC KTU LLC. Reference is made to that Franchise Agreement and the restrictive provisions contained in them and as may be otherwise described in the Articles of Incorporation and by-laws of this corporation."

(d) The cumulative Transfer in any 12 consecutive month period of 25% or more of the ownership interests or voting power in Franchisee will be considered to be a Transfer for purposes of this Section 9.

9.3. Right of First Refusal

Except as provided in Sections 9.4, 9.5, and 9.6, the right of Franchisee or its Equity Holders to Transfer any interest in this Franchise Agreement will be subject to Franchisor's right of first refusal with respect thereto. Franchisor may exercise the right of first refusal in the following manner:

(a) Franchisee will deliver to Franchisor a written notice setting forth (i) all of the terms and

conditions of any bona fide offer relating to a proposed Assignment by Franchisee, and (ii) all available information concerning the proposed assignee of the interest proposed to be subject to a Transfer.

(b) Within ten days after Franchisor's receipt of the notice (or if Franchisor requests additional information, within ten days after receipt of the additional information), Franchisor may either consent or withhold its consent to the Transfer, in accordance with Section 9.2 or, at its option, may accept the Transfer itself or on behalf of its nominee upon the terms and conditions specified in the notice.

(c) If Franchisor elects not to exercise the right of first refusal and consents to the Transfer, Franchisee will for a period of 90 days, and subject to the provisions of Section 9.2, be free to complete the proposed Transfer upon the terms and conditions specified in the notice. If, however, the terms are materially changed, or if the 90-day period expires, Franchisor will again have the right of first refusal with respect to the offer and Franchisee will again be required to comply with Section 9.3(a) above.

9.4. Transfers to Family Members

An individual Franchisee or an Equity Holder, may with Franchisor's consent, which will not be unreasonably withheld, Transfer the Franchised Business or an equity interest in Franchisee to the person's spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement.

9.5. Transfers to Affiliated People

Franchisee or an Equity Holder may, without the consent of Franchisor, upon 30 days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee to a person (other than an individual) entirely owned by natural person(s) making the Transfer in the same proportionate amount of ownership as before the Transfer, provided that adequate provision is made for the management of the Franchised Business and that the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement. No transfer fee will be payable in respect of a Transfer under this section.

9.6. Transfers Upon Death or Incapacity

In spite of any of the foregoing, upon the death or legal incapacity of Franchisee or an Equity Holder that is an individual, the person's interest in this Agreement or its equity interest in the Franchisee will Transfer in accordance with the person's will or, if the person dies intestate, in accordance with laws of intestacy governing the distribution of the person's estate, provided that adequate provision is made for the management of the Franchised Business and the transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants, or spouse's descendants. A Transfer under this section will be free from Franchisor's right of first refusal provided in Section 9.3, and no transfer fee will be payable in respect of a Transfer pursuant to this section. Any subsequent Transfer will be subject to all provisions of this Section 9.

If Franchisor determines, in its reasonable judgment, that the heirs, personal representatives, or conservators, as applicable, are not capable of operating the Franchised Business, Franchisor may immediately begin operating the Franchised Business on behalf of Franchisee pending a Transfer to a qualified buyer. For this management assistance, Franchisor may charge Franchisee a fee equal to 8% of

the Gross Revenues during Franchisor's operation of the Franchise and the wages or salary for an interim Manager.

9.7. Involuntary Transfers

No involuntary Transfer or partitioning of Franchisee's or the Equity Holder's interest in the Franchised Business or under this Agreement, whether in connection with a bankruptcy, foreclosure, divorce or other proceeding, will be effective against Franchisor unless and until: (1) the transferee furnishes Franchisor a signed guaranty under which the transferee agrees to be jointly and severally liable for the payment of Franchisee's monetary obligations under this Agreement, whether or not such obligations are then delinquent; (2) the transferee agrees in writing to be personally bound by the confidentiality provisions and restrictive covenants in this Agreement; and (3) the Transfer encompasses Franchisee's and the Equity Holder's total interest in the Franchised Business and under this Agreement, irrevocably designates and appoints Franchisee to be the transferee's agent and attorney-in-fact with whom Franchisor may deal for all purposes expressed in or contemplated by this Agreement.

9.8. Waiver of Interference Claims

Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee. Franchisee also acknowledges that Franchisor's contact with potential transferees for the purpose of protecting its business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Franchisee waives any claim that action Franchisor takes in relation to a proposed transfer to protect its business interests constitutes tortious interference with contractual or business relationships.

10. DEFAULT AND TERMINATION

10.1. General

(a) Franchisor may unilaterally terminate this Agreement upon Franchisee's material breach of this Agreement or upon the occurrence of any of the conditions listed in Section 10.2. The listing in Section 10.2 of some conditions as constituting specific grounds for termination does not imply that other material breaches of this Agreement are not also good cause for termination, even though some of the conditions listed in Section 10.2 parallel obligations of Franchisee described elsewhere in this Agreement. Franchisor will exercise its right to terminate this Agreement in the manner described in this Section 10.

(b) In spite of anything contained in this Agreement to the contrary, in those circumstances under which Franchisor may terminate this Agreement, Franchisor may in its sole discretion, offer to Franchisee an alternative remedy to termination of this Agreement. If Franchisee declines Franchisor's alternative offer, Franchisor may proceed to terminate this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, in those circumstances under which Franchisor may terminate this Agreement for Franchisee's default, Franchisor may exercise all remedies available to it at law or in equity, including seeking specific performance and damages (including direct, indirect, special, incidental, or consequential damages). All rights and remedies

provided in this

Agreement are in addition to and not in substitution of the rights and remedies available to a party at law or in equity.

10.2. Termination Without Opportunity to Cure

The obligations of Franchisor under this Agreement are contingent upon the non-occurrence of each of the conditions described below. Franchisor may terminate this Agreement immediately upon notice to Franchisee, without prior opportunity to cure, upon the occurrence of any of the following conditions, each of which constitutes grounds for immediate termination of this Agreement without notice or opportunity to cure (except as specifically stated in these conditions):

(a) To the extent permitted by law, if Franchisee or ~~the any guarantor of Franchisee's Business is declared bankrupt or judicially determined to be insolvent, or if all or a substantial part of the assets used by Franchisee in connection with the Franchised Business are~~ monetary obligations to Franchisor becomes insolvent, is adjudicated a bankrupt, voluntarily files a petition for liquidation or reorganization under any provision of the United States Bankruptcy Code, makes an assignment to or for the benefit of any creditor, or if Franchisee admits Franchisee's inability to pay its debts as they come due, creditors or takes any other action pursuant to any federal or state insolvency statute or a receiver of other custodian is appointed for Franchisee's business or business assets.

(b) If Franchisee Abandons the Franchised Business. The term "Abandon" means failure to operate the Franchised Business for a period of seven consecutive days (without Franchisor's prior written consent) during a time that Franchisee is required to operate the Franchised Business under the terms of this Agreement, or any shorter period under which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Business. A repeated pattern of failure to operate the Franchised Business for periods of less than seven consecutive days may result in the Franchised Business being considered Abandoned if in the judgment of Franchisor the closure adversely impacts the Franchised Business. The Franchised Business will not be considered Abandoned if the failure to operate is due to acts of God or other matters beyond the control of Franchisee (other than Franchisee's inability to procure money), provided that Franchisee gives notice of any cessation of operations to Franchisor promptly after the initial occurrence of the event resulting in the cessation of operations (and in any event within ten days) and Franchisor acknowledges in writing that the cessation of operations is due to one of the foregoing causes and provided further that Franchisee re-establishes the Franchised Business and is fully operational within 120 days after the initial occurrence of the event resulting in the cessation of operations or any longer period that Franchisor permits.

(c) If Franchisor and Franchisee agree in writing to terminate this Agreement.

(d) If Franchisor discovers that Franchisee made any material misrepresentations relating to the acquisition of the Franchised Business, or if Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the Marks.

(e) If Franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business.

(f) If Franchisee, ~~after curing any breach in accordance with Section 10.3-~~ commits or allows to occur the same ~~breach~~ Events of Default two (2) or more times in any 12-month period, whether or not ~~the breach is corrected after notice notified to Franchisee and whether or not cured in accordance with this Agreement.~~

(g) If Franchisee ~~repeatedly fails to comply with one or more requirements of this Agreement, whether or not corrected after notice~~commits or allows to occur three (3) or more similar or different Events of Default in any 12-month period, whether or not notified to Franchisee and whether or not cured in accordance with this Agreement.

(h) If the Franchised Business or business premises of the Franchisee are seized, taken over, or foreclosed by a government official in the exercise of the official's duties, or seized, taken over, or

foreclosed by a creditor, lienholder, or lessor, if a final judgment against Franchisee for more than \$10,000

remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed), or if a levy of signing has been made upon the franchise granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days after the date of the levy.

(i) If Franchisee or one or more Owners is convicted of ~~a felony, of a misdemeanor involving moral turpitude, or of other criminal misconduct which is relevant to the operation of the Franchised Business,~~ or pleads guilty or no contest to a felony or crime involving fraud, sexual assault, sexual harassment, battery, drug possession, moral turpitude or any other crime or offense that is injurious to the System or the goodwill associated with the Marks.

~~(j) If Franchisee fails to pay any Continuing Royalty or other amounts due to Franchisor within five days after receiving written notice that the fees are overdue.~~

~~(k)~~ (j) If 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.

~~(l)~~ (k) If any other franchise agreement between Franchisor and Franchisee is terminated by Franchisor because of breach or default by Franchisee or failure of a condition to continued effect of the franchise agreement.

~~(m)~~ (l) If Franchisee applies a deposit from a customer intended to be used to purchase Product for that customer's order for any other purpose.

~~(n)~~ (m) If a repeated audit reveals repeated understatement of Gross Revenues by 5% or more as stated in Section 8.6~~(ed)~~.

(n) If Franchisee knowingly maintains false books or records or submits any false reports to Franchisor, its Affiliates or any third-party vendor or supplier.

10.3. Termination Subject to Opportunity to Cure

Except as otherwise described in this Section, the following are Events of Default that Franchisee may cure by taking appropriate remedial action within the applicable cure period. If Franchisee fails to cure such an Event of Default, Franchisor may terminate the Franchise Agreement or take any of the other actions this Agreement permits.

~~Except for failure of the conditions listed in Section 10.2, above, or as otherwise expressly provided in this Agreement, Franchisee will have 30 days after Franchisor's written notice within which to cure any breach of this Agreement, and to provide evidence of the cure to Franchisor. If any default is not cured within that time period, or any longer time period that applicable law requires or that Franchisor specifies in the written notice, this Agreement and all rights granted by it will thereupon automatically terminate without further notice or opportunity to cure.~~

(a) Franchisee fails to pay or expend in full when due any Continuing Royalties and other payments to Franchisor, or any trade account (including shipping charges) payable to Franchisor or its Affiliates, including for Products, and fails to cure such default by making payment in full, including any applicable interest as provided by this Agreement, within 5 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(b) Franchisee fails to pay any trade obligation due to a vendor with whom Franchisor or any of its Affiliates does business, as a result of which the vendor withholds or threatens to withhold

the sale of goods or services, or withdraws or threatens to withdraw the availability of normal trade terms, to Franchisee, Franchisor, any Franchisor Affiliate or another franchisee, and fails to cure such default within 30 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(c) Franchisee fails to fulfill any requirement, to perform any obligation, or to observe any restrictions set forth in this Agreement or the Manual, including without limitation obligations or restrictions regarding the development, participation in initial training, opening and operations of the Franchised Business and use, offer or sale of Products in connection with the Franchised Business, or any other condition or restriction contained in this Agreement and not otherwise addressed in this Section,

and fails to cure such default within 30 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(d) Franchisee fails to fulfill any requirement or to perform any obligation with respect to advertising and promotions (other than with respect to payment or expenditure of Continuing Fees) and fails to cure such default within 15 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(e) Franchisee or any other Person bound under this Agreement fails or refuses to honor a request for indemnification under this Agreement and fails to cure such default within 10 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(f) Franchisee or any other Person bound under this Agreement breaches (a) any restriction or obligation relating to advertising or use of the internet set forth in this Agreement or any related terms of use agreement, or (b) any covenant or obligation relating to Franchisor's intellectual property rights set forth in this Agreement or otherwise makes any unauthorized use of a Mark, an item of Copyrighted Materials or an element of the System and fails to cure such default within 10 days after Franchisor notifies Franchisee in writing of the remedial action to be taken.

(g) Franchisee or any agent, representative or employee of Franchisee (a) violates any law, rule or regulation in connection with the operation of Franchisee's Franchised Business, or (b) fails to obtain, prior to opening, one or more of the licenses, permits or certificates required to operate a Franchised Business (including any licenses to operate motor vehicles) in accordance with the brand standards, or if such certificates are suspended or terminated for any reason and fails to cure such default by promptly notifying Franchisor and taking all necessary action as approved by Franchisor to cure such violation within 72 hours after Franchisee receives notice of the violation.

(h) Franchisee fails to comply with any notification, investigation and/or remediation requirements implemented by Franchisor during any Crisis Management Event, and/or fails to cure such default within 48 hours after Franchisor notifies Franchisee in writing of the remedial action to be taken.

10.4. Description of Default

The description of any breach, default, or failure of a condition in any notice served by Franchisor upon Franchisee will in no way preclude Franchisor from specifying additional or supplemental breaches, defaults, or failures of conditions (including matters discovered after the termination is effective) in any action, arbitration, mediation, hearing, or suit relating to this Agreement or the termination of this Agreement.

10.5. Statutory Limitations

In spite of anything to the contrary in this Section 10, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties limits Franchisor's right to terminate this Agreement or requires longer notice periods than those stated in this Agreement, and if the parties are prohibited by law from agreeing to the shorter periods stated in this Agreement, then Franchisor will conform to the requirements of those laws and regulations, but only to the extent necessary to bring Franchisor's actions within the requirements of the law or regulation.

~~extent necessary to bring Franchisor's actions within the requirements of the law or regulation.~~

10.6. Alternative Remedies

In those circumstances under which Franchisor may terminate this Agreement, Franchisor may in its sole discretion: (a) redirect customer leads generated by Franchisor on Franchisee's behalf to other franchisees as contemplated in section 2.2(d); and/or (b) grant to Franchisee, in lieu of immediate termination of this Agreement, (i) an extended period of time (not to exceed six months from the last day of the cure period otherwise applicable to the breach) to cure the breach which gave rise to Franchisor's right to terminate, (ii) an option to reimburse Franchisor up to \$1,000 for investigating the breach of this Agreement, or (iii) if the breach consists of the offer or sale of Bath Improvements in the territory assigned to another franchisee of Franchisor, require Franchisee to pay, as liquidated damages, and not a penalty, an amount equal to 100% of the total gross sales generated by sales in the other franchisee's territory (which shall be used in Franchisor's discretion to reimburse the other franchisee for the value of the business diverted, including lost goodwill, and to compensate Franchisor for its costs of investigating Franchisee's breach). Franchisee acknowledges that Franchisor's election to grant an extended cure period or to permit a reimbursement will not operate as a waiver of any of Franchisor's other rights under this Agreement.

11. DISPUTE RESOLUTION

11.1. Alternate Dispute Resolution

Except for the disputes described in Section 11.2 of this Agreement and except as otherwise specifically modified by this Section 11, any dispute between Franchisor and any of its Affiliates, on the one hand, and Franchisee and any of its Affiliates, on the other, arising out of, relating to or referencing this Agreement or its breach in any way, including any claim sounding in tort arising out of the relationship created by this Agreement, and any claim that this Agreement or any other of its parts is invalid, illegal, or otherwise voidable or void, is subject to the dispute resolution provisions described in Section 11 of this Agreement.

11.2. Disputes Not Subject To Alternate Dispute Resolution

Franchisee acknowledges that it is important that Franchisor be able to use reasonable efforts to protect the Marks, the System, and the integrity of the Marks and the System. To that end, Franchisor may, at its option, seek injunctive or other equitable relief to enforce the provisions of Section 6 (Intellectual Property), Section 7.9 (Proprietary Materials), Section 8.10 (No Competing Businesses), or Section 12.1 (Franchisee's Obligations Following Termination or Expiration) of this Agreement, or the provisions of any separate confidentiality or non-disclosure agreement between Franchisor or its Affiliates (on the one hand) and Franchisee or its Affiliates (on the other hand) in the Court specified by Section 11.6.

11.3. Option to Mediate Dispute

(a) In the event of a dispute between the parties, either party may initiate a mediation procedure in accordance with this Section 11.3 by making a written request for mediation with the Judicial Arbitration and Mediation Service (JAMS), the National Franchise Mediation Program administered by the CPR Center for Dispute Resolution of New York, or any other mediation service mutually agreed to by the parties. Any mediation will be conducted according to the procedures of the selected mediation service.

- (b) The object of any mediation subject to this Section 11.3 is to assist the parties in reaching

a mutually acceptable resolution of the dispute. The mediation will, in all circumstances, be consistent with the rights and obligations created by this Agreement and will not be premised on the derogation or

diminution of those rights or disregard of those rights. The mediation process will begin promptly and be concluded expeditiously, unless the parties mutually agree otherwise. Any and all discussions, negotiations, findings, or other statements by the mediator and/or the parties made in connection with the mediation will be privileged and confidential and will not be admissible into evidence in any litigation or arbitration.

(c) All mediation proceedings will take place in Brown County, South Dakota, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located. The fees of the mediator will be borne equally by Franchisor and Franchisee, and all other expenses relating to the mediation will be borne by the party incurring them.

11.4. Arbitration

(a) Except disputes not subject to alternative dispute resolution as described in Section 11.2 above, any dispute between Franchisor or any of its Affiliates (on the one hand) and Franchisee or any of its Affiliates (on the other hand) arising out of or relating to this Agreement or its breach, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Section 11.3 above, will be resolved by submission to arbitration conducted by a single impartial arbitrator appointed by JAMS according to its Comprehensive Arbitration Rules and Procedures, or any other single impartial arbitrator mutually agreed to by the parties.

(b) All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Section 11 will be governed by the Federal Arbitration Act (9 U.S.C. 1 et seq.) and the federal common law of arbitration. All hearings and other proceedings will take place in Brown County, South Dakota, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located. The fees of the arbitrator will be borne equally by Franchisor and Franchisee, and all other expenses relating to the arbitration will be borne by the party incurring them.

(c) This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise in spite of the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final, and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are waived.

11.5. Business Judgment

The parties recognize, and any arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) action in the exercise of its business judgment, based on its assessment of the overall best interests of all people operating under the Marks. Where that discretion has been exercised, and is supported by the business judgment of Franchisor, neither an arbitrator nor a judge may substitute his or her judgment for the judgment exercised by Franchisor unless the arbitrator or judge finds that Franchisor has exercised its judgment or discretion without any reasonable business basis for it. Whenever Franchisor has a right and/or the discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make that decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in

the best interests of the

System. Franchisor's judgment of what is in the best interests of the System, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, can be made without regard to

whether: (a) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (b) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (c) Franchisor's decision or the action taken applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or affiliate-owned operations; or (d) Franchisor's decision or the action taken is adverse to Franchisee's interests. Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations under this Agreement.

11.6. Venue, Submission to Court, Limitation of Damages

In view of the fact that the books, records and business personnel of Franchisor are located in Brown County, South Dakota, and in order to minimize disruption or interference with operation of (and Franchisor's support to) all persons operating under the Marks, Franchisee and Franchisor agree as follows:

(a) All court proceedings arising out of or relating to this Agreement (including matters described in Section 11.2 above) will be brought in, and only in, the United States District Court for the District of South Dakota. No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in, and only in, a state court of competent jurisdiction in and for Brown County, South Dakota. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.

(b) The parties agree that all disputes submitted to the court under Section 11.2 will be tried to the court sitting without a jury, in spite of any state or federal constitutional or statutory rights or provisions.

(c) ~~No punitive or exemplary damages will be awarded against either~~ Except with respect to Franchisee's and each Equity Holder's obligation to indemnify Franchisor and claims Franchisor brings for Franchisee's, ~~or any affiliates of either of them, in any proceeding arising under Section 11.2, and all claims to punitive or exemplary damages are waived by both parties.~~ unauthorized use of the marks or unauthorized use or disclosure of any trade secrets, the parties waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of any Action between the parties, the parties bringing the Action will be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however, that Franchisor will have the right to seek and recover lost profits and/or all applicable liquidated damages afforded under this Agreement in the event of termination of this Agreement.

11.7. Liquidated Damages

If Franchisee ceases to operate the Franchised Business or otherwise abandons the Franchised Business prior to the expiration of the Initial Term or any renewal term, without Franchisor's prior written consent, such cessation or abandonment shall constitute a material breach of this Agreement. In such event, Franchisee shall pay to Franchisor, as liquidated damages and not as a penalty, an amount equal to the

average monthly Continuing Royalty and National Advertising Fund contributions paid by Franchisee during the twelve (12) full calendar months immediately preceding the date of abandonment (or the number of full calendar months the Franchised Business was in operation, if less than twelve), multiplied by the number of months remaining in the then-current term of this Agreement. The parties agree that the actual

damages resulting from such abandonment would be difficult to ascertain and that the forgoing liquidated damages represent a fair and reasonable estimate of the damages that Franchisor would incur as a result of such breach.

11.78. Independence of Provisions

The provisions of this Section 11 are independent of any other covenant or provision of this Agreement. If any part of this Section 11 is held to be indefinite, invalid, unconscionable, or otherwise unenforceable by a court of competent jurisdiction, the indefinite, invalid, unconscionable, or unenforceable provision will be considered deleted, and the remaining parts of this Section 11 will continue in full force and effect. If the court determines that deletion of portions of this Section 11 would lead to an unintelligible provision, the parties request the court to modify or interpret the provisions to the minimum extent necessary to have them comply with the law while retaining the essence of the parties' agreement.

12. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION

12.1. Franchisee's Obligations following Termination or Expiration

(a) In the event of termination or expiration of this Agreement, whether by reason of Franchisee's breach, default, non-renewal, lapse of time, or other cause, in addition to any other obligations provided for in this Agreement, Franchisee will immediately discontinue the use and/or display in any manner of the Marks and all materials containing or bearing the Marks. Franchisee will not thereafter operate or do business under the Marks or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by Franchisor. In that event, Franchisee also will not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including

(i) any training or other materials, manuals, bulletins, instruction sheets, or supplements to any of them, or
(ii) any forms, advertising matter, Marks, devices, insignias, slogans, or designs used from time to time in connection with the Franchised Business.

(b) Among the steps that Franchisee must take as a result of termination or expiration of this Agreement as described in Section 12.1(a) above, Franchisee will promptly take the following steps:

(i) Franchisee will remove at Franchisee's expense identifying Marks on the Vehicle and all other signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor.

(ii) Franchisee will erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Marks and all words indicating that Franchisee is associated or affiliated with Franchisor.

(iii) Franchisee will permanently discontinue all advertising to the effect that Franchisee is associated or affiliated with Franchisor.

(iv) Franchisee will refrain from doing anything that might indicate that Franchisee is or ever was an authorized franchisee of the Marks or the System, including indicating, directly or indirectly, that Franchisee was licensed to use the Marks or any other distinctive System features or that Franchisee at any time operated under any name, word, or mark associated or affiliated with ~~Franchisor.~~

Franchisor.

(v) If Franchisee engages in any business thereafter, Franchisee will use trade names, Marks, or trademarks (if any) which are significantly different from the Marks and use sign formats (if any) which are significantly different in color and type face and take all necessary steps to ensure that its Affiliates observe the foregoing obligations.

(vi) Assign to Franchisor all interest and right to use all telephone numbers and all listings applicable to the Franchised Business in use at the time of the termination and take all action necessary to change all telephone numbers immediately and change all listings as soon as possible including payment of any outstanding invoices payable to telephone service providers.

(vii) At the option of Franchisor, Franchisee will assign to Franchisor all rights to all ~~e-~~e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Franchised Business. Furthermore, Franchisee will sign any forms or documents that Franchisor

considers necessary to appoint Franchisor as Franchisee's attorney-in-fact with full power and authority for the sole purpose of assigning these rights to Franchisor.

(c) If Franchisee fails to make or cause to be made any removal or change described in Section 12.1(b) above, then Franchisor may, after 15 days written notice, enter upon Franchisee's premises upon which the Franchised Business was being conducted without being considered guilty of trespass or any other tort, and make or cause to be made the required changes at the expense of Franchisee, which expense Franchisee agrees to pay Franchisor promptly upon demand. Franchisee irrevocably appoints Franchisor as its lawful attorney upon termination of this Agreement with authority to file any document in the name of and on behalf of Franchisee for the purpose of terminating any and all of Franchisee's rights in the fictitious business name and any of the Marks.

12.2. Rights of Franchisor

The expiration or termination of this Agreement will be without prejudice to any rights of Franchisor against Franchisee and the expiration or termination will not relieve Franchisee of any of its obligations to Franchisor existing at the time of expiration or termination or terminate those obligations of Franchisee which, by their nature, survive the expiration or termination of this Agreement.

12.3. Franchisor's Right to Cure Defaults by Franchisee

In addition to all other remedies granted by this Agreement, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach under this Agreement and without notice to Franchisee, cure the default for the account of and on behalf of Franchisee, and all costs or expenses (including attorney fees) incurred by Franchisor on account of curing the default will be due and payable by Franchisee to Franchisor on demand.

12.4. Waiver and Delay

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal, or neglect of Franchisor either to exercise any right, power, or option given to it under this Agreement or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Manuals, will constitute a waiver of the provisions of this

Agreement or the Manuals with respect to any subsequent breach of the same or any other provision of this Agreement or the Manuals, or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions of this Agreement or the Manuals.

12.5. Attorney Fees and Expenses

In the event of any arbitration (including any petition for confirmation, modification, or vacation of the award) or litigation (including appeals) arising out of or relating to this Agreement, the breach or alleged breach of this Agreement, or the relationship of the parties, then the prevailing party will be reimbursed by the losing party for all costs and expenses incurred in connection with them, including reasonable attorney fees for the services rendered to the prevailing party.

13. GENERAL CONDITIONS AND PROVISIONS

13.1. Relationship of Franchisee to Franchisor

The parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner, fiduciary, or co-venturer of or with the other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, partner, or co-venturer of Franchisor. All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be considered employees or agents of Franchisor, nor subject to Franchisor's control, and in particular, Franchisor will have no authority to exercise control over the hiring or termination of employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or the day-to-day activities of those people, except to the extent necessary to protect the Marks. Franchisee agrees to respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities. Each of the parties agrees to file its own tax, regulatory, and payroll reports with respect to its respective employees or agents and operations, and to indemnify the other party against any liability by virtue of the tax, regulatory, and payroll reports filed by the party.

13.2. No Liability

Franchisor shall not be responsible or otherwise liable for any injury, loss, or damage suffered by any person or property directly or indirectly arising out of Franchisee's operation of the Franchised Business. Franchisor will have no liability for Franchisee's obligations to pay third parties, including any landlords and product vendors.

13.3. Indemnity

- (a) Franchisee and the Owners, jointly and severally, will, at all times and to the fullest extent permitted by law, indemnify the Indemnified Parties from and defend them against all Losses and Expenses of any of the Indemnified Parties that arise out of or are based upon any of the following:

- (i) The operation or condition of any part of the Franchised Business or the site on which the Franchised Business is located, the conduct of business at the Franchised Business and any acts or omissions of Franchisee or Franchisee's employees, agents or contractors, including with respect to the collection or use of customer information.
- (ii) The infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of the Owners of any patent, trademark, copyright, or other proprietary right owned or controlled by third parties unless, and to the extent that, the Action is based upon or arises from franchisee's authorized use of the Marks in strict compliance with the terms of this Agreement.
- (iii) The violation or breach by Franchisee or any of the Owners of any law, regulation, ruling or industry standard, including but not limited to, labor and employment law, regulation, ruling or industry standard related to Franchisee's employees and agents and any national and municipal laws governing the generation, use or disposal of hazardous waste or hazardous materials and any and all other laws designed to protect the environment.
- (iv) Franchisee's failure to obtain and maintain the types and amount of insurance coverage set forth in the Manual or otherwise required by Franchisor.
- (v) Libel, slander, or any other form of defamation of the Indemnified Parties, the System or any other franchisee by Franchisee or any of the Owners.
- (vi) The violation or breach by Franchisee, or any of its Affiliates or Owners of any warranty, representation, agreement or obligation in this Agreement or other agreement between Franchisee or its Affiliates and one or more of the Indemnified Parties.
- (vii) Acts, errors, or omissions of Franchisee, its Affiliates, the Owners and their respective owners, officers, employees, agents and representatives in connection with the establishment and operation of the Franchised Business pursuant to this Agreement.
- (viii) Any and all encumbrances, liens, assessments, levies, charges, surcharges, demands for payment, taxes or any other liabilities imposed on Franchisor or on or as a result of any payment due to or paid to Franchisor under this Agreement, by any taxing authority or any political subdivision, instrumentality, agency or other body of any government or taxing authority.
- (ix) Any actual or alleged claim that Franchisor and Franchisee are joint employers of any Franchisee employee or personnel.

~~Except as otherwise expressly provided in Section 6.6, Franchisee agrees to defend, and indemnify Franchisor and its Affiliates and designees against all costs and expenses actually incurred by them or for which they are liable, including attorney fees, court costs, losses, liabilities, damages, claims and demands of every nature, and including those incurred under a settlement~~

~~entered into in good faith, arising out of or in connection with the Franchised Business, including any claim or controversy arising out of (i) (x)~~ aAny Transfer by Franchisee referred to in Section 9.2, ;

- ~~(ix)~~ aActs or omissions of Franchisee which are not in strict compliance with this Agreement and the Manuals, ~~(iii)~~ acts or omissions of Franchisee which tend to create an impression that the relationship between the parties is other than one of Franchisor and

Franchisee, ~~or~~

~~(iv) any acts or omissions of Franchisee's employees. In spite of the foregoing, Franchisee will have no obligation to indemnify Franchisor, or its Affiliates or designees against costs or expenses arising from the conduct of Franchisor found to be willful, malicious or grossly negligent.~~

(b) Franchisee and each of the Owners agrees to give Franchisor immediate notice of any Action subject to indemnification under this Agreement. At the expense and risk of Franchisee and each of the Owners, Franchisor may elect to control (but under no circumstances is obligated to undertake), and associate counsel of its own choosing with respect to, the defense and/or settlement of any such Action. Such an undertaking by Franchisor will, in no manner or form, diminish the obligation of Franchisee and each of the Owners to indemnify the Indemnified Parties and to hold them harmless.

(c) In order to protect persons or property or the reputation or goodwill of itself or others, Franchisor may, at any time and without notice, as it deems appropriate, consent or agree to settlements or take such other remedial or correction action as it deems expedient with respect to the Action if, in Franchisor's judgment, there are grounds to believe that:

- (xii) Any of the acts or circumstances enumerated in this Section has occurred; or
- (xiii) Any act, error or omission as described in this Section may result directly or indirectly in damage, injury or harm to any Person or any property.

(d) All Losses and Expenses incurred under this Section will be chargeable to and paid by Franchisee or any of the Owners pursuant and subject to their respective obligations of indemnity under this Section, regardless of any action, activity, or defense undertaken by Franchisor or the subsequent success or failure of that action, activity, or defense.

THE INDEMNIFIED PARTIES DO NOT ASSUME ANY LIABILITY WHATSOEVER FOR ACTS, ERRORS, OR OMISSIONS OF THOSE WITH WHOM FRANCHISEE, ANY OF ITS AFFILIATES OR ANY OF THE OWNERS, MAY CONTRACT. FRANCHISEE AND EACH OF FRANCHISEE'S OWNERS THAT EXECUTE THE PERSONAL COVENANT AND GUARANTEE WILL HOLD HARMLESS AND INDEMNIFY THE INDEMNIFIED PARTIES FROM ALL LOSSES AND EXPENSES THAT MAY ARISE OUT OF ANY ACTS, ERRORS, OR OMISSIONS OF FRANCHISEE, ITS AFFILIATES AND THE OWNERS AND ANY SUCH THIRD PARTIES, WITHOUT LIMITATION AND WITHOUT REGARD TO THE CAUSE OR CAUSES OF THE ACTS, ERRORS OR OMISSIONS OR THE NEGLIGENCE (WHETHER THAT NEGLIGENCE IS SOLE, JOINT, OR CONCURRENT, AND WHETHER ACTIVE OR PASSIVE) OR STRICT LIABILITY OF ANY OF THE INDEMNIFIED PARTIES OR ANY OTHER PARTY OR PARTIES ARISING IN CONNECTION THEREWITH, IN CONNECTION WITH THE ESTABLISHMENT AND OPERATION OF THE FRANCHISED BUSINESS, INCLUDING, BUT NOT LIMITED TO, ANY ACTS, ERRORS OR OMISSIONS OF ANY OF THE FOREGOING IN THE OPERATION OF ANY MOTOR VEHICLES, IN THE ESTABLISHMENT OR IMPLEMENTATION OF SECURITY FOR THE FRANCHISED BUSINESS, IN THE USE OF ANY INTERNET SITE OR INTRANET NETWORK DEVELOPED BY FRANCHISOR, ACTS OF ANY THIRD PARTIES, OR ACTS OR CLAIMS ARISING FROM THIS AGREEMENT.

13.4. Survival of Covenants

The covenants contained in this Agreement that by their terms require performance by the parties

after the expiration or termination of this Agreement will be enforceable in spite of the expiration or other termination of this Agreement.

13.5. Successors and Assigns

This Agreement will be binding upon and benefit the successors and assigns of Franchisor and Franchisee and their respective heirs, executors, administrators, successors, and assigns, subject to the restrictions on Assignment by Franchisee contained in this Agreement.

13.6. Joint and Several Liability

If Franchisee consists of more than one person, the obligation and liabilities to Franchisor of each person are joint and several.

13.7. Counterparts

This Agreement may be signed in any number of copies, each of which will be considered to be an original, and all of which together will be considered to be one and the same instrument.

13.8. Notices

(a) All notices which the parties may be required or may desire to give under or in connection with this Agreement will be in writing and will be sent either by certified mail, return receipt requested, postage prepaid, or by reliable overnight delivery service, addressed as follows:

(i) If _____ to

Franchisor,

to: HFC

KTU LLC
14 S. Main Street, Suite C
Aberdeen, South Dakota
57401 Attention: President

With a copy to:

~~16.2(e):~~

Home Franchise
Concepts, LLC
19000 MacArthur
Boulevard, Suite 100
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(b) Notices sent in accordance with this Section 13.8 will be considered given three business days after deposit with the United States Postal Service or the next business day after deposit with a reliable overnight delivery service.

(c) The addresses given in this Agreement for notices may be changed at any time by either party by written notice given to the other party as provided in this Agreement. If the address to which notices are otherwise required to be given under this Section 13.8 is known or believed by the person giving notice no longer to be valid, notices will also be sent to the last known valid address of the party receiving the notice.

13.9. Franchisor's Discretion

Whenever Franchisor has a right and/or the discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make that decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in the best interests of the System. Franchisor's judgment of what is in the best interests of the System, at the time Franchisor's decision is made, or Franchisor's right or discretion is exercised, can be made without regard to whether: (a) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (b) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (c) Franchisor's decision or the action taken applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or affiliate-owned operations; or

(d) Franchisor's decision or the action taken is adverse to Franchisee's interests. Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations under this Agreement.

13.10. Terrorist and Money Laundering Activities

Franchisee and the Principals represent and warrant to Franchisor that neither Franchisee, nor any Principal, nor any of their respective Affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control. Further, Franchisee and the Principals represent and warrant that neither they nor any Principal or Affiliate referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act, U.S. Executive Order 13224, or any similar law. The foregoing constitute continuing representations and warranties, and Franchisee and the Principals will immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

14. CONSTRUCTION OF AGREEMENT

14.1. Governing Law

The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post-termination ~~non-~~ non-competition provisions. Except as otherwise provided in Section 10 and this section, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of South Dakota. Franchisee waives, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business

opportunities, other than those of the state in which the Territory is located.

14.2. Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related Agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document.

14.3. Modification

This Agreement cannot be modified or changed except by (i) written instrument signed by all of the parties, or (ii) by Franchisor's reduction of the scope of any of Franchisee's obligations under this Agreement, which may be done without Franchisee's consent and which will be effective immediately upon notice.

14.4. Titles for Convenience Only

Section titles used in this Agreement are for convenience only and will not be considered to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

14.5. Gender

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Section may require.

14.6. Severability

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement or the Manuals and any present or future statute, law, ordinance, regulation, or judicial decision, contrary to which the parties have no legal right to contract, the statute, law, ordinance, regulation, or judicial decision will prevail, but in that event the provision of this Agreement or the Manuals thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, Section, sentence, or clause of this Agreement or the Manuals is held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be considered deleted, and the remaining parts will continue in full force and effect, unless the provision pertains to the payment of fees under Section 4, in which case this Agreement will terminate.

14.7. No Third Party Beneficiaries

This Agreement is not intended to benefit any other person except the named parties. No other person may claim any rights under this Agreement by virtue of so-called “third party beneficiary rights” or otherwise.

14.8. Examples Not Exclusive

The verb “to include” (in all its tenses and variations, such as “including”) is always used in a ~~non~~-non-exclusive sense (as if followed by one of the phrases “without limitation” or “but not limited to”). The failure to list a particular example after a variation of the word “including” is not to be construed as an indication that the example is excluded.

14.9. “Person” Inclusive

The term “person” means all forms of juridical persons, including individuals, partnerships, corporations, trusts, unincorporated associations, and governmental entities.

15. SUBMISSION OF AGREEMENT

The submission of this Agreement to Franchisee does not constitute an offer, and this Agreement will become effective only upon the signing of this Agreement by both Franchisor and Franchisee. This Agreement will not be binding on Franchisor unless and until it has been accepted and signed by the President or other executive officer of Franchisor. This Agreement may not become effective until and unless Franchisee has been furnished by Franchisor with any disclosure, in written form, required under or according to applicable law.

16. ACKNOWLEDGMENTS AND REPRESENTATIONS OF FRANCHISEE

16.1. Certain Acknowledgments and Representations of Franchisee

If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor's license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manuals, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manuals. Franchisee represents that it has the capabilities, professionally, financially, and otherwise, to comply with the standards of Franchisor.

If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Territory.

The signing of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party.

Any individual signing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

The formation of this Agreement and the disclosures made in connection with the relationship described in this Agreement are governed in part by the franchise relations acts, the franchise investment laws, the franchise disclosure laws and the regulations promulgated under those laws and regulations in the states in which Franchisor and its franchisees do or intend to do business. Those laws, regulations, and disclosure requirements have been implemented for the protection and benefit of franchisees and prospective franchisees.

16.2. Additional Information Respecting Franchisee

(a) Attached as Schedule 4 is a schedule containing complete information respecting the owners, partners, members, officers, and directors, as the case may be, of Franchisee.

(b) Unless otherwise disclosed to Franchisor in writing, Franchisee's financial and other records will be maintained at Franchisee's principal place of business indicated in Section 3.1.

(c) The name and business address of Franchisee's Manager is:

Franchisee will deliver, under Section 13.8, written notice of any change in this information after the Effective Date.

(d) Franchisee has delivered to Franchisor complete and accurate copies of all organizational documents relating to Franchisee, including (as appropriate) all partnership agreements, certificates of partnership, Articles or certificates of incorporation, by-laws, shareholder agreements, and operating agreements, as well as all amendments, side letters, and other items modifying any of those documents.

(e) (The Term (as described in Section 5.1) of this Agreement expires on

_____.

[SIGNATURES FOLLOW]

IN WITNESS TO WHICH, the parties to this Agreement have caused this Agreement to be signed on or as of the dates indicated below:

FRANCHISOR
HFC KTU LLC

Date: _____

By: _____
~~Heidi Morrissey~~ Jarrett Smith, President

Sign here if Franchisee is an individual:

FRANCHISEE

Print Company Name:

By: _____

Print Name:

Print Title: _____

Print Name:

Print Address

~~STATE-SPECIFIC~~
ADDENDUM TO HFC KTU,
LLC FRANCHISE
AGREEMENT
FOR THE STATE OF CALIFORNIA

1. INTRODUCTION

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):

~~This Addendum (Addendum) is effective on the same date as the Franchise Agreement (Agreement) to which it is attached. The parties to the Addendum are the parties to the Agreement. The purpose of this Addendum is to modify certain clauses of the standard Agreement to meet the requirements of regulatory agencies in the States of Hawaii, Illinois, Maryland, Minnesota, New York, North Dakota, Rhode Island and Washington.~~

CALIFORNIA LAW MODIFICATIONS

2. AGREEMENT

~~The parties agree as follows:~~

~~**2.1 California**~~

~~The following provisions apply to you if your State is California:~~

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to Franchisee concerning termination, transfer and nonrenewal of the Franchise Agreement. The Federal Bankruptcy Code also provides rights to Franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. To the extent the Franchise Agreement contains a provision that is inconsistent with these laws, these laws will control.
- b. If Franchisee is required in the Franchise Agreement to execute a release of claims, such release will exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.
- c. If the Franchise Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.
- d. If the Franchise Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Franchise

Agreement, the covenant may be unenforceable under California law.

- e. If the Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.
- f. If the Franchise Agreement requires that it be governed by a state's law, other than the

State of California, such requirement may be unenforceable.

- g. If the Franchise Agreement requires an interest rate greater than 10% per annum (the highest amount allowed in California), such interest rate will be reduced to 10% per annum.

h. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

~~i. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.~~

i. The last two paragraphs of Section 16.1 in the Franchise Agreement are deleted in their entirety and not applicable in the State of California.

2. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee has initiated.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR

FRANCHISEE

HFC KTU, LLC,
a Delaware limited liability company

By: _____ Print Name: By: _____ Print Name: _____

Effective Date: _____ Date: _____

ADDENDUM TO HFC KTU, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF HAWAII

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):

2.2 ~~Hawaii~~

HAWAII LAW MODIFICATIONS

The following provisions apply to you if you live in Hawaii or your ~~State is~~ business will be located in Hawaii:

No statement, questionnaire, or acknowledgement 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 ~~F~~franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

2.3 ~~Illinois~~

FRANCHISOR

FRANCHISEE

HFC KTU, LLC,
a Delaware limited liability company

By: _____ Print Name: ~~By:~~ _____ Print Name: _____

Effective Date: _____ Date: _____

ADDENDUM TO HFC KTU, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):

~~The following provisions apply to you if your State is Illinois:~~

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 - 705/44 (1994) (the “Act”). To the extent that this Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

Illinois law governs the ~~f~~Fanchise ~~a~~Agreement~~(s)~~.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

~~Franchisees:~~ Your rights upon ~~t~~Termination and ~~non-renewal~~Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with ~~S~~section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

~~THE FRANCHISOR RESERVES THE RIGHT TO IDENTIFY “KEY ACCOUNTS” WITHIN YOUR TERRITORY. THE FRANCHISOR, ITS AFFILIATES AND OTHER FRANCHISEES MAY SERVICE A “KEY ACCOUNT” WITHIN YOUR TERRITORY WITH NO COMPENSATION PAID TO YOU IF YOU DECLINE TO PARTICIPATE IN KEY ACCOUNT REFERRALS.~~

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 ~~F~~Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of Illinois law applicable to the provisions are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that

ADDENDUM TO HFC KTU, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):
it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

[CONTINUED AND EXECUTED ON THE FOLLOWING PAGE]

FRANCHISOR

FRANCHISEE

HFC KTU, LLC,
a Delaware limited liability company

By: _____ Print Name: By: _____ Print Name: _____

Effective Date: _____ Date: _____

ADDENDUM TO HFC KTU, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

~~See the last page of this Addendum for your signature.~~

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):

2.4 Maryland

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. § 14-201 et. seq. (2015 Repl. Vol.). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

~~The following provisions apply to you if you live in Maryland or your business will be located in Maryland:~~

2.4.1 Financial Assurance

~~Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.~~

a. Franchisee is required in this Agreement to execute a release of claims and/or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act. Such release will exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments will be void with respect to claims under the Law.

b. This Agreement requires litigation to be conducted in a forum other than the State of Maryland. The requirement will not be interpreted to limit any rights Franchisee may have under Sec. 14-216 (c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.

2.4.2 Franchise Fee

b. The general release required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

~~The first sentence in Section 4.1 is amended to read as follows:~~

c. This Agreement is hereby amended to reflect that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

~~Once Franchisor has fulfilled all of its pre-opening obligations to Franchisee, Franchisee will pay the following fees for each franchise unit being purchased:~~

2.4.3 Release of Claims

~~Section 9.2 (Assignment by Franchisee) of the Agreement says that we may require you to sign a release of claims as a condition of renewal or transfer of your franchise. However, this release will not apply to any liability arising under the Maryland Franchise Registration and Disclosure Law.~~

2.4.4 Disputes Not Subject To Alternate Dispute Resolution

~~Section 11.2 (Disputes Not Subject To Alternate Dispute Resolution) of the Agreement is amended to read as follows:~~

~~Except for claims subject to arbitration, a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.~~

2.4.5 Venue

~~Section 11.6(a) (Venue, Submission to Court, Limitation of Damages) of the Agreement is revised to read as follows:~~

~~No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in a state court of competent jurisdiction. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.~~

2.4.6 Disclaimers

~~Under the franchise agreement, you must~~Under Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. This Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that ~~might~~would constitute a violation of the ~~Maryland Franchise Law. These~~All representations in this Agreement requiring prospective franchisees to assent to any release, estoppel or waiver of liability are not intended to and will not ~~do they~~ act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law resulting from the offer or sale of the franchise.

e. Sections 16.1(f) and 16.1(g) in the Franchise Agreement are deleted in their entirety and not applicable in the State of Maryland.

2.4.7 Time Period for Bring Claims

f. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

~~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 arbitration 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.~~

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee has initiated.

2.4.8 Required Statement

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

~~No statement, questionnaire, or acknowledgement 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.~~

FRANCHISOR

FRANCHISEE

2.5 Minnesota
HFC KTU, LLC,
a Delaware limited liability company

2.3.1. Release of Claims

The following provisions apply to you if your State is Minnesota:

By: _____

Print Name: _____

Effective Date: _____

~~Section 9.2 (Assignment by Franchisee) of the Agreement says that we may require you to sign a special release of claims as a condition of renewal or transfer of your franchise. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.~~

2.3.2 Arbitration Venue

By: _____ Print Name: _____ Its: _____

~~Section 11.4 (Arbitration) of the Agreement requires binding arbitration of most disputes. The arbitration will occur in a state other than Minnesota, with costs being borne according to the Rules for Commercial Arbitration of the American Arbitration Association. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.~~

2.3.3 Date: _____ Venue

ADDENDUM TO HFC KTU, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

~~Section 11.6(a) (Venue, Submission to Court, Limitation of Damages) of the Agreement is amended to read as follows:~~

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):

~~No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in a state court of competent jurisdiction. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.~~

MINNESOTA LAW MODIFICATIONS

2.3.4 Limitation of Claims

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Franchise Agreement and Franchise Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that Franchisee’s use of the Marks infringes trademark rights of the third-party. Franchisor does not indemnify against the consequences of Franchisee’s use of the Marks except in accordance with the requirements of the Franchise Agreement, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within 10 days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement will be superseded by the Act’s requirements and will have no force or effect.

b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that Franchisee be given written notice of a Franchisor’s intention not to renew 180 days prior to expiration of the franchise and that Franchisee be given sufficient opportunity to operate the franchise in order to enable Franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement will be superseded by the Act’s requirements and will have no force or effect.

~~Under Minnesota Statutes Section 80C.17, Subd. 5, no action may be commenced more than three years after the cause of action accrues.~~

~~2.3.5 With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer will not be unreasonably withheld.~~

~~2.3.6 Required Statement~~

~~No statement, questionnaire, or acknowledgement 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 with the franchise.~~

c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure). If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement will be superseded by the Act's requirements and will have no force or effect.

d. If the Franchise Agreement and/or the Franchise Disclosure Document requires Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the

Franchise Act, such release will exclude claims arising under the Franchise Act, and such acknowledgments will be void with respect to claims under the Act.

e. If the Franchise Agreement and/or the Franchise Disclosure Document requires that it be governed by a state's law, other than the State of Minnesota, those provisions will not in any way abrogate or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. If the Franchise Agreement and/or the Franchise Disclosure Document requires Franchisee to sue Franchisor outside the State of Minnesota, those provisions will not in any way abrogate or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

g. Minn. Rule 2860.4400J. prohibits Franchisor from requiring Franchisee to consent to liquidated damages and prohibits waiver of a jury trial. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Minn. Rule, the provisions of the Franchise Agreement and/or the Franchise Disclosure Document will be superseded by the Minn. Rule's requirements and will have no force or effect.

h. Notwithstanding anything to the contrary contained in this Agreement, Franchisor will protect Franchisee's right to use the Franchisor's trademarks, service marks, trade names, logotypes or other commercial symbols licensed under this Agreement or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use thereof.

2. Each provision of this Agreement and/or the Franchise Disclosure Document will be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee has initiated.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR

FRANCHISEE

HFC KTU, LLC,
a Delaware limited liability company

~~The following provision applies to you if your State is New York:~~

By: _____ Print Name: _____ Its: _____

~~2.6~~Effective Date: _____ ~~New York~~

~~2.6.1~~ Governing Law Section

~~Section 14.1 (Governing Law) of the Agreement is amended to read as follows: The United States Arbitration Act (9 U.S.C. §1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15~~

By: _____ Print Name: _____

~~U.S.C. §1051 et seq.) will govern any issue involving the Marks. To the extent applicable, all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, or (iii) post-termination~~

~~non-competition provisions will be governed by the laws of the state where Franchisee is domiciled.~~

~~Except as otherwise provided in Article 10 of this Agreement and this Section, this Agreement and the legal relations among the parties to this agreement will be governed by _____ and construed according to the laws of the State of Florida. The foregoing choice of law should not be considered to be a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.~~

2.7 North Dakota

The following provisions apply to you if your State is North Dakota:

2.7.1 Mediation and Arbitration
Venue

~~Article 11 (Dispute Resolution) of the Agreement requires mediation and arbitration to take place in South Dakota. The North Dakota Securities Commissioner has held that franchise agreements providing that the parties must agree to the mediation or arbitration of disputes at a location that is remote from the site of the franchisee's business is "unfair, unjust, or inequitable to North Dakota franchisees."~~

2.7.2 Date: _____ Venue

ADDENDUM TO HFC KTU, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

~~Section 11.6(a) (Venue, Submission to Court, Limitation of Damages) of the Agreement is revised to read as follows:~~

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):

~~No individual or entity (whether named or otherwise designated) will be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in a state court of competent jurisdiction. In either case, Franchisor and Franchisee consent to the exclusive exercise of jurisdiction by those courts.~~

NEW YORK LAW MODIFICATIONS

~~2.7.3 Submission to Court and Limitation of Damages~~

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

~~Section 11.6(b) (Submission to Court) and 11.6(c) (Limitation of Damages) of the Agreement are deleted.~~

a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release will exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments will be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

~~2.7.4 Bankruptcy~~

b. If the Franchise Agreement requires that it be governed by a state’s law, other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

c. Notwithstanding any rights Franchisee may have in the Franchise Agreement permitting Franchisee to terminate the Franchise Agreement, Franchisee may also have additional rights to terminate the Franchise Agreement on any grounds available by law.

d. With respect to any transfer or assignment by Franchisor, no assignment will be made except to an assignee who, in good faith and judgment of

Franchisor, is willing and financially able to assume Franchisor's obligations under the Franchise Agreement.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR

FRANCHISEE

HFC KTU, LLC,
a Delaware limited liability company

By: _____ Print Name: By: _____ Print Name: _____

Effective Date: _____ Date: _____

ADDENDUM TO HFC KTU, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate North Dakota Law, or a rule or order under North Dakota Law, such release will exclude claims arising under North Dakota Law, and such acknowledgments will be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota Law. If the Franchise Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under North Dakota Law.

~~A provision in d. If the Franchise Agreement that terminates the franchise upon bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.~~ requires that it be governed by a state’s law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

~~2.7.5~~ **Governing Law**

- e. If the Franchise Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under North Dakota Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of North Dakota Law, with respect to each such provision, are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional

requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee have initiated.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR

FRANCHISEE

~~Section 14.1 of the Agreement (Governing Law) is revised to read as follows:~~

~~(ii) the maximum rate of interest that may be charged under this Agreement, and~~

HFC KTU, LLC,
a Delaware limited liability company

~~The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect,~~

~~(iii) enforcement of post termination non-competition provisions. Otherwise, except as to matters within the purview of the North Dakota franchise law, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of Florida.~~

~~2.8 Rhode Island~~

By: _____ Print Name: _____

~~The following provisions apply to you if your State is Rhode Island:~~

Date: _____

By: _____ Print Name: _____ Its: _____

Effective Date: _____

ADDENDUM TO HFC KTU, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

The Franchise Agreement between _____ (“Franchisee” or “Franchisee”) and HFC KTU, LLC (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Addendum”):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void under Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- b. If this Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Sec. 19-28.1-14.
- c. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release will exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments will be void with respect to claims under the Act.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Addendum. This Addendum will have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee have initiated.

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Franchise Agreement on the Effective Date set forth below.

FRANCHISOR

FRANCHISEE

HFC KTU, LLC,
a Delaware limited liability company

By: _____ Print Name: By: _____ Print Name: _____

Effective Date: _____ Date: _____

WASHINGTON ADDENDUM
TO THE HFC KTU, LLC FRANCHISE AGREEMENT
AND ALL RELATED AGREEMENTS

2.8.1 Governing Law

~~Section 14.1 of the Agreement (Governing Law) is revised to read as follows: The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post termination non-competition provisions. Otherwise, except as to matters within the purview of the Rhode Island Franchise Investment Act, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of South Dakota.~~

2.9 Washington

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages ~~are void~~ ~~are void, except when executed pursuant to a negotiated settlement after,~~ except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgments. 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.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Further, Section 16.1 of the Franchise Agreement is deleted and replaced with the following:

16.1 Certain Acknowledgments and Representations of Franchisee

If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor’s license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manuals, and (ii) the necessity of operating the Franchised Business under the standards stated in the Manuals.

If Franchisee is not an individual, Franchisee is duly incorporated or organized and is qualified to do business in the Territory.

The signing of this Agreement by Franchisee will not constitute or violate

any other agreement or commitment to which Franchisee is a party.

Any individual signing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership.

3. INCORPORATION OF FRANCHISE AGREEMENT

~~The terms and conditions of the Agreement are incorporated into this Addendum by reference except to the extent that they conflict with the terms and conditions of this Addendum. If there is a conflict, the terms and conditions of this Addendum will govern.~~

~~IN WITNESS TO THE FOREGOING, the~~ The undersigned parties ~~to~~ do hereby acknowledge receipt
of this Addendum ~~sign and delivered it.~~

Dated this _____ day of _____ 20 _____.

FRANCHISOR

FRANCHISEE

HFC KTU, LLC,
a Delaware limited liability company

~~Date:~~ _____

~~By:~~

By: _____

Print Name: _____

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Sign here if Franchisee is a company:

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~~Date:~~ _____

~~By:~~ _____

~~Print Name:~~ _____

~~Print Title~~ Date: _____

Sign here if Franchisee is an individual:

FRANCHISEE

Date By: _____ Print Name: _____ Its: _____

Effective Date: _____

Schedule 1

PERSONAL COVENANT AND GUARANTEE

~~(To be signed by franchisee's spouse, if any, and by all owners, if franchisee is a company.)~~

~~In return for the signing by Franchisor of this Franchise Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned covenant and agree as follows:~~

~~A. The undersigned represent to Franchisor that the undersigned are all of the people~~In consideration of, and as an inducement to, the execution of the Franchise Agreement with the date set forth below, including any exhibits and amendments thereto (the "Franchise Agreement"), by and between HFC KTU, LLC, a Delaware limited liability company ("Franchisor") and the Franchisee named below ("Franchisee"), each of the undersigned hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that Franchisee will punctually pay and perform the agreements and covenants expressly provided by the terms of the Franchise Agreement; and (2) acknowledges that each is a person having direct or indirect "Control" (as defined in the Franchise Agreement) or a direct or indirect beneficial ownership interest in Franchisee- (each an "Owner") and without limiting any guarantee of Franchisee's obligations under the Franchise Agreement, jointly and severally makes all of the covenants, representations, warranties and agreements set forth in the Franchise Agreement and is jointly and severally obligated to perform thereunder for so long as he or she qualifies as an Owner and thereafter to the extent expressly provided by the terms of the Franchise Agreement, including, but not limited to, the covenants, representations, warranties and agreements described in the following sections of the Franchise Agreement: Sections 8.10 and 8.20 (regarding non-competition and confidentiality), 9.2 (regarding Transfer), 13.3 (regarding indemnification), 11.3, 11.4, and 14.1 (regarding dispute resolution and governing law and dispute resolution) and 8.6(d) and 10.6 (Liquidated Damages), and (3) represents that each and every representation of Franchisee made in connection with the Franchise Agreement is true, correct and complete in all respects as of the time given and as of the time of the undersigned's execution of this Personal Covenant and Guarantee. Any capitalized terms used but not defined in this Personal Covenant and Guarantee will have the meaning set forth in the Franchise Agreement.

~~B. The undersigned, individually and jointly, will (i) comply with and be bound by all provisions of the Franchise Agreement to the same extent as if each of them were the Franchisee, and (ii) not engage in any activities not permitted to the Franchisee under the Franchise Agreement (whether in their own behalf or in any capacity on behalf of any entity).~~

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) notice of any amendment to the Franchise Agreement; and (f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his or her direct and immediate liability under this Personal Covenant and Guarantee will be joint and several; (ii) he or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses to do so punctually; (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability will not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Personal Covenant and Guarantee, which will be continuing and irrevocable until satisfied in full.

~~C. Any controversy or claim~~ Each of the undersigned agrees that any actions arising out of or related to this Personal Covenant and Guarantee, ~~or any breach of it, will be submitted to mediation and arbitration~~ must be initiated and arbitrated or litigated to conclusion in accordance with the Dispute resolution terms and conditions of the Franchise Agreement, which specifically apply the dispute resolution provisions in Sections ~~11~~ 11.3 and 11.4 of the Franchise Agreement.

~~D. If any other people obtain direct or indirect Control of Franchisee or a direct or indirect beneficial interest in Franchisee, the undersigned will cause those people to sign and deliver to Franchisor a counterpart of this Personal Covenant and Guarantee.~~

Each of the undersigned further acknowledges and agrees as follows:

Each has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Personal Covenant and Guarantee is in partial consideration for, and a condition to the granting of the rights to the Marks and the System, and the Franchisor would not have granted such rights without the execution of this Personal Covenant and Guarantee by each of the undersigned;

This Personal Covenant and Guarantee will remain in force notwithstanding the death of the undersigned, and will be binding on the undersigned's personal representatives; and

~~E. This Personal Covenant and Guarantee will be governed in accordance with the laws of the same state whose laws govern the~~continue and will be enforceable notwithstanding any change in the name or the constitution of the Franchisor or Franchisee Agreement.

Each of the undersigned represents and warrants that the following is a complete and accurate list of all Owners of Franchisee and a full description of the nature and extent of each Owners' direct or indirect Control or ownership interest in Franchisee. Franchisee, and each Owner as to his ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Personal Covenant and Guarantee.

~~Date~~Name of Franchisee: _____

Date of Franchise Agreement: _____

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal, on the same day and year as the Franchise Agreement was executed.

OWNERSHIP INTEREST IN/
ROLE WITH FRANCHISEE:

OWNER(S):

(Signature)

(Print Name:- _____)

~~Date:-~~ _____

(Signature)

(Print Name:- _____)

~~Date:-~~ _____

Print Name: _____

(Signature)

[\(Print Name\)](#)

Schedule 2

DESCRIPTION OF TERRITORY

The Territory franchised to Franchisee consists of the following ZIP Codes (as defined by the United States Postal Service):

The Territory is commonly identified as 'BATH TUNE-UP OF _____."

Schedule 3

~~Schedule 3~~

INITIAL START-UP PACKAGE

<u>Item Description</u>	<u>Qty</u>
Training and Training Aids:	
~~Training—Phase 1 : Pre-Training and Consultation (2-4 weeks)~~	
~~Training—Phase 2 : BTUniversity—Virtual and In Person (14 days)~~	
~~Training—Phase 3: BTUniversity Post Training Online Training (12 weeks)~~	
~~Litmos—Learning Management System (for use in pre and post training, as well As Training School)~~	
Training Manuals:-	
~~Operations Manual~~	
~~BTU Policy Manual~~	
~~Bath Tune Up Essentials and Remodeling Guide~~	
~~BTU Project Management Manual~~	
~~BTUniversity Workbook~~	
~~Supplier Resource Guide~~	
~~NPS Client and Prospect Survey Manual~~	
~~BTU Brand Guidelines~~	
Sales Aids:	
~~Customized Bath Tune Up Website, hosting and email account~~	
~~Bath Tune Up Pop-Up Banner~~	1
~~Home Show Booth with Podium Wrap~~	1
~~Table Cloth~~	1
~~Yard Signs~~	4
~~Clipboard~~	1
~~Women's/Men's Polo Shirt with Logo~~	1
~~Look Book~~	1
~~Collections and Selections Binder~~	1
~~Shower Surround Sample Kit~~	1
~~Sample Door, Finish and Literature Kit~~	1
~~Emser Sample Board Program~~	1
~~Vanity Finish and Vanity Top Samples~~	1 set
~~Wedi Mini Shower Mock-Up and Building Panel Sample~~	1 set
~~Rolling Bag for Samples~~	1
~~Hardware Resources Hardware Case~~	1
~~Sales Ask AI Sales Coaching (3 month subscription)~~	
Operational Equipment, Programs and Software:	
~~Laptop Computer~~	
~~Laptop Bag with BTU Logo~~	
~~CRM and Operations Software~~	
~~Business Planner~~	
~~ProfitKeeper~~	
~~Buildertrend (1-year subscription)~~	

Schedule 3

Printed Materials:

~~Collateral Folders~~	~~50~~
~~Note Cards and Envelopes~~	~~50~~
~~Business Cards~~	~~500~~
~~Catalog Envelopes~~	~~250~~
~~Magnetic Name Tag~~	~~1~~
~~Bath Remodeling Guide~~	~~25~~
~~Tri-Fold Brochures~~	~~50~~

Shipping and tax is not included

Shipping costs will vary based on your location

Schedule 4

~~Schedule 4~~

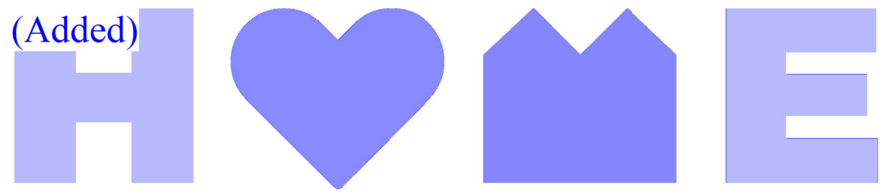
NAMES AND ADDRESSES OF OWNERS AND PRINCIPAL OFFICERS

1. If the prospective franchisee is an individual (sole proprietor), list below the name and residence address of the Franchisee:
2. If the prospective franchisee is not an individual, list below the names, residence addresses, and respective percentage ownership interests of each person who owns a direct or indirect beneficial interest in the Franchisee (if more space is required, attached additional sheets):

 - a.
 - b.
 - c.
 - d.
3. If the prospective franchisee is not an individual, list the names, residence addresses, and respective titles of each individual who has or will have management authority with respect to Franchisee, including officers, directors, managers, and partners (if necessary, list other individuals on additional sheets attached):

 - a. Title: _____
 - b. Title: _____
 - c. Title: _____

EXHIBIT B
FINANCIAL STATEMENTS



Franchise Concepts

Home Franchise Concepts, LLC and Subsidiaries

Consolidated Financial Statements

As of and for the Years Ended
December 31, 2025, 2024, and 2023

Home Franchise Concepts, LLC and Subsidiaries

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Report of Independent Auditors

To the Management and Board of Directors of JM Family Enterprises, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Home Franchise Concepts, LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, of member's equity and of cash flows for each of the three years in the period ended December 31, 2025, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

(Add)

PRICEWATERHOUSECOOPERS LLP

Miami, Florida
February 16, 2026

Home Franchise Concepts, LLC and Subsidiaries

Consolidated Balance Sheets

	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash	\$ 20,068,280	\$ 16,615,613
Accounts receivable, net of allowance for credit losses of \$777,319 in 2025 and \$649,994 in 2024	5,657,970	5,103,309
Notes receivable current, net of allowance for credit losses of \$632,786 in 2025 and \$630,809 in 2024	2,126,040	2,465,139
Rebates receivable, net of allowance for credit losses of \$161,450 in 2025 and \$172,847 in 2024	5,815,303	5,029,542
Prepaid expenses	9,942,425	8,197,983
Straight-line royalty assets, current	815,841	—
Other current assets	13,498	33,271
Assets held for sale	—	8,829,001
Total Current assets	44,439,357	46,273,858
Notes receivable long-term, net of allowance for credit losses of \$650,290 in 2025 and \$783,896 in 2024	4,825,311	6,190,063
Property and equipment, net	13,937,349	14,591,565
Operating lease right-of-use asset	8,297,738	9,885,961
Straight-line royalty assets, long-term	19,690,613	21,668,050
Intangible assets, net	354,103,748	353,843,907
Goodwill	240,767,402	240,767,402
Other assets	2,503,265	2,551,067
Total Assets	\$ 688,564,783	\$ 695,771,873
Liabilities and Member's equity		
Current liabilities		
Accounts payable	\$ 1,139,707	\$ 1,417,148
Accrued liabilities	13,971,695	12,577,936
Operating lease liability, current	1,905,350	1,885,225
Advertising advances and deposits	2,873,467	2,499,149
Deferred revenue	3,693,325	3,408,286
Straight-line royalty liabilities, current	—	152,319
Due to Parent	24,904,099	13,953,706
Liabilities held for sale	—	355,554
Total Current liabilities	48,487,643	36,249,323
Operating lease liability, long-term	9,736,959	11,442,283
Deferred income tax liability	83,136,931	76,853,503
Promissory note due to Parent	114,600,000	114,600,000
Total Liabilities	255,961,533	239,145,109
Commitments and Contingencies (Note 12)		
Member's equity	432,603,250	456,626,764
Total Liabilities and Member's equity	\$ 688,564,783	\$ 695,771,873

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries

Consolidated Statements of Operations

	For the Years Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Revenue			
Royalty income	\$ 50,199,709	\$ 49,030,088	\$ 48,607,635
Gross sales rebates	41,927,269	42,280,473	42,094,481
Continuing franchise fees	32,887,717	32,674,742	31,345,062
Product and service sales	11,649,348	9,221,187	9,213,472
Initial franchise fees	7,804,419	9,115,958	10,608,348
Other sales	999,950	956,537	786,850
Total Revenue	145,468,412	143,278,985	142,655,848
Operating expenses			
Cost of product and service sales	11,142,146	8,272,012	8,040,397
Selling and advertising	26,318,394	29,243,902	30,375,941
Operating and administrative	76,983,079	78,274,378	80,473,983
Loss (gain) on disposal of assets	104,686	(162,023)	1,420,184
Goodwill impairment	—	3,482,257	1,408,106
Intangible impairment	47,250	25,326,587	—
Foreign exchange (gain) loss	(276,741)	445,790	(129,629)
Other operating expense (income)	460,160	(186,971)	(47,403)
Total Operating expenses	114,778,974	144,695,932	121,541,579
Income (loss) from operations	30,689,438	(1,416,947)	21,114,269
Other income (expense)			
Interest income	463,678	490,996	377,089
Interest expense	(4,392,635)	(4,535,969)	(5,687,538)
Other expense, net	(3,428,528)	(1,724,503)	(2,549,983)
Total Other income (expense)	(7,357,485)	(5,769,476)	(7,860,432)
Net income (loss) before income taxes	23,331,953	(7,186,423)	13,253,837
Provision (benefit) for income taxes	5,728,451	(3,126,687)	2,867,405
Net income (loss)	\$ 17,603,502	\$ (4,059,736)	\$ 10,386,432

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries

Consolidated Statements of Member's Equity

	<u>Member's equity</u>
<u>Balance at January 1, 2024</u>	<u>\$ 487,110,663</u>
<u>Net loss</u>	<u>(4,059,736)</u>
<u>Dividend to Parent</u>	<u>(26,424,163)</u>
<u>Balance at December 31, 2024</u>	<u>456,626,764</u>
<u>Net income</u>	<u>17,603,502</u>
<u>Dividend to Parent</u>	<u>(41,627,016)</u>
<u>Balance at December 31, 2025</u>	<u>\$ 432,603,250</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries

Consolidated Statements of Cash Flows

	For the Years Ended		
	December 31, 2025	December 31, 2024	December 31, 2023
Cash flows from operating activities:			
Net income (loss)	\$ 17,603,502	\$ (4,059,736)	\$ 10,386,432
Adjustments to reconcile Net income (loss) to Net cash provided by operating activities			
Depreciation and amortization	11,394,867	10,569,042	11,816,771
Amortization of operating right-of-use lease assets	1,588,223	1,541,398	2,313,981
Provision for credit losses - accounts receivable, net	1,116,080	1,274,222	988,181
Provision for credit losses - rebates receivable, net	161,450	172,847	—
Provision for credit losses - notes receivable, net	112,077	1,566,663	573,898
Loss (gain) on disposal of assets	104,686	(47,149)	1,232,619
Goodwill impairment	—	3,482,257	1,408,106
Trademark and intangible impairments	47,250	25,326,587	—
Foreign exchange (gain) loss	(276,741)	445,790	(129,629)
Deferred income tax liability	6,283,428	(3,482,079)	4,171,131
Interest expense due to Parent	4,392,635	4,535,969	5,687,538
Other	—	(114,874)	187,565
Decrease (increase) in assets:			
Accounts receivable	(1,302,760)	(2,359,763)	(359,834)
Notes receivable	2,038,329	(481,686)	(2,270,989)
Rebates receivable	(705,808)	744,477	1,099,554
Prepaid expenses	(1,850,879)	(951,951)	751,924
Straight-line royalty assets	2,514,843	1,596,544	(880,342)
Other current assets	19,773	17,814	116,384
Other assets	68,498	(2,234,052)	8,218
Increase (decrease) in liabilities:			
Accounts payable	(209,318)	452,163	(3,648,929)
Accrued liabilities	1,268,093	443,151	3,932,719
Operating lease liability	(1,685,199)	(1,655,636)	(2,694,789)
Advertising advances and deposits	136,845	205,807	(288,804)
Deferred revenue	264,539	1,582,097	(1,266,382)
Net cash provided by operating activities	43,084,413	38,569,902	33,135,323
Cash flows from investing activities:			
Purchase of property and equipment	(4,664,358)	(8,208,040)	(4,672,672)
Proceeds from sale of equipment	93,000	71,000	—
Decrease (increase) in note receivable, net	51,345	(851,503)	—
Reacquired franchise rights intangibles	(42,475)	(203,849)	—
Net cash used in investing activities	(4,562,488)	(9,192,392)	(4,672,672)
Cash flows from financing activities:			
Due to Parent	(35,069,258)	(28,739,664)	(27,670,504)
Net cash used in financing activities	(35,069,258)	(28,739,664)	(27,670,504)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows Continued

	<u>For the Years Ended</u>		
	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Net increase in cash	<u>3,452,667</u>	<u>637,846</u>	<u>792,147</u>
Cash at beginning of period	<u>16,615,613</u>	<u>15,977,767</u>	<u>15,185,620</u>
Cash at end of period	<u>\$ 20,068,280</u>	<u>\$ 16,615,613</u>	<u>\$ 15,977,767</u>

Supplemental cash flow information:

Accrued capital expenditures	<u>\$ 113,780</u>	<u>\$ 153,818</u>	<u>\$ 123,298</u>
Dividend to Parent	<u>41,627,016</u>	<u>26,424,163</u>	<u>768,506</u>
Transfer of property and equipment (from) to prepaid expenses	<u>(127,385)</u>	<u>145,230</u>	<u>—</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

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Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

1. THE COMPANY

Home Franchise Concepts, LLC ("HFC" or the "Company") is principally engaged as a leading provider of franchise support services for franchisees in the home services sector. HFC provides centralized support functions, such as treasury, accounting, legal, IT, human resources and insurance to its wholly-owned subsidiaries and does not have any revenue-generating operations of its own.

Organizational Structure

HFC is a wholly-owned subsidiary of JM Franchise Holdings, Inc., which is, in turn, a wholly-owned subsidiary of JM Family Enterprises, Inc. ("Parent").

Principal Subsidiaries and Brands

The Company's wholly-owned subsidiaries include both brands and certain subsidiaries that facilitate services for certain brands' franchisees:

<u>Subsidiary/Brand</u>	<u>Description</u>
<u>AdvantaClean Systems, LLC ("ACS")</u>	<u>Restoration and remediation services brand</u>
<u>American Decorative Coatings, LLC doing business as Concrete Craft ("CC")</u>	<u>Decorative concrete surfaces brand</u>
<u>Aussie Pet Mobile, Inc ("APM")</u>	<u>Mobile pet grooming brand</u>
<u>Budget Blinds, LLC ("BB")</u>	<u>Blinds and window coverings brand</u>
<u>BB Commercial Solutions, LLC</u>	<u>Coordinate commercial market jobs for BB franchisees</u>
<u>Home Franchise Financings, LLC ("HFF")</u>	<u>Franchisee financing</u>
<u>HFC KTU LLC doing business as Kitchen Tune-Up and Bath Tune-Up</u>	<u>Kitchen and bath improvements brands</u>
<u>Lightspeed Restoration, LLC ("LR")</u>	<u>24x7 restoration and remediation services brand</u>
<u>Loss Control & Recovery, LLC</u>	<u>Service facilitation for large or commercial market jobs for</u>
<u>National Restoration Solutions, LLC</u>	<u>Service facilitation for large or commercial market jobs for LR franchisees</u>
<u>Organized Spaces, LLC doing business as Premier Garage and The</u>	<u>Closets, garage flooring, and home organizing brands</u>
<u>Two Maids Franchising, LLC ("TM")</u>	<u>Residential home cleaning brand</u>

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

Franchise Operations and Footprint - As of December 31, 2025, the Company has franchise operating territories as follows:

<u>Brands</u>	<u>United States</u>	<u>Canada</u>	<u>Other</u>	<u>Total Territories</u>
<u>ACS</u>	<u>70</u>	<u>—</u>	<u>—</u>	<u>70</u>
<u>APM</u>	<u>167</u>	<u>—</u>	<u>1</u>	<u>168</u>
<u>BB</u>	<u>1,369</u>	<u>116</u>	<u>—</u>	<u>1,485</u>
<u>CC</u>	<u>3</u>	<u>—</u>	<u>—</u>	<u>3</u>
<u>KTU</u>	<u>250</u>	<u>11</u>	<u>—</u>	<u>261</u>
<u>BTU</u>	<u>53</u>	<u>5</u>	<u>—</u>	<u>58</u>
<u>LR</u>	<u>40</u>	<u>—</u>	<u>—</u>	<u>40</u>
<u>PG</u>	<u>135</u>	<u>10</u>	<u>—</u>	<u>145</u>
<u>TTC</u>	<u>137</u>	<u>12</u>	<u>—</u>	<u>149</u>
<u>TM</u>	<u>184</u>	<u>—</u>	<u>—</u>	<u>184</u>
Total	2,408	154	1	2,563

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All amounts within the Notes to the Consolidated Financial Statements are presented in dollars unless otherwise specified.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company. All intercompany balances and transactions are eliminated in consolidation. Accounting Standards Codification ("ASC") 220 requires a separate consolidated statement of comprehensive income. However, as Net income (loss) is the only material component of comprehensive income, the Company elected not to include a separate consolidated statement of comprehensive income because it would not be meaningful to the users of the Consolidated Financial Statements.

Fiscal Year

The Company has a calendar year ending annually on December 31.

Use of Estimates

The preparation of Consolidated Financial Statements is in conformity with GAAP and requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates. The estimates considered significant include the estimate of allowance for credit losses related to accounts, notes and rebates receivable, intangible asset lives and impairment assessments, and the allocation of the Parent's expenses to the Company.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

Significant Accounting Policies

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under market conditions. Fair value measurements are categorized in three levels based on the types of significant inputs used, as follows:

Level 1 Unadjusted quote prices in active markets for identical assets or liabilities

Level 2 Observable inputs available at measurement date other than quoted prices included in Level 1

Level 3 Unobservable inputs that cannot be corroborated by observable market data

The Company's financial instruments consist of cash, accounts receivable, notes receivable, rebates receivable, and accounts payable. The fair values of cash, accounts receivable, rebates receivable and accounts payable approximate their carrying amounts because of the short maturity of these items. The Company's notes receivable approximates their fair value upon issuance as the interest on these instruments is tied to or approximates current market rates and are subsequently measured at amortized cost.

Cash

The Company considers cash on hand, deposits in banks and short-term highly liquid investments as cash. The Company maintains cash in bank accounts and has not experienced any depository losses and believes there is not significant credit risk exposure of the cash. As of December 31, 2025 the Company has the following uninsured deposits:

<u>Deposit ory</u>	<u>Insured Deposit Maxim um (Local</u>	<u>Insured Maximum</u>	<u>Deposit</u>	<u>Un i n s u r e d D e p o s i t s</u>
<u>Country</u>	<u>Insured By</u>	<u>Currency)</u>	<u>(USD)</u>	<u>(USD)</u>
<u>United States</u>	<u>Federal Deposit Insurance Corporation (FDIC)</u>	<u>US\$250,000</u>	<u>\$ 250,000</u>	<u>\$ 13,239,245</u>
<u>Canada</u>	<u>Canadian Deposit Insurance Corporation</u>	<u>C\$0</u>	<u>\$ —</u>	<u>\$ 4,232,442</u>

The Consolidated Balance Sheets Cash balances also include advertising advances and deposits received from franchisees for the purpose of national advertising ("NAF") of \$5,358,905 and \$3,667,497 as of December 31, 2025 and 2024, respectively. The Company's policy is to designate these NAF funds in separate bank accounts as the terms of the respective franchise agreements

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

require the Company to spend the cash on advertising costs to benefit the franchisees.

Accounts Receivable, Net, Notes Receivable, Net, and Rebates Receivable, Net

Accounts receivable, net of the allowance for credit losses, and Rebates receivable, net of allowance for credit losses represent the estimated net realizable value. The Company's primary accounts receivable are due from vendor rebates and franchisees. Provisions for credit losses are recorded based on management's judgment regarding historical losses, specific customer circumstances and general economic conditions. Accounts receivable are written off when they are deemed uncollectible.

During the years ended December 31, 2025, 2024, and 2023, respectively, four product suppliers generated \$31,564,097, or 75%, \$32,049,534, or 76%, and \$31,625,015 or 75% of the Company's Gross sales rebates on the Consolidated Statements of Operations. As of December 31, 2025 and

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

2024, the Company has \$4,058,085, or 70%, and \$3,710,541, or 74%, respectively, of Rebates receivable related to these same suppliers on the Consolidated Balance Sheets.

Notes receivable, net of the allowance for credit losses, consist of loans made to certain franchisees typically for a purchase of initial or additional franchise territories. Provisions for credit losses are recorded based on the Company's judgment regarding historical losses, specific customer circumstances and general economic conditions. At the point the Company determines balances are uncollectible, the Company will discontinue recognition of interest income related to financing receivables. Interest income on these notes is accrued using the simple interest method. Additionally, HFF is a central financing entity of HFC for certain notes receivable with qualified franchisees, as of December 31, 2025, HFF had one note receivable outstanding. See Note 5 – Notes Receivable, Net for more information.

Inventory

Inventory consists of supplies and materials primarily related to initial start-up packages that are sold to new franchisees. The inventory is recorded at the lower of cost or net realizable value using the first-in, first-out method, and is recorded in Other current assets on the Consolidated Balance Sheets.

Leases

Lease assets and related lease liabilities are recognized for the rights and obligations created at lease commencement by operating and finance leases with lease terms of more than 12 months. The lease term commences on the date the lessor makes the underlying asset(s) available, irrespective of when lease payments begin under the contract. When determining lease term at commencement, the Company considers termination and renewal option periods available, and only includes these in the lease term if the Company is reasonably certain it will exercise the options.

The lease liability is generally based on the present value of the lease payments, consisting of fixed costs and certain rent escalations, using the risk-free rate applicable to the lease term. The lease asset is generally based on the lease liability, adjusted for amounts related to other lease-related assets and liabilities, that may include prepaid rent, landlord contributions as a reduction to the asset, and favorable or unfavorable lease purchase price adjustments.

The Company chose the private-company election to use the risk-free treasury rate at the lease commencement date for the duration of the remaining lease term to discount the present value of the future minimum lease payments.

Lease asset carrying amounts are assessed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. The Company monitors for events or changes in circumstances that require reassessment of lease classification. When a reassessment results in the re-measurement of a lease liability, a corresponding adjustment is made to the carrying amount of the lease asset.

Variable lease costs, consisting primarily of property taxes, insurance, and maintenance expenses, are expensed as incurred in Operating and administrative on the Consolidated Statements of Operations and are not included in lease liabilities on the Consolidated Balance Sheets.

The Company's lease commitments include real estate and storage leases, and all leases have been determined to be operating leases. Lease expenses are recognized on a straight-line basis

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

over the lease term in Operating and administrative on the Consolidated Statements of Operations, as follows for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
<u>Operating lease expense</u>	<u>\$ 1,884,346</u>	<u>\$ 1,922,893</u>	<u>\$ 2,430,156</u>

Property and Equipment, Net

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over their estimated useful lives as follows:

<u>Property and Equipment Type</u>	<u>Useful Life</u>
<u>Furniture and equipment</u>	<u>3 - 5 years</u>
<u>Computer software</u>	<u>3 - 5 years</u>
<u>Computer equipment</u>	<u>3 - 5 years</u>
<u>Vehicles</u>	<u>5 years</u>
<u>Leasehold improvements</u>	<u>Lesser of remaining lease term or life</u>

Depreciation expense related to property and equipment is included in Operating and administrative expenses on the Consolidated Statements of Operations. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

The Company also capitalizes certain costs incurred in connection with developing or obtaining internal-use software. Capitalized software costs are included in Property and equipment, net on the Consolidated Balance Sheets and are amortized over the expected useful life, typically three to five years. Software costs that do not meet the capitalization criteria are expensed. See Note 7 – Property and Equipment, Net for more information.

Impairment of Long-Lived Assets

The Company reviews the carrying amount of long-lived assets when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, the Company records an impairment charge for the excess of the carrying amount over the fair value. The Company determines fair value based on discounted projected future operating cash flows of the Company over their remaining service life using a risk adjusted discount rate that is commensurate with the inherent risk.

Intangible Assets, Net

Indefinite-lived intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized but are tested for impairment annually or between annual tests when an impairment indicator exists. The recoverability of indefinite-lived intangible assets is assessed by comparison of the carrying value of the asset to its estimated fair value. The Company generally utilizes both income (specifically, the relief-from-royalty method) and market approaches to estimate fair value. If the Company determines that the carrying value of the asset exceeds its estimated fair value, an impairment loss equal to the excess would be recorded.

Finite-lived intangible assets are amortized ratably over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the estimates of the useful lives should change, the Company will amortize the remaining book value over the remaining useful lives or, if an asset is deemed to be impaired, a write-down of the value of the asset would be recorded.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

Finite-lived intangible assets are amortized over their useful lives as follows:

<u>Intangible Asset Type</u>	<u>Useful Life</u>
<u>Franchise agreements</u>	<u>20 years</u>
<u>Technology</u>	<u>5 years</u>
<u>Vendor networks</u>	<u>15 years</u>
<u>Reacquired franchise rights</u>	<u>Remaining contractual term upon reacquisition</u>

See Note 8 – Intangible Assets, Net for more information.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is assigned to the reporting unit in which the acquired business will operate for purposes of impairment testing. Goodwill is tested for impairment annually, as of the last day of the third quarter of each calendar year, or more frequently if events or changes in circumstances indicate that the goodwill asset may be impaired. The Company is considered both the operating segment and reporting unit for purposes of goodwill impairment analysis.

The Company may elect to perform a qualitative assessment to determine whether the reporting unit is more likely than not impaired. If the qualitative assessment is not performed or if the Company determines that it is not more likely than not that the fair value of the reporting unit exceeds the carrying value, a quantitative assessment will be performed to calculate the fair value of the reporting unit. The carrying value of the reporting unit is compared to its estimated fair value, and if the carrying value of the reporting unit exceeds its fair value, goodwill is written down to its implied fair value.

For the year ended December 31, 2025, the Company performed a qualitative assessment and determined that the recorded value for Goodwill on the Consolidated Balance Sheets was not impaired. During 2024, a certain brand met the criteria for held for sale treatment. The Company calculated the relative fair value of goodwill associated with the brand to be \$3,482,257. The goodwill allocated to the brand was determined to be fully impaired and written off to Goodwill impairment on the Consolidated Statements of Operations. See Note 4 – Update on Brand Previously Classified as Held for Sale for more details.

For the year ended December 31, 2023, the Company wrote-off net assets, including allocated goodwill of \$1,408,106, related to the termination and dissolution of ACS Company-owned operations.

Advertising Advances and Deposits Liability

The Company is responsible for national advertising as required by franchise agreements. When the collected advertising revenues have not been fully spent (revenue collected from franchisees exceeds cash payments for advertising costs), the Company accrues the difference required to be incurred in the future as Advertising advances and deposits on the Consolidated Balance Sheets. See the Advertising policy below for more details.

Due to Parent, Dividends and Capital Contributions

The Parent's capital policy establishes a target capital structure for the Company. Every month any funds in shortage or excess of the target amount are received from, or remitted to, the Parent as a capital contribution or distribution, respectively. The policy is reviewed and adjusted periodically. Additionally, the Parent may request a dividend after approval by the Parent's Board of Directors. Dividends to and capital contributions from the Parent are recorded in Due to Parent on the Consolidated Balance Sheets.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

Due to Parent represents the net balance of funds transferred between the Parent as the Parent operates as a centralized treasury function. Both the Company and the Parent have the intent and ability to repay such amounts and as such, these are classified within Current assets or Current liabilities on the Consolidated Balance Sheets depending on the total net transfers made.

Revenue

Initial franchise fees – consist of fees paid by franchisees at the start of the franchise or area development agreement. Each of these fees are fixed, nonrefundable, and are due at the time the agreement is entered into. As allowed by ASC 606 and ASC 952 for private companies, pre-opening services provided to a franchisee are distinct from the franchise license and are recognized as a single performance obligation. This performance obligation is considered complete and revenue recognized typically when the franchisee has completed their initial training which is normally within six months of entering into the agreement. A deferred revenue liability is recorded for deposits of initial franchise fees that have not yet been recognized in Deferred revenue on the Consolidated Balance Sheets.

Royalty income – are the franchisee royalty fees that are included in the franchise agreements. Royalties include both variable royalties based on a percentage of sales generated by the franchisee, and fixed rate royalties.

The variable sales-based royalty is determined to be variable consideration because it is recognized as revenue as the related sales are earned by the franchisees. Therefore, variable sales-based royalty income is recognized in the same period the sales are generated. Sales-based fees qualify under the royalty constraint exception and do not require an estimate of future transaction price. The percentage of royalty applied on the sales varies based on franchise agreements, and may include royalty percentage de-escalation clauses whereby the royalty percentage applied on the sales generated are decreased if certain sales thresholds are obtained.

The fixed rate royalty is a flat fixed fee due monthly as determined based on the franchise agreement. Certain franchise agreements may contain clauses that allow for escalations of the fixed fees during a new franchisee ramp-up period, or periodically for inflation. The performance obligation for the fixed rate royalty is the Company providing continued access to the brand intellectual property and proprietary processes, vendor relationships, and area exclusivity over the franchise agreement term. As such, the total contract value of the fixed rate royalty revenue is calculated and recognized straight-line across the franchise agreement term. The amount of the fixed rate royalty invoiced to the franchisees compared to the straight-line revenue amount recognized is recorded in Straight-line royalty assets, current and long-term on the Consolidated Balance Sheets. Any increase related to inflationary changes are prospectively adjusted.

Continuing franchise fees – consist of service fees, renewal and transfer fees, and NAF fees paid by franchisees, as determined by the franchise agreements. The service fees relate to the performance obligations for the Company to provide monthly access to services that may include IT support, phone and call center support, and other related services. These fees are typically fixed per the franchise agreements and do not have predetermined escalation amounts. These fees are recognized monthly as the franchise utilizes the right to access the services.

Renewal and transfer fees are related to an existing franchisee renewing a franchise agreement for another term as specified by the franchise agreement, or transferring all or a portion of their agreed territories. These fees are determined by the franchise agreement and are recognized upon execution of the renewal or transfer agreement.

The franchisees are contractually obligated to contribute NAF fees for the purpose of providing national advertising for the benefit of the franchisees. The NAF fees are determined based on the franchise agreements and may be either a fixed rate or variable based on percentage of franchisee generated sales. Fixed rate NAF fees are recognized as revenue in the month due. Variable sales-based NAF fees are recognized as revenue in the period the franchisee generates sales. The

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

franchise agreements allow the Company to retain a certain percentage of NAF fees for consideration of the administration of the brand advertising fund. The Company recorded NAF revenue in Continuing franchise fees on the Consolidated Statements of Operations as follows for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
NAF revenue	\$ 23,435,233	\$ 23,638,683	\$ 23,289,698

Gross sales rebates – consists of rebates received based upon franchisee purchases with certain vendors that the Company has negotiated. The Company's performance obligation for vendor rebates is satisfied upon the sale of a vendor's product to the Company's franchisees. The vendor rebate revenue is recorded in the period the franchisee's purchase was made based upon vendor sales information.

Product and service sales – consists of product inventory and service sales to franchisees. The product sales relate primarily to the Company coordinating the franchisees purchase of certain products from specific vendors. The franchisee places the order to the Company which is then subsequently fulfilled by the vendor. As the inventory is shipped directly from the vendor to the franchisees, the Company does not bear the inventory risk of loss and is not responsible for fulfilling the orders. The Company's performance obligation for product sales is satisfied upon a product order being submitted to the vendor to fulfill. The Company acts as an agent in these transactions and therefore records revenue net of related costs.

The Company also facilitates marketing services from certain vendors primarily for local area marketing advertising. For these marketing services, the Company is determined to be the principal and revenues are presented gross of the related marketing costs which are presented in Cost of product and service sales on the Consolidated Statements of Operations. In addition, the Company does have certain product sales where inventory is purchased by the Company and then resold to franchisees. For these transactions, the Company is determined to be the principal and revenues are presented gross and related costs are presented within Cost of product and service sales expense on the Consolidated Statements of Operations.

Other sales – consists primarily of franchisee interest income, franchisee late fee income and franchise training-related revenues. In the normal course of business the Company offers franchisees promissory notes primarily related to financing initial franchise fees. Interest income for these promissory notes are recorded on the Consolidated Statements of Operations as follows for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
Other sales - interest income	\$ 748,157	\$ 762,504	\$ 666,312

Advertising

The Company expenses advertising production costs when the advertising first takes place. Other advertising costs are expensed as incurred. Advertising expenses are included in Selling and advertising expenses on the Consolidated Statements of Operations as follows for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
Advertising expenses	\$ 1,801,424	\$ 2,513,865	\$ 2,954,099

Foreign Currency

The Company's functional currency is the United States dollar. For certain franchises located in Canada, transactions are denominated in the Canadian dollar. Assets and liabilities denominated in

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

foreign currencies are adjusted to functional currency based on the period-end exchange rates. Revenue and expenses have been adjusted using the weighted average exchange rates for the respective year and the impact arising from the translation is recorded in Foreign exchange (gain) loss on the Consolidated Statements of Operations.

Income Taxes

The Parent includes the Company within its consolidated federal income tax return and certain state consolidated and combined income tax returns. In addition, the Company files various state income tax returns on a separate company basis. The Company's provision for income taxes is computed on a separate company basis for financial reporting purposes and includes an allocation of a benefit by the Parent for tax losses generated by the Company, if any, that are utilized by the consolidated group.

Deferred income taxes have been provided using the asset and liability method to reflect the effect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. A valuation allowance is recognized if it is more likely than not that the deferred tax assets will not be realized. See Note 10 – Income Taxes for more information.

3. BRAND UPDATE

During 2025, the Company, in partnership with certain franchisees of a small brand, began closing locations due to strategic considerations. These closures did not have a material impact on the Company's financial position, results of operations, or cash flows.

The Company evaluated these actions for impairment indicators and recorded immaterial impairments related to certain finite-lived intangible assets, see Note 8 – Intangible Assets, Net for more details.

4. UPDATE ON BRAND PREVIOUSLY CLASSIFIED AS HELD FOR SALE

In 2025, management decided not to proceed with the previously planned 2024 sale of a certain brand and to continue operating it internally. As such, the Company concluded that the original held-for-sale criteria was no longer met. Accordingly, the brand was reclassified from "held for sale" to "held for use" at the December 31, 2024 carrying amounts in the December 31, 2025 Consolidated Balance Sheet. No reversal of previously impaired goodwill or trademark was recorded.

As of December 31, 2024, the Company had classified the certain brand as held for sale, reflecting an offer to purchase the brand being considered. In connection with this classification, the Company recognized a valuation allowance charge totaling \$16,808,844, including \$13,326,587 related to trademark intangible, and \$3,482,257 of goodwill allocated on a relative fair value basis.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

The following table summarizes the fair value less costs to sell of the assets and liabilities classified as held for sale included in the December 31, 2024 Consolidated Balance Sheet:

	<u>12/31/2024</u>
<u>Assets</u>	
<u>Current assets</u>	
Accounts receivable, net of allowance for credit losses	\$ 91,240
Notes receivable current, net of allowance for credit losses	195,291
Rebates receivable, net of allowance for credit losses	241,403
Prepaid expenses	20,948
Straight-line royalty assets, current	369,605
Total Current assets	<u>918,487</u>
Notes receivable long-term, net of allowance for credit losses	306,355
Property and equipment, net	1,012,422
Straight-line royalty assets, long-term	1,135,961
Intangible assets, net	5,435,080
Other assets	20,696
Total Assets held for sale	\$ 8,829,001
<u>Liabilities</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 80
Accrued liabilities	97,501
Advertising advances and deposits	237,473
Deferred revenue	20,500
Total Liabilities held for sale	\$ 355,554
Net Assets held for sale	\$ 8,473,447

5. NOTES RECEIVABLE, NET

Notes receivables are due from certain franchisees primarily related to financing initial franchise fees and are collateralized by the franchise territory. The notes typically bear interest at rates ranging from 5.0% to 10.5% with original maturities ranging from three months to ten years.

During 2024, HFF entered into an \$830,000 promissory note with a franchisee for the purpose of repurchasing certain territories. The promissory note has an annual interest rate of 10.5%, and maturity of August 1, 2034.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

A summary of notes receivable expected maturities, less allowance for credit losses is as follows:

<u>Years Ending December 31,</u>	
<u>2026</u>	\$ <u>2,758,826</u>
<u>2027</u>	<u>2,129,116</u>
<u>2028</u>	<u>1,505,861</u>
<u>2029</u>	<u>850,955</u>
<u>2030</u>	<u>411,310</u>
<u>Thereafter</u>	<u>578,359</u>
<u>Total notes receivable</u>	<u>8,234,427</u>
<u>Less: Total allowance for credit losses</u>	<u>(1,283,076)</u>
<u>Total notes receivable, net of allowance for credit losses</u>	<u>6,951,351</u>
<u>Less: Notes receivable current, net of allowance for credit losses</u>	<u>(2,126,040)</u>
<u>Notes receivable long-term, net of allowance for credit losses</u>	<u>\$ 4,825,311</u>

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses are presented in Prepaid expenses and Other current assets for current, and Other assets for long-term on the Consolidated Balance Sheets. The combined prepaid expenses and other current and long-term assets consist of the following for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>
<u>Software as a service costs</u>	\$ <u>6,194,090</u>	\$ <u>5,853,361</u>
<u>Prepaid events</u>	<u>1,990,241</u>	<u>2,037,982</u>
<u>Prepaid associate expense</u>	<u>1,672,655</u>	<u>—</u>
<u>Prepaid APM van conversions</u>	<u>946,750</u>	<u>1,588,546</u>
<u>Prepaid commissions and broker fees</u>	<u>818,850</u>	<u>340,179</u>
<u>Prepaid insurance</u>	<u>228,066</u>	<u>228,925</u>
<u>Other</u>	<u>608,536</u>	<u>733,328</u>
<u>Prepaid expenses and Other assets</u>	<u>\$ 12,459,188</u>	<u>\$ 10,782,321</u>

Software as a service costs represent costs paid to third-parties for cloud computing arrangements and subscriptions that amortize to expense over the life of the respective agreements.

Prepaid events represent costs paid in advance of future brand conventions that will be recognized to expense when the event occurs.

Prepaid associate expense represents the timing of the payroll funding cycle, in late 2025 the Company processed a payroll sweep to fund a payroll disbursement scheduled for January 2, 2026.

Prepaid APM van conversions represent costs paid to create and convert pet grooming vans that will be recognized to expense when the vans sold are delivered to franchisees.

Prepaid commissions and broker fees represent costs paid related to franchises sold that will be recognized to expense when franchise operations begin.

Prepaid insurance represents costs paid for business insurance, including casualty and general liability, to be amortized to expense over the remaining term of the respective policies.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

Other represents costs paid for various other prepaid expenses including property taxes, property maintenance and insurance, dues and subscriptions for business operations, marketing supplies, training, and security deposits.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>
<u>Computer software</u>	<u>\$ 19,161,494</u>	<u>\$ 15,113,604</u>
<u>Leasehold improvements</u>	<u>7,984,862</u>	<u>7,859,546</u>
<u>Furniture and equipment</u>	<u>2,405,945</u>	<u>2,411,714</u>
<u>Computer equipment</u>	<u>577,393</u>	<u>465,743</u>
<u>Vehicles</u>	<u>234,706</u>	<u>356,236</u>
<u>Property and equipment</u>	<u>30,364,400</u>	<u>26,206,843</u>
<u>Less: Accumulated depreciation</u>	<u>(16,748,195)</u>	<u>(12,473,226)</u>
<u>Property and equipment, net of accumulated depreciation</u>	<u>13,616,205</u>	<u>13,733,617</u>
<u>Development in progress</u>	<u>321,144</u>	<u>857,948</u>
<u>Property and equipment, net</u>	<u>\$ 13,937,349</u>	<u>\$ 14,591,565</u>

Depreciation expense is included in Operating and administrative expenses on the Consolidated Statements of Operations as follows for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
<u>Depreciation expense</u>	<u>\$ 6,220,657</u>	<u>\$ 4,893,025</u>	<u>\$ 5,686,734</u>

2025 Updates - During the year ended December 31, 2025, the Company capitalized development of brand websites and operational platform enhancements, adding new assets of \$4,850,249 for Computer software.

The Company also reclassified a net asset balance of \$1,012,422 from "held for sale" to "held and used," refer to Note 4 – Update on Brand Previously Classified as Held for Sale for further details.

2024 Updates - During the year ended December 31, 2024, the Company remodeled the Irvine, California corporate leased office, adding new assets of \$2,411,406 for Leasehold improvements, \$540,415 for Furniture and equipment, and \$21,832 for Computer equipment.

2023 Updates - During the year ended December 31, 2023, the Company recorded a loss of \$1,232,619 included in Loss (gain) on disposal of assets on the Consolidated Statements of Operations that primarily consists of the net book value of obsolete computer software, as well as leasehold improvements for an operating lease the Company early terminated in 2023.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

8. INTANGIBLE ASSETS, NET

Intangible assets, net, consists of the following during the years ended:

	12/31/2025	12/31/2024
Finite Lived		
Franchise agreements	\$ 75,100,000	\$ 75,170,000
Vendor networks	20,700,000	20,700,000
Technology	4,740,000	4,960,000
Repurchased territory rights	242,955	203,849
Total finite lived	100,782,955	101,033,849
Less: Accumulated Amortization	(34,463,942)	(29,539,597)
Net finite lived	66,319,013	71,494,252
Indefinite Lived		
Trademarks	287,784,735	282,349,655
Total indefinite lived	287,784,735	282,349,655
Intangible assets, net	\$ 354,103,748	\$ 353,843,907

Impairment of Intangible Assets

2025 Updates - During 2025, the Company reclassified \$5,435,080 of Trademarks intangible from "held for sale" to "held and used," refer to Note 4 – Update on Brand Previously Classified as Held for Sale for further details. Also, the Company wrote-off \$70,000 of Franchise agreements and \$220,000 of Technology for the small brand that had location closures, and recorded related impairment expense of \$47,250 in Intangible impairment on the Consolidated Statements of Operations. See Note 3 – Brand Update for more information.

2024 Updates - During 2024, the Company determined due to unfavorable market trends and macroeconomic conditions that adversely affected future projections that there were indicators of possible impairment on the trademarks of three brands. The Company performed a quantitative analysis comparing the estimated fair value versus the carrying value and it was determined the carrying value for these brands trademarks were below the estimated fair value that resulted in an impairment of \$25,326,587 recorded in Intangible impairment on the Consolidated Statements of Operations, of which \$13,326,587 related to the previously held for sale assets, and \$2,000,000 related to the small brand that had location closures during 2025. See Note 4 – Update on Brand Previously Classified as Held for Sale and Note 3 – Brand Update, respectively, for more information.

2023 Updates - There was no impairment recorded during the year ended December 31, 2023.

Amortization of Finite-Lived Intangibles

Intangible assets with finite lives are amortized over the estimated periods benefited on a straight-line basis. The remaining weighted-average useful life was 13.5 years as of December 31, 2025. Amortization expense on intangible assets with finite lives is included in Operating and administrative expenses on the Consolidated Statements of Operations as follows for the years ended:

	12/31/2025	12/31/2024	12/31/2023
Amortization expense	\$ 5,170,464	\$ 5,674,768	\$ 6,130,037

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

Future Amortization Schedule

Future amortization expense related to the finite lived intangible assets is as follows:

Years Ending December 31,

<u>2026</u>	<u>\$</u>	<u>5,169,977</u>
<u>2027</u>		<u>5,169,977</u>
<u>2028</u>		<u>5,168,760</u>
<u>2029</u>		<u>5,155,382</u>
<u>2030</u>		<u>5,155,382</u>
<u>Thereafter</u>		<u>40,499,535</u>
	<u>\$</u>	<u>66,319,013</u>

9. ACCRUED LIABILITIES

Accrued liabilities consist of the following for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>
<u>Accrued compensation</u>	<u>\$ 11,334,884</u>	<u>\$ 10,369,133</u>
<u>Accrued accounts payable</u>	<u>2,446,786</u>	<u>2,034,580</u>
<u>Other</u>	<u>190,025</u>	<u>174,223</u>
<u>Accrued liabilities</u>	<u>\$ 13,971,695</u>	<u>\$ 12,577,936</u>

10. INCOME TAXES

The components of the Provision (benefit) for income taxes on the Consolidated Statements of Operations is as follows during the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
<u>Current</u>			
<u>Federal</u>	<u>\$ (613,232)</u>	<u>\$ 399,005</u>	<u>\$ (979,198)</u>
<u>State</u>	<u>58,255</u>	<u>(43,613)</u>	<u>(324,528)</u>
<u>Current provision for (benefit from) income taxes</u>	<u>(554,977)</u>	<u>355,392</u>	<u>(1,303,726)</u>
<u>Deferred</u>			
<u>Federal</u>	<u>5,193,724</u>	<u>(1,439,015)</u>	<u>3,774,942</u>
<u>State</u>	<u>1,089,704</u>	<u>(2,043,064)</u>	<u>396,189</u>
<u>Deferred provision for (benefit from) income taxes</u>	<u>6,283,428</u>	<u>(3,482,079)</u>	<u>4,171,131</u>
<u>Provision (benefit) for income taxes</u>	<u>\$ 5,728,451</u>	<u>\$ (3,126,687)</u>	<u>\$ 2,867,405</u>

Deferred income taxes reflect the net tax effect of temporary differences between financial statement carrying amounts and tax bases of assets and liabilities (primarily related to acquired intangibles). The Deferred income tax liability balance attributable to the Company as of December 31, 2025, and 2024, was \$83,136,931 and \$76,853,503, respectively. Any federal or state income tax payables or receivables are included in Due to Parent on the Consolidated Balance Sheets.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

The Company's effective tax rate was as follows for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
<u>Effective tax rate</u>	<u>24.6 %</u>	<u>43.5 %</u>	<u>21.6 %</u>

For the years presented, the differences between the effective tax rate and the United States federal income tax statutory rate are (i) current state and local taxes and (ii) provision to filed return adjustment and other adjustments as follows for the years ended:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
<u>Current state and local tax rates</u>	<u>4.0 %</u>	<u>3.7 %</u>	<u>(0.4)%</u>
<u>Provision to return adjustments</u>	<u>0.2 %</u>	<u>19.8 %</u>	<u>(0.2)%</u>

On July 4, 2025, federal legislation commonly referred to as the One Big Beautiful Bill Act ("OBBBA") was enacted in the United States. The OBBBA includes provisions that make 100% bonus depreciation permanent, allows for the expensing of domestic research costs and modifies the business interest expense limitation calculation. The Company has recognized the effects of the OBBBA provisions in its financial results to the extent applicable to the year ended December 31, 2025, but it did not have a material impact on the Company's effective tax rate. The Company will continue to evaluate the impact of these provisions on 2026 and subsequent financial statements as certain provisions have future effective dates.

The Company is periodically under federal or state audit for the consolidated and combined income tax returns. No material adjustments have been identified in connection with any ongoing audit. The Company is no longer subject to federal or, with a few exceptions, state income tax audits for years before 2022.

The Company had no unrecognized tax benefits or related interest or penalties accrued as of December 31, 2025 and 2024.

11. DEBT

Promissory Note

On July 10, 2019, the Company entered into a \$114,600,000 promissory note with the Parent. The Promissory Note was part of the recapitalization of HFC and its subsidiaries by the Parent with an annual interest rate of 3.66%. The maturity date is August 1, 2029. No principal and related accrued interest payments are required until the stated maturity date.

Interest Expense

Interest related to the Promissory Note and Due to Parent accrues monthly, and is added to the Due to Parent balance and is included in Interest expense on the Consolidated Statements of Operations as follows:

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
<u>Interest expense on Promissory Note</u>	<u>\$ 4,194,360</u>	<u>\$ 4,194,360</u>	<u>\$ 4,194,360</u>
<u>Interest expense on Due to Parent balance</u>	<u>198,275</u>	<u>341,609</u>	<u>1,493,178</u>
<u>Interest expense</u>	<u>\$ 4,392,635</u>	<u>\$ 4,535,969</u>	<u>\$ 5,687,538</u>

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company has corporate office lease agreements for Irvine, CA and Flower Mound, TX office locations, and Coppell, TX experience center training location. Additionally, the consolidated brands have certain office and storage leases, of which two of these leases have been subleased as of December 31, 2025.

During 2024, the Company amended its Irvine, CA office lease to consolidate onto one floor and extend the lease term through June 30, 2030. The changes also included a tenant improvement allowance for remodeling the consolidated space, see Note 7 – Property and Equipment, Net for information around the remodel assets added during 2024.

During 2023, the Company terminated an operating lease in Charlotte, NC, resulting in a reduction of operating lease right-of-use asset of \$206,936, a reduction of operating lease liabilities of \$221,050, and the net gain of \$14,114 included in Loss (gain) on disposal of assets on the Consolidated Statements of Operations. Additionally, the Company impaired \$86,876 for the remaining balance of operating lease right-of-use asset related to an APM office lease that the Company no longer operates within, but the lease has not been terminated with the related expense is included in Loss (gain) on disposal of assets on the Consolidated Statements of Operations.

Supplemental information related to the Company's operating leases were as follows during the years ended:

	12/31/2025	12/31/2024
Weighted average remaining lease term (in years)	5.5	6.4
Weighted average discount rate	2.7%	2.6%

As of December 31, 2025, future maturities of operating lease liabilities and sublease income was as follows:

Years Ending December 31,	Operating Leases	Sublease Income
2026	\$ 2,170,258	\$ 72,643
2027	2,326,475	-
2028	2,295,763	-
2029	2,201,104	-
2030	1,804,494	-
Thereafter	1,758,457	-
Total lease payments	12,556,551	\$ 72,643
Less: amount representing interest	(914,242)	
Present value of lease liabilities	\$ 11,642,309	

Legal Proceedings

As of December 31, 2025, the Company has no lawsuits, actions, or other legal proceedings pending claims that the Company believes would have a material impact on the Consolidated Financial Statements. However, the Company could, from time to time, be involved in litigation proceedings arising out of its normal course of business.

Home Franchise Concepts, LLC and Subsidiaries

Notes to the Consolidated Financial Statements

13. RETIREMENT PLAN

The Company sponsors a defined contribution 401(k) plan that covers eligible employees. Eligible employees are able to contribute, subject to IRS limitations on total annual contributions, up to 100% of eligible base compensation and bonuses, as defined in the plan, to various investment funds. The Company matches, in cash, what an employee contributes at a rate of 100% of the first 3%, and 50% of the next 2%, with immediate vesting. The Company records employer match contributions in Operating and administrative expenses on the Consolidated Statements of Operations as follows during the years ended:

	12/31/2025	12/31/2024	12/31/2023
Employer contribution match expenses	\$ 1,173,319	\$ 1,109,177	\$ 1,192,857

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

Revenues disaggregated by the timing of when goods and services are transferred consist of the following during the years ended:

	12/31/2025	12/31/2024	12/31/2023
Revenue recognized over time	\$ 81,770,230	\$ 80,195,241	\$ 78,874,297
Revenue recognized at a point in time	63,698,182	63,083,744	63,781,551
Total Revenue	\$ 145,468,412	\$ 143,278,985	\$ 142,655,848

Revenues disaggregated by geographic region consist of the following during the years ended:

	12/31/2025	12/31/2024	12/31/2023
United States customers	\$ 141,252,043	\$ 138,909,814	\$ 137,891,487
Canada customers	4,216,369	4,369,171	4,764,361
Total Revenue	\$ 145,468,412	\$ 143,278,985	\$ 142,655,848

Straight-Line Royalty Assets

The Company has certain franchise agreements that contain fixed rate royalty amounts that escalate over a specified period of time. As such, the Company has recorded a deferred contract asset or liability (depending on timing within the ramp schedules) that represents the difference in timing of invoicing of the royalty compared to the total contract value recognized straight-line across the contract term. The total royalty asset amount recorded is as follows for the years ended:

	12/31/2025	12/31/2024
Straight-line royalty assets, current	\$ 815,841	\$ —
Straight-line royalty liabilities, current	—	(152,319)
Straight-line royalty assets, long-term	19,690,613	21,668,050
Straight-line royalty assets, net	\$ 20,506,454	\$ 21,515,731

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Company through February 16, 2026, the date these Consolidated Financial Statements were available to be issued. No subsequent events have occurred that would require recognition on the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements.

GUARANTEE OF PERFORMANCE
FTC

For value received, Home Franchise Concepts, LLC, a Delaware limited liability company located at 777 International Parkway, Suite 300, Flower Mound, TX 75022 (the “**Guarantor**”), absolutely and unconditionally guarantees to assume the duties and obligations of HFC KTU, LLC, a Delaware limited liability company located at 14 Main Street, Suite 1C, Aberdeen, SD 57401 (the “**Franchisor**”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2026 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee in Flower Mound, Texas on the 20th day of February, 2026.

Guarantor:

Home Franchise Concepts, LLC

(Add)^{cu}Signed by:

Amir Yeganehjoo
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Name: Amir Yeganehjoo

Title: Chief Financial Officer

GUARANTEE OF PERFORMANCE
Virginia

For value received, absolutely and unconditionally guarantees the performance by Home Franchise Concepts, LLC, a Delaware limited liability company located at 777 International Parkway, Suite 300, Flower Mound, TX 75022 (the “Guarantor”) of all the obligations of HFC KTU, LLC, a Delaware limited liability company located at 14 Main Street, Suite 1C, Aberdeen, SD 57401 under its franchise registration in the State of Virginia and of its franchise agreements. This guarantee continues until all such obligations of HFC KTU, LLC under its franchise registration and franchise agreements are satisfied. Home Franchise Concepts, LLC is not discharged from liability if a claim by the franchisee against HFC KTU, LLC remains outstanding. Notice of acceptance is waived. Notice of default on the part of HFC KTU, LLC is not waived. This guarantee is binding on Home Franchise Concepts, LLC and on its successors and assigns.

2026. The Guarantor executes this guarantee in Flower Mound, Texas on the 20th day of February,

Guarantor:

Home Franchise Concepts, LLC

(Add)cuSigned by:


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By: _____

Name: Amir Yeganehjoo

Title: Chief Financial Officer

GUARANTEE OF PERFORMANCE

Illinois

For value received, Home Franchise Concepts, LLC (“Guarantor”), a limited liability company organized under the laws of the State of Delaware and located at 777 International Parkway, Suite 300, Flower Mound, TX 75022, absolutely and unconditionally guarantees to assume the duties and obligations of HFC KTU, LLC, located at 14 S. Main Street, Suite 1C, Aberdeen, SD 57401 (the “Franchisor”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2026 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and on its successors and assigns.

2026.

The Guarantor executes this guarantee in Flower Mound, Texas on the 20th day of February,

Guarantor:

Home Franchise Concepts, LLC

(Add)cuSigned by:

Amir Yeganehjoo
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By:

Name: Amir Yeganehjoo

Title: Chief Financial Officer

EXHIBIT

C

FRANCH

ISEES

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

Current Franchises

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Arizona							
-	~~Bath Tune-Up of Flagstaff~~	~~4/1/2021~~	~~Mathis Remodeling, LLC~~	~~3939 North Geneva Circle~~	~~Flagstaff~~	~~Arizona~~	~~86004~~	~~(928)-310-8555~~
	Bath Tune-Up of Northern Tucson	12/1/2022	Remodel and Shine LLC	~~3038 E Fort Lowell Rd. Office 1~~ 1898 N Hayden Dr	Tucson	Arizona	857165	(520) 407-6181
~~32~~	Bath Tune-Up of Eastern Tucson	12/1/2022	Remodel and Shine LLC	~~3038 E Fort Lowell Rd. Office 1~~ 1898 N Hayden Dr	Tucson	Arizona	857165	(520) 407-6181
-	~~California~~	-	-	-	-	-	-	-
-	~~Bath Tune-Up of South San Diego~~	~~8/1/2023~~	~~Louis Perez and Amy Perez~~	~~416 Summerhill Terrace~~	~~Alpine~~	~~California~~	~~91901~~	~~(619)-723-2495~~
~~2~~	~~Bath Tune-Up of Coachella Valley~~	~~9/1/2022~~	~~Sheryl Greenlee, Nicholas Trevino, Victor Silva and Anne Silva~~	~~50770 Monterey Canyon Drive~~	~~Indio~~	~~California~~	~~92201~~	~~(760)-208-2233~~
-	-	-	-	-	-	-	-	-
	Colorado							
	Bath Tune-Up of ~~Highlands Ranch~~ Centennial and South Aurora	4/1/2024	Sidwell Renovate LLC	6527 S. Winnipeg Court	Aurora	Colorado	80016	(720) 421-5639
	Bath Tune-Up of Castle Rock	10/1/2023	Cala Enterprise LLC	~~356 Canvas Ridge Street, Unit B~~ 1470 Nemrick Pl	Castle Rock	Colorado	801049	(303) 268-8202
	Bath Tune-Up of Monument	7/1/2025	Cala Enterprise LLC	1470 Nemrick Pl	Castle Rock	Colorado	80109	(303) 268-8202
	Bath Tune-Up of Colorado Springs North	6/1/2024	EJ Renovations LLC	6594 Shadow Star Drive	Colorado Springs	Colorado	80927	(719) 774-5125
	Bath Tune-Up Denver South	2/1/2024	Epic Bath Renovations LLC	560 South Holly Street, Unit 5	Denver	Colorado	80246	(720) 737-8427
	Bath Tune-Up Denver Central	2/1/2024	Epic Bath Renovations LLC	560 South Holly Street, Unit 5	Denver	Colorado	80246	(720) 737-8427
~~5~~	Bath Tune-Up of ~~Broomfield~~ Boulder	~~6/8/1/2024~~ 5	~~Hummingbird Enterprises, Inc.~~ Peak Ten LLC	~~7410 E 123rd Avenue~~ 2218 Stonehenge Cir	~~Thornton~~ Lafayette	Colorado	~~80602~~ 80026	~~(303) 720-586-1518~~ 780-7800
	Bath Tune-Up of Longmont	8/1/2025	Peak Ten LLC	2218 Stonehenge Cir	Lafayette	Colorado	80026	(720) 780-7800
	~~Georgia~~ Bath Tune-Up of Lakewood	4/1/2025	Trevor Howard Designs LLC	205 S. Fenton Street	Lakewood	Colorado	80226	(720) 862-3621
~~10~~	Bath Tune-Up of Broomfield	4/1/2025	Trevor Howard Designs LLC	205 S. Fenton Street	Lakewood	Colorado	80226	(720) 862-3621
	Florida							
~~1~~	Bath Tune-Up of Royal Palm Beach	6/1/2025	Darion Walsh	15793 Hummingbird Lane	Westlake	Florida	33470	(561) 872-5349
	Georgia							
	Bath Tune-Up of Canton Woodstock	12/1/2023	TAC Bath Transformation LLC	224 Brown Industrial Parkway, Suite 103B	Canton	Georgia	30114	(470) 583-0919
~~2~~	Bath Tune-Up of Alpharetta Milton Johns Creek	4/1/2024	TAC Bath Transformation LLC	224 Brown Industrial Parkway, Suite 103B	Canton	Georgia	30114	(678) 910-7813
	~~Indiana~~ Kansas							
~~1~~	Bath Tune-Up of ~~Carmel~~ East Overland Park and Leawood	~~8/2/1/2024~~ 5	~~R&R Investing Concepts LLC~~ AWCC LLC	~~19217 English Lake Lane~~ 9401 Manor Road	~~Noblesville~~ Leawood	~~Indiana~~ Kansas	~~46060~~ 66206	~~(317) 913-600-5918~~ 600-2627
	Michigan							
~~1~~	Bath Tune-Up of East Grand Rapids	4/1/2021	Pash Baths LLC	2521 Saddle Drive NE	Belmont	Michigan	49306	(616) 901-1821
	Minnesota							

	Bath Tune-Up of Eden Prairie	10/1/2021	Watts4 Remodel LLC	7675 Nicholas Way	Chanhassen	Minnesota	55317	(612) 449-8026
	Bath Tune-Up of Minneapolis Central	2/1/2024	Stumpf Remodeling Corporation Corp.	809 Parkside Lane	Minneapolis	Minnesota	55412	(952) 256-6685
	Bath Tune-Up of Maple Grove	2/1/2024	Stumpf Remodeling Corporation Corp.	809 Parkside Lane	Minneapolis	Minnesota	55412	(952) 256-6685
	Bath Tune-Up of Bloomington	5/1/2022	KK Investments Corp.	7123 148th Street West	Savage	Minnesota	55378	(763) 330-0663
5	Bath Tune-Up of West Minneapolis	5/1/2022	KK Investments Corp.	7123 148th Street West	Savage	Minnesota	55378	(763) 330-0663
	~~North Carolina~~ <u>New Jersey</u>							
	<u>Bath Tune Up of Bloomfield</u>	<u>4/1/2025</u>	<u>Oracabessa LLC</u>	<u>1285 Broad Street, Unit 2</u>	<u>Bloomfield</u>	<u>New Jersey</u>	<u>07003</u>	<u>(973) 521-0688</u>
2	Bath Tune-Up of ~~Belmont and South Gastonia~~ <u>West Orange</u>	~~8/11/2023~~ <u>35</u>	~~AGD Renovations, Inc.~~ <u>Oracabessa LLC</u>	~~1531 Orange Hill Ct~~ <u>1285 Broad Street, Unit 2</u>	~~Gastonia~~ <u>Bloomfield</u>	~~North Carolina~~ <u>New Jersey</u>	~~28056~~ <u>07003</u>	~~(980) 973-550-3027~~ <u>521-0688</u>
	<u>North Carolina</u>							

Total	Company	Start Date	Owner	Address	City	State	Zip	Phone
	Bath Tune-Up ~~#101~~ of East Charlotte	12/14/2020	Taube Enterprises, Inc.	10810 Independence Point Pkwy Ste H	Matthews	North Carolina	28105	(980) 400-1043
	Bath Tune-Up ~~#102~~ of Harrisburg	12/14/2020	Taube Enterprises, Inc.	10810 Independence Point Pkwy Ste H	Matthews	North Carolina	28105	(980) 400-1043
	Bath Tune-Up ~~#104~~ of Mooresville	12/14/2020	Taube Enterprises, Inc.	10810 Independence Point Pkwy Ste H	Matthews	North Carolina	28105	(980) 400-1043
54	Bath Tune-Up ~~#103~~ of Matthews	12/14/2020	Taube Enterprises, Inc.	10810 Independence Point Pkwy Ste H	Matthews	North Carolina	28105	(980) 400-1043
	Ohio							
	Bath Tune-Up of Upper Arlington	7/1/2022	614 Remodel Holdings LLC	2297 Fairfax Road	Columbus	Ohio	43221	(614) 931-0802
	Bath Tune-Up of Westerville	7/1/2022	614 Remodel Holdings LLC	2297 Fairfax Road	Columbus	Ohio	43221	(614) 931-0802
3	Bath Tune-Up of Dublin	7/1/2022	614 Remodel Holdings LLC	2297 Fairfax Road	Columbus	Ohio	43221	(614) 931-0802
	Oregon							
1	Bath Tune-Up of Redmond	4/1/2022	Lentz Family Enterprises, LLC	1263 Southwest Lake Road, Suite 203	Redmond	Oregon	97756	(541) 504-6033
	Pennsylvania							
	Bath Tune-Up of Fort Washington	5/1/2022	Kitchen Makeovers, LLC	359 E Lincoln Hwy	Exton	Pennsylvania	19341	(484) 318-7205
	Bath Tune-Up of Malvern	5/1/2022	Kitchen Makeovers, LLC	359 E Lincoln Hwy	Exton	Pennsylvania	19341	(484) 318-7205
	Bath Tune-Up of Newtown Square	5/1/2022	Kitchen Makeovers, LLC	359 E Lincoln Hwy	Exton	Pennsylvania	19341	(484) 318-7205
	Bath Tune-Up of Villanova	5/1/2022	Kitchen Makeovers, LLC	359 E Lincoln Hwy	Exton	Pennsylvania	19341	(484) 318-7205
5	Bath Tune-up of Downingtown	5/1/2022	Kitchen Makeovers, LLC	359 E Lincoln Hwy	Exton	Pennsylvania	19341	(484) 318-7205
	South Carolina							
-	Bath Tune-Up of Fort Mill	8/1/2023	AGD Renovations, Inc.	1531 Orange Hill Ct	Gastonia	South Carolina	28056	(980)-550-3027
	Bath Tune-Up of Johns Island	8/1/2023	IZZY Z LLC	1154 Twitchell Street	Johns Island	South Carolina	29455	(843) 973-0238
32	Bath Tune-Up of Charleston	8/1/2023	IZZY Z LLC	1154 Twitchell Street	Johns Island	South Carolina	29455	(843) 973-0238
	Tennessee							
1	Bath Tune-Up of Knoxville	12/1/2024	Michael Family Enterprises LLC	1004 Cakebread Court	Franklin	Tennessee	37067	(865) 450-8322
	Texas							
-	Bath Tune-Up of Flower Mound	6/1/2024	Chanley Bingel and Jonathan Bingel	3517 Stanford Drive	Denton	Texas	76210	(940)-326-1590
	Bath Tune-Up of Northwest Fort Worth	6/1/2023	Commanded Hands, Inc.	11705 Warbler Lane	Fort Worth	Texas	76244	(817) 228-8417
-	Bath Tune-Up of Round Rock	6/1/2023	Esteem Living LLC	388 Exchange Blvd.	Hutto	Texas	78634	(512)-355-1832
	Bath Tune-Up of Georgetown and Hutto	8/1/2024	Reimagine Designs LLC	1325 County Road 101	Hutto	Texas	78634	(737) 381-2060
	Bath Tune-Up of McKinney and Allen	8/1/2023	Design and Renovation, LLC	2601 Travis Drive	McKinney	Texas	75072	(469) 927-7735
	Bath Tune-Up of Frisco and Prosper	8/1/2023	Design and Renovation, LLC	2601 Travis Drive	McKinney	Texas	75072	(469) 927-7735
	Bath Tune-Up of Sugar Land	4/1/2021	Stonecrest Holdings Inc.	21207 Redcrest Manor Drive	Richmond	Texas	77406	(281) 223-5100
	Bath Tune-Up of Katy South	4/1/2021	Stonecrest Holdings Inc.	21207 Redcrest Manor Drive	Richmond	Texas	77406	(281) 223-5100
9	Bath Tune-Up of Richmond	4/1/2021	Stonecrest Holdings Inc.	21207 Redcrest Manor Drive	Richmond	Texas	77406	(281) 223-5100
8	Bath Tune-Up of Round Rock	6/1/2023	Esteem Living LLC	2700 Louis Henna Blvd Unit C3	Round Rock	Texas	78664	(512) 355-1832
	Virginia							
1	Bath Tune-Up of Williamsburg	8/1/2023	JCATS Inc.	2153 Fiddler Crab Lane	Hayes	Virginia	23072	(757) 302-4577
	Bath Tune-Up of Richmond South	4/1/2025	NOVUS HOME SERVICES CORP.	4272 Mill Manor Drive	Midlothian	Virginia	23112	(804) 653-7455
	Bath Tune-Up of Midlothian	4/1/2025	NOVUS HOME SERVICES CORP.	4272 Mill Manor Drive	Midlothian	Virginia	23112	(804) 653-7455

4	Bath Tune-Up of West End	4/1/2025	NOVUS HOME SERVICES CORP.	4272 Mill Manor Drive	Midlothian	Virginia	23112	(804) 653-7455
	Washington							
1	Bath Tune-Up of Olympia	10/1/2025	NLUS Bath Remodeling LLC Home Services, Inc	8294 28th Ct, Ste NE #100	Lacey	Washington	98516	(360) 819-0927 -8134

48 Total

53 Total

~~EXHIBIT D~~ FORMER FRANCHISEES

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

EXHIBIT D

Terminated Franchises/Ceased Operations/Other

Transferred Franchises

Total	Status	End Date	Company	Owner End Date	Owner	City	State	Zip	City	State	Zip	Phone
	~~Colorado~~ <u>Washington</u>											
1	~~H - Ceased Operations~~ ~~Mutual Release~~ ~~- Transfer 1. Owne~~	~~4/15/2024~~	~~Bath Tune-Up of Pueblo~~ <u>Cymba</u>	~~BT20210701~~ ~~Live Laugh Love LLC~~ ~~11/1/2025~~	<u>NLUS Bath Remodeling LLC</u>	<u>Lacey</u>	<u>Washington</u>	<u>98516</u>	<u>La Junta</u>	<u>Colorado</u>	<u>81050</u>	~~(719) 360-568-51~~ <u>819-0927</u>

1 Total

Terminated Franchises/Ceased Operations/Other

Total	Status	Company	End Date	Owner	City	State	Zip	Phone
	~~Florida~~ <u>Arizona</u>							
1	~~IK - Termination~~ ~~Non-Renewal~~	~~Bath Tune-Up of Gulf Breeze and Pensacola~~ <u>Flagstaff</u>	~~6/26/2024~~ ~~11/24/2025~~	~~BT20220801 / S & L Pearson Family Enterprises~~ <u>Mathis Remodeling, LLC</u>	~~Laurel Hill~~ <u>Flagstaff</u>	~~Florida~~ <u>Arizona</u>	~~32567~~ ~~86004~~	~~(850) 928-353-2520~~ <u>310-8555</u>
2	~~I - Termination~~	~~Bath Tune Up of Niceville~~	~~6/26/2024~~	~~BT20220801 / S & L Pearson Family Enterprises LLC~~	~~Laurel Hill~~	~~Florida~~	~~32567~~	~~(850)-353-2520~~
-	-	-	-	-	-	-	-	-
-	~~Georgia~~	-	-	-	-	-	-	-
1	~~I - Termination~~	~~Bath Tune Up of Roswell~~	~~2/20/2024~~	~~BT20210502 / AJP Remodeling, LLC~~	~~Alpharetta~~	~~Georgia~~	~~30005~~	~~(678)-244-9847~~
	~~North Carolina~~ <u>California</u>							
	~~I - Termination~~	~~Bath Tune-Up of West Winston Salem~~ <u>Coachella Valley</u>	~~7/29/2024~~ ~~4/28/2025~~	~~BT20230303 / Mahoney Custom Interiors, LLC~~ <u>Sheryl Greenlee, Nicholas Trevino, Victor Silva and Anne Silva</u>	~~Winston Salem~~ <u>Indio</u>	~~North Carolina~~ <u>California</u>	~~27104~~ ~~92201~~	~~(336) 760-296-9848~~ <u>208-2233</u>
2	~~I - Termination~~	~~Bath Tune-Up of East Winston Salem~~ <u>South San Diego</u>	~~7/29/2024~~ ~~4/28/2025~~	~~BT20230303 / Mahoney Custom Interiors, LLC~~ <u>Louis Perez and Amy Perez</u>	~~Winston Salem~~ <u>Alpine</u>	~~North Carolina~~ <u>California</u>	~~27104~~ ~~91901~~	~~(336) 619-296-9848~~ <u>723-2495</u>
	~~Ohio~~ <u>Colorado</u>							
	~~H - Ceased Operations~~ ~~- Mutual Release~~	~~Bath Tune Up of Beachwood~~	~~1/31/2024~~	~~BT20230304 / A & Y Enterprise LLC~~	~~Broadview Heights~~	~~Ohio~~	~~44147~~	~~(216)-262-1732~~
2	~~H - Ceased Operations~~ ~~Mutual Release~~	~~Bath Tune-Up of Gates Mills~~ <u>Broomfield</u>	~~1/31/2024~~ ~~4/17/2025~~	~~BT20230304 / A & Y Enterprise LLC~~ <u>Hummingbird Enterprises, Inc.</u>	~~Broadview Heights~~ <u>Thornton</u>	~~Ohio~~ <u>Colorado</u>	~~44147~~ ~~80602~~	~~(216) 303-262-1732~~ <u>586-1518</u>
	~~Utah~~ <u>Indiana</u>							
1	~~I - Termination~~	~~Bath Tune-Up of American Fork~~ <u>Carmel</u>	~~1/12/2024~~ ~~248/8/2025~~	~~BT20220602 / Kerry McGann and Michael Wilson~~ <u>R&R Investing Concepts LLC</u>	~~Eagle Mountain~~ <u>Noblesville</u>	~~Utah~~ <u>Indiana</u>	~~84005~~ ~~46060~~	~~(801) 317-836-9736~~ <u>600-5918</u>
9	~~Total~~ <u>North Carolina</u>							

Transferred Franchises

	<u>H - Ceased</u>				<u>City</u>	<u>State</u>				

EXHIBIT D

Total 1	Operations Mutual StatusRelease	CompanyBath Tune-Up of Belmont and South Gastonia	End-Date4/7/2025	OwnerAGD Renovations, Inc.			ZipGastonia	PhoneNorth Carolina	28056	(980) 550-
	GeorgiaSouth Carolina									
1	GH - Transfer 1- OwnCeased Operations Mutual Release	Bath Tune-Up of AlpharettaFort Mill	4/1/2022 4/7/2025	Bath Essentials LLCAGD Renovations, Inc.	Johns-Creek	Georgia	30097Gastonia	(678)-910-7813South Carolina	28056	(980) 550-

1

Total

EXHIBIT D

~~EXHIBIT E~~

7 Total

EXHIBIT E

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 or (866) 275-2677 Website: http://www.dfpi.ca.gov <u>Email:</u> Ask.DFPI@dfpi.ca.gov ~~Email:-~~ ~~Ask.DFPI@dfpi.ca.gov~~	Commissioner of Financial Protection and Innovation
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 ~~212-416-8222~~ (212) 416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	North Dakota Insurance & Securities Department 600 East Boulevard Avenue , ~~5th Floor~~ Dept. 401 Bismarck, ~~ND~~ North Dakota 58505- ~~0510~~ ~~(701)-328-4712~~ Phone 701-328-2910	North Dakota ~~Securities~~ Insurance Commissioner
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	Director of the Division of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Securities Division Department of Financial Institutions P.O. Box 41200 Olympia, WA 98504-1200	Director of Department of Financial Institutions ~~Securities-~~ ~~Division~~ Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT F

CONFIDENTIAL OPERATING MANUAL TABLE OF CONTENTS

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EXHIBIT G

ADDITIONAL RECOMMENDED TOOLS AND SUPPLIES

ADDITIONAL RECOMMENDED TOOLS AND SUPPLIES

Following is a list of additional tools and office supplies, which we recommend for the proper operation of the Franchised Business. We do not require that these items be purchased. If you already own some of these items, it will reduce the total initial investment required.

MISCELLANEOUS HAND TOOLS – We estimate these tools will cost between \$200 and \$300.

DESK – We recommend that each franchise owner set up a workspace within his or her home or other work location that is specifically designated for the ~~Franchised~~KTU Bbusiness. A good workstation should include a desk to work at. Usually an adequate desk can be found for under \$300.

MISCELLANEOUS OFFICE SUPPLIES – Other various items will be needed to establish a complete office such as wastebaskets, pencils, paper, etc. Estimated costs will be between ~~\$15~~25 and ~~\$160~~200.

SUGGESTED TOOLS FOR YOUR EMPLOYED TECHNICIAN

Power Tools

- Saws
 - Compound miter saw
 - Portable table saw
 - Circular saw
 - Jigsaw
- Sanders
 - Belt
 - Orbital
- Impact driver
- Hammer drill
- Router
- Oscillating multi-tool

Drill Accessories

- Drill bits
- Countersinks
- Hole and spade bits
- Masonry bits
- Air Tools
 - Portable air compressor
 - 18ga brad nailer
 - 18ga staple gun

Miscellaneous Hand Tools

- Carpenter's pencil
- Hammer

- Laser level
- Rubber mallet
- Screwdrivers (various sizes)
 - Flathead
 - Phillips head
- Pliers (regular and needle nosed)
- Vise grips
- Pry bars (small and large)
- 25' tape measure
- Safety glasses
- Fasteners (various sizes and types)
- Drywall wall anchors
- Putty knives

Clean Up/Miscellaneous

- Shop vac
- Broom/dust pan
- Masking tape
- Sandpaper
- Caulking gun
- Sawhorses
- 2-3 step stool
- 6' fiberglass folding ladder
- Acetone (glue/caulking clean up)

Tile Tools

- Tile saw or manual cutter
- Tile pincers (nippers)
- Rubber buckets (mixing mortar)
- Square notches, "U" notches in various sizes
- Grout floats

EXHIBIT H

CONSENT TO TRANSFER AND ASSUMPTION OF FRANCHISE AGREEMENT

**CONSENT TO TRANSFER AND
ASSUMPTION OF FRANCHISE AGREEMENT**

This Consent to Transfer and Assumption of Franchise Agreement (Consent and Assumption) is entered into by and among HFC KTU LLC, a Delaware limited liability company ("Franchisor"),
_____, ("Existing Franchisee"), and _____ ("New Franchisee").

WHEREAS, Franchisor and Existing Franchisee presently are parties to that certain Franchise Agreement, dated _____ (Franchise Agreement), pursuant to which Franchisor franchised Existing Franchisee the right to operate a business (Franchised Business) including the Marks of Franchisor (Franchise) in the territory known as _____ (Territory).

WHEREAS, with Franchisor's consent, Existing Franchisee is transferring the Franchise to New Franchisee and New Franchisee is accepting the Franchise in accordance with the obligations set forth in the Franchise Agreement, including, but not limited to, the obligations regarding assignment set forth in paragraph 9.2 of the Franchise Agreement, which are hereby expressly incorporated and made a part of this Consent and Assumption.

NOW, THEREFORE, in consideration of the foregoing and of the covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Existing Franchisee shall transfer the Franchise to New Franchisee on or about _____ (Transfer Date) subject to the provisions of paragraph 3, below, and paragraph 9.2 of the Franchise Agreement.

2. Existing Franchisee will transfer physical possession of the Confidential Operating Manual (Manual) to Franchisor and to New Franchisee of all items required by the Franchise Agreement, including, without limitation, (i) all books, manuals, financial records, receipts, invoices, and documents relating to the Franchised Business; and (ii) all other documents, property and other objects containing Franchisor's Marks. New Franchisee has reviewed the Manual and agrees that the Confidential Operating Manual shall apply fully to its operation of the Franchised Business. New Franchisee agrees to abide by all other manuals and guidelines, present and future, of Franchisor, including, but not limited to, those pertaining to advertising.

3. If New Franchisee has not already done so to the satisfaction of Franchisor, New Franchisee shall comply with the training requirements set forth in the Franchise Agreement by attending the next available training program offered by Franchisor for new franchisees.

4. Concurrently upon the Transfer Date New Franchisee shall become a franchisee of Franchisor under the Franchise Agreement and Existing Franchisee shall immediately cease operating under the Franchise Agreement. Existing Franchisee shall thereupon comply with all provisions in the Franchise Agreement concerning termination set forth in Article 12 thereof, including, but not limited to, ceasing all use of the Marks of Franchisor.

5. As between Existing Franchisee and Franchisor, and with the exception of the rights and obligations set forth in Article 12 of the Franchise Agreement (which is incorporated herein by reference), the franchise relationship created by the Franchise Agreement is hereby terminated and superseded by this Consent and Assumption and in all respects having been assumed by New Franchisee as of the Transfer Date. Existing Franchisee hereby waives all rights to relief from forfeiture under §1179 of the California Code of Civil Procedure and acknowledges that there is no subsisting franchise

agreement between Franchisor and existing Franchisee.

6. Existing Franchisee shall sign all documentation deemed necessary by Franchisor to transfer the Franchise to New Franchisee.

7. New Franchisee shall sign Franchisor's current form of franchise agreement for a new ten (10) year term. Upon signing of the current form of franchise agreement by New Franchisee, the Franchise Agreement shall be terminated and superseded by the franchise agreement signed pursuant to this Section 7.

(a) As consideration for Franchisor and New Franchisee to enter into this Consent and Assumption, Existing Franchisee shall refrain from, either directly or indirectly, for {itself or himself or herself or themselves} or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or other entity, within the Territory, and from the date of this Agreement through :

(i) Diverting or attempting to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or doing or performing, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Marks and the System (as that term is defined in the Franchise Agreement);

(ii) Employing or seeking to employ any person who is at that time employed by Franchisor, affiliates of Franchisor, or by any other franchisee or licensee of Franchisor, including but not limited to New Franchisee, or otherwise directly or indirectly inducing or seeking to induce such person to leave his or her employment thereat; or

Within the Territory and within a twenty five (25) mile radius of any business licensed or operated by Franchisor in existence or under development as at the Transfer Date owning, maintaining, engaging in, or having any interest in any business (including any business operated by Existing Franchisee prior to entry into this Agreement) specializing, in whole or in part, in the retail and/ or installation of window coverings, or providing the same or similar goods or services provided, sold, or offered through the System.

(b) The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Consent and Assumption. If all or any portion of a covenant in Paragraph 8(a) is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Existing Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Paragraph.

(c) The parties understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraph 8(a) or any portion thereof effective immediately upon receipt by Existing Franchisee of written notice thereof from Franchisor, and Existing Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

(d) Paragraph 8(a) shall not apply to ownership by Existing Franchisee of less than a one percent (1%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities Exchange Act of 1934.

8. New Franchisee shall resolve any problems or complaints raised by customers of Existing Franchisee with the same high standards of customer service, and in the same fashion, as New Franchisee responds to problems or complaints raised by customers of New Franchisee and shall not resolve such problems or complaints in a manner that is less advantageous to the customers of Existing Franchisee than the manner in which New Franchisee resolves problems or complaints from New Franchisee's own

customers.

9. New Franchisee acknowledges that it has received the Confidential Operating Manual and other books and records of Existing Franchisee and has undertaken an independent investigation of the Franchised Business.

10. Existing Franchisee releases, indemnifies and agrees to hold harmless Franchisor in respect of any liabilities which may arise as a result of this transfer.

11. Failure to comply with any of the provisions of this Consent and Assumption shall constitute a material breach hereof and shall entitle Franchisor to any of the remedies provided in this Consent and Assumption or the Franchise Agreement, or as may be available at law or in equity.

12. Except as previously provided herein, as among the undersigned parties, each shall bear their respective costs and attorneys' fees incurred in connection with this Consent and Assumption, and events preceding its negotiation and signing.

13. In granting its consent to this Consent and Assumption, Franchisor has elected not to exercise its right of first refusal as provided in paragraph 9.3 of the Franchise Agreement. Notwithstanding the foregoing, however, the Existing Franchisee shall have a period of 90 days after the date of signing of this Consent and Assumption to complete the transfer of the Franchise and the Existing Franchisee shall again be required to comply with Article 9 of the Franchise Agreement before the transfer can be effected.

14. Subject to applicable state law and with the express exception of any liability under the Maryland Franchise Registration and Disclosure Law, in consideration for this Consent and Assumption, Existing Franchisee, for itself, its successors, assigns, and anyone claiming through or under it, hereby remises, releases, acquits and forever discharges Franchisor, and its predecessors, successors, assigns, heirs, executors and administrators (as the case may be), and its past, present and future associates, owners, stockholders, agents, directors, officers, partners, employees, attorneys, accountants and representatives of and from any and all manner of action or actions, cause or causes of action, in law or in equity, arbitrations, suits, debts, agreements, promises, liabilities, claims, demands, damages, loss, cost or expense, known or unknown, fixed or contingent, which Existing Franchisee has or may hereafter have against Franchisor by reason of any matter, cause or thing whatsoever, from the beginning of time to the date hereof, including all matters, causes or things whatsoever, that were or have been or could have in any way been alleged in any pleading filed in any arbitration proceeding or suit, which are related to the Franchise Agreement, except for those matters expressly excepted herein.

15. Existing Franchisee and New Franchisee have had adequate opportunity to obtain the advice of legal counsel prior to signing this Consent and Assumption. Existing Franchisee executes this Consent and Assumption voluntarily, with full knowledge of its significance, and with the express intention of effecting the legal consequences provided by Section 1541 of the California Civil Code, if applicable, i.e., the extinguishment of all obligations, except as expressly excepted herein.

16. Except as expressly stated to the contrary herein, any dispute arising out of this Consent and Assumption shall be resolved pursuant to the provisions contained in Article 11 of the Franchise Agreement.

17. Although the Franchise Agreement provides that no interest in the Franchise Agreement can be transferred without the prior written consent of Franchisor, New Franchisee acknowledges that Franchisor does not represent or warrant that Existing Franchisee has not made any unauthorized prior transfers or otherwise has any interest free and clear to anything being transferred now. Franchisor advises New Franchisee to conduct its own investigation to confirm that Existing Franchisee has the right to transfer the Franchise, and that Existing Franchisee has not made any transfer without consent from Franchisor.

18. Franchisor will be provided with a copy of the written sales agreement made by and between the Existing Franchisee and New Franchisee.

19. This Consent and Assumption may be signed in counterparts, each of which shall be deemed an original and all of which shall constitute a single document. Each of the signatories below expressly covenants that he, she or it has the authority to enter into this Consent and Assumption.

20. The release in this Consent and Assumption does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, the parties hereto have duly signed this Consent and Assumption on the dates set forth below, it being effective upon the latest of those dates.

CAUTION. THIS CONSENT AND ASSUMPTION CONTAINS IMPORTANT TERMS. READ BEFORE SIGNING.

Dated: _____

HFC KTU LLC

By: _____
~~Heidi Morrissey~~ Jarrett Smith, President

Dated: _____

EXISTING FRANCHISEE

By: _____

Name: _____
Title: _____

By: _____ Name: _____ Title: _____

Dated: _____

NEW FRANCHISEE(S)

By: _____ Name: _____ Title: _____

EXHIBIT I
VETERAN'S ADDENDUM

VETERAN'S ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to Franchise Agreement (this "*Addendum*") is entered into as of _____, 2021 ("*Effective Date*"), between HFC KTU, LLC, a Delaware limited liability company ("*Franchisor*"), and _____, a(n) _____ ("*Franchisee*"), to amend a Franchise Agreement intended to bear the same date as this Addendum (the "*Franchise Agreement*"), for a Territory in the state of _____ known as Bath Tune-Up _____ ("*Territory*").

This Addendum amends some of the provisions of the Franchise Agreement to reflect the agreement between the parties as to fees payable under the Franchise Agreement. Any capitalized terms that are defined in the Franchise Agreement are used in this Addendum as defined in the Franchise Agreements.

NOW, THEREFORE, the parties agree to amend the Franchise Agreement as follows:

1. Initial Franchise Fee. Section 4.1 of the Franchise Agreement is amended as follows:

"Concurrently with Franchisee's signing of this Agreement, Franchisee will pay to Franchisor an "Initial Franchise Fee" of \$16,958. Franchisee will receive the BATH TUNE-UP® Start-Up Package (listed in Schedule 3 to this Agreement) when the Initial Franchise Fee is paid in full. The Initial Franchise Fee is payable in a lump sum in lawful money of the United States of America upon signing of this Agreement by Franchisee. The Initial Franchise Fee is not refundable."

2. Territory Fee. Section 4.2 of the Franchise Agreement is amended as follows:

"Concurrently with Franchisee's signing of this Agreement, Franchisee also will pay Franchisor a Territory Fee of \$38,250. The Territory Fee is payable in a lump sum, all in lawful money of the United States of America, upon signing of this Agreement by Franchisee. The Territory Fee is not refundable."

3. Reaffirmation. Except as specifically modified by this Addendum, all terms and provisions of the Franchise Agreements are reaffirmed in their entirety.

IN WITNESS WHEREOF, the parties have caused this Addendum to be executed on or as of the dates indicated below:

[REMAINDER OF PAGE INTENTIONALLY BLANK]

Dated: _____, 2021

Sign here if Franchisee is an individual:

FRANCHISEE: _____

Print Name: _____

Print Address: _____

Sign here if Franchisee is a company:

FRANCHISEE:

Print company name: _____

BY: _____

ITS: _____

ACCEPTED as of the Effective Date first above written.

FRANCHISOR:

HFC KTU LLC

BY: _____

ITS: _____

EXHIBIT J

SECURED PROMISSORY NOTE

SECURED PROMISSORY NOTE

Date: _____

US\$ _____

Aberdeen, South Dakota

FOR VALUE RECEIVED, the undersigned (hereinafter "Obligor"), hereby promises to pay to the order of HFC KTU LLC, a Delaware limited liability company (hereinafter "Secured Party"), in such coin or currency of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, the principal sum of U.S. \$ _____, together with interest from and after the date hereof on the unpaid principal balance outstanding at the rate of 10% per annum.

This Secured Promissory Note (the "Note") is the Secured Promissory Note referred to in, and is issued pursuant to, that certain Security Agreement entered into by Obligor in favor of Secured Party, dated as of even date with the date hereof (hereinafter, as amended from time to time, the "Security Agreement"), and is entitled to all of the benefits and security of the Security Agreement. All of the terms, covenants and conditions of the Security Agreement are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms used herein, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Security Agreement.

In no event whatsoever shall the aggregate of all amounts deemed interest under this Note and charged or collected hereunder exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. If any provisions of this Note are in contravention of any such law, such provisions shall be deemed amended to conform thereto. Interest hereunder shall be calculated daily and shall be computed on the actual number of days elapsed over a year of 360 days.

For so long as no Event of Default shall have occurred the principal amount and accrued interest of this Note shall be due and payable on the dates and in the manner hereinafter set forth:

- (a) Principal and interest shall be due and payable monthly commencing on _____, 20____, and continuing on the first day of each month thereafter to and including the first day of _____ 20____, in installments of \$ _____ each, and
- (b) Notwithstanding the foregoing, the entire unpaid principal balance and accrued interest on this Note shall be due and payable immediately upon any acceleration of the Obligations pursuant to Section 6.2 of the Security Agreement or upon the purchase by Obligor of another BATH TUNE-UP® franchise from any source.

Obligor may prepay this Note in whole or in part from time to time without penalty, but any principal payment must be accompanied by all interest then accrued, if any. Any partial payments will be applied to discharge the principal sum payments in the inverse order in which any payments would otherwise become due. Additionally, Obligor may terminate the Security Agreement by paying in full all the Obligations due to Secured Party under this Note and as otherwise due to Secured Party under the Security Agreement, in cash.

Upon the occurrence of an Event of Default, Secured Party shall have all of the rights and remedies set forth in Section 6.2 of the Security Agreement.

Time is of the essence of this Note. To the fullest extent permitted by applicable law, Obligor, for itself and its legal representatives, successors and assigns, expressly waives presentment, demand, protest, notice of dishonor, notice of non-payment, notice of maturity, notice of protest, presentment for the purpose of accelerating maturity, diligence in collection, and the benefit of any exemption or insolvency laws.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note. No delay or failure on the part of Secured Party in the exercise of any right or remedy hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise by Secured Party of any right or remedy preclude any other right or remedy. Secured Party, at its option, may enforce its rights against any collateral securing this Note without enforcing its rights against Obligor, any guarantor of the indebtedness evidenced hereby or any other property or indebtedness due or to become due to Obligor. Obligor agrees that, without releasing or impairing Obligor's liability hereunder, Secured Party may at any time release, surrender, substitute or exchange any collateral securing this Note and may at any time release any party primarily or secondarily liable for the indebtedness evidenced by this Note.

This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of South Dakota, except that for purposes of the usury laws (and determining the maximum rate of interest allowable), this Note shall be governed by and construed and enforced in accordance with the laws of the state of Obligor's residence.

IN WITNESS WHEREOF, Obligor has caused this Note to be duly executed and delivered in Aberdeen, South Dakota, on the date first above written.

Signature: _____

Print Name: _____

EXHIBIT K

GENERAL SECURITY AGREEMENT

GENERAL SECURITY AGREEMENT

This General Security Agreement dated as of _____, is entered into by _____ and _____ (collectively, "Pledgor") in favor of HFC KTU LLC, a Delaware limited liability company ("Secured Party").

WITNESSETH

WHEREAS, Pledgor has issued that certain Secured Promissory Note (the "Note") in favor of Secured Party, dated as of _____, pursuant to which Secured Party has or is about to make certain financial accommodations to Pledgor; and

WHEREAS, Secured Party has conditioned its providing said financial accommodations to Pledgor on Pledgor's granting a security interest in substantially all of its assets in favor of Secured Party to secure Pledgor's obligations to Secured Party under the Note;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS SECTION

All terms used herein which are defined in Article 1 or Article 9 of the Code (as hereinafter defined) shall have the meanings ascribed thereto in the Code unless otherwise defined in this Agreement. All references to Pledgor and Secured Party pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7.3. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

1.1 Accounts

"Accounts" shall mean all present and future rights of Pledgor to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2 Code

"Code" means the South Dakota Uniform Commercial Code.

1.3 Equipment

"Equipment" shall mean all of Pledgor's now owned and hereafter acquired equipment, machinery,

computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.4 Event of Default

"Event of Default" shall have the meaning set forth in Section 6.1 hereof.

1.5 Financing Agreements

"Financing Agreements" shall mean, collectively, this Agreement and all notes, guarantees, security agreements and other agreements, documents and instruments now or at any time hereafter executed or delivered by Pledgor in connection with this Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.6 GAAP

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which are applicable to the circumstances as of the date of determination consistently applied.

1.7 Inventory

"Inventory" shall mean all of Pledgor's now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.8 Note

"Note" shall have the meaning set forth in the recitals hereto, as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.9 Obligations

"Obligations" shall mean any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Pledgor to Secured Party or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under the Note, this Agreement or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Note, this Agreement or after the commencement of any case with respect to Pledgor under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Secured Party.

1.10 Person or person

"Person" or "person" shall mean any individual, sole proprietorship, limited liability company or partnership, partnership, corporation (including any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), business trust, unincorporated association, joint stock

corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.11 Records

"Records" shall mean all of Pledgor's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Pledgor with respect to the foregoing maintained with or by any other person).

SECTION 2. GRANT OF SECURITY INTEREST SECTION

To secure payment and performance of all Obligations, Pledgor hereby grants to Secured Party a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Secured Party as security, the following property and interests in property, whether now owned or hereafter acquired or existing, and wherever located (collectively, the "Collateral"):

- (a) all Accounts,
- (b) all present and future contract rights, general intangibles (including tax and duty refunds, registered and unregistered patents, franchises, licenses, trademarks, service marks, copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as franchisor or franchisee, choses in action and other claims and existing and future leasehold interests in equipment, real estate and fixtures), chattel paper, documents, instruments, letters of credit, bankers' acceptances and guaranties,
- (c) all present and future monies, securities, credit balances, deposits, deposit accounts and other property of Pledgor now or hereafter held or received by or in transit to any depository or other institution from or for the account of Pledgor whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Accounts and other Collateral, including:
 - (i) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral,
 - (ii) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party,
 - (iii) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Accounts or other Collateral, including returned, repossessed and reclaimed goods, and
 - (iv) deposits by and property of account debtors or other persons securing the obligations of account debtors.
- (d) all Inventory,
- (e) all Equipment,
- (f) all Records, and
- (g) all products and proceeds of the foregoing, in any form, including insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing.

SECTION 3. COLLATERAL COVENANTS SECTION

3.1 Accounts Covenants

- (a) Secured Party shall have the right at any time or times, in Secured Party's name or in the name of a nominee of Secured Party, to verify the validity, amount or any other matter relating to any Account or other Collateral, by mail, telephone, facsimile transmission or otherwise.
- (b) Pledgor shall deliver or cause to be delivered to Secured Party, with appropriate endorsement and assignment, with full recourse to Pledgor, all chattel paper and instruments which Pledgor now owns or may at any time acquire immediately upon Pledgor's receipt thereof, except as Secured Party may otherwise agree.
- (c) Secured Party may, at any time or times that an Event of Default exists or has occurred and is continuing,
 - (i) notify any or all account debtors that the Accounts have been assigned to Secured Party and that Secured Party has a security interest therein and Secured Party may direct any or all accounts debtors to make payment of Accounts directly to Secured Party,
 - (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts or other obligations included in the Collateral and thereby discharge or release the account debtor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations,
 - (iii) demand, collect or enforce payment of any Accounts or such other obligations, but without any duty to do so, and Secured Party shall not be liable for its failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and
 - (iv) take whatever other action Secured Party may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Secured Party's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Secured Party and are payable directly and only to Secured Party and Pledgor shall deliver to Secured Party such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Secured Party may require.

3.2 Inventory Covenants

With respect to the Inventory:

- (a) Pledgor shall at all times maintain inventory records reasonably satisfactory to Secured Party, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, Pledgor's cost therefor and daily withdrawals therefrom and additions thereto,
- (b) Pledgor shall conduct a physical count of the Inventory at least once each year, but at any time or times as Secured Party may request on or after an Event of Default, and promptly following such physical inventory shall supply Secured Party with a report in the form and with such specificity as may be reasonably satisfactory to Secured Party concerning such physical count,

- (c) Pledgor shall not remove any Inventory from the locations set forth or permitted herein, without the prior written consent of Secured Party, except for sales of Inventory in the ordinary course of Pledgor's business and except to move Inventory directly from one location set forth or permitted herein to another such location,
- (d) upon Secured Party's request, Pledgor shall, at its expense, no more than once in any twelve (12) month period, but at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Secured Party and by an appraiser acceptable to Secured Party, addressed to Secured Party or upon which Secured Party is expressly permitted to rely,
- (e) Pledgor shall produce, use, store and maintain the Inventory, with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto),
- (f) Pledgor assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory,
- (g) Pledgor shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate Pledgor to repurchase such Inventory,
- (h) Pledgor shall keep the Inventory in good and marketable condition, and
- (i) Pledgor shall not, without prior written notice to Secured Party, acquire or accept any Inventory on consignment or approval.

3.3 Equipment Covenants

With respect to the Inventory:

- (a) Upon Secured Party's request, Pledgor shall, at its expense, at any time or times as Secured Party may request on or after an Event of Default, deliver or cause to be delivered to Secured Party written reports or appraisals as to the Equipment in form, scope and methodology acceptable to Secured Party and by appraiser acceptable to Secured Party,
- (b) Pledgor shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted),
- (c) Pledgor shall use the Equipment with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with all applicable laws,
- (d) the Equipment is and shall be used in Pledgor's business and not for personal, family, household or farming use,
- (e) Pledgor shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Pledgor or to move Equipment directly from one location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of Pledgor in the ordinary course of business,
- (f) the Equipment is now and shall remain personal property and Pledgor shall not permit any of the Equipment to be or become a part of or affixed to real property, and
- (g) Pledgor assumes all responsibility and liability arising from the use of the Equipment.

3.4 Power of Attorney

Pledgor hereby irrevocably designates and appoints Secured Party (and all persons designated by Secured Party) as Pledgor's true and lawful attorney-in-fact, and authorizes Secured Party, in Pledgor's or Secured Party's name, to:

- (a) at any time an Event of Default or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing
 - (i) demand payment on Accounts or other proceeds of Inventory or other Collateral,
 - (ii) enforce payment of Accounts by legal proceedings or otherwise,
 - (iii) exercise all of Pledgor's rights and remedies to collect any Account or other Collateral,
 - (iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Secured Party deems advisable,
 - (v) settle, adjust, compromise, extend or renew an Account,
 - (vi) discharge and release any Account,
 - (vii) prepare, file and sign Pledgor's name on any proof of claim in bankruptcy or other similar document against an account debtor,
 - (viii) notify the post office authorities to change the address for delivery of Pledgor's mail to an address designated by Secured Party, and open and dispose of all mail addressed to Pledgor, and
 - (ix) do all acts and things which are necessary, in Secured Party's determination, to fulfill Pledgor's obligations under this Agreement and the other Financing Agreements and
- (b) at any time to
 - (i) take control in any manner of any item of payment or proceeds thereof,
 - (ii) have access to any lockbox or postal box into which Pledgor's mail is deposited,
 - (iii) endorse Pledgor's name upon any items of payment or proceeds thereof and deposit the same in the Secured Party's account for application to the Obligations,
 - (iv) endorse Pledgor's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral, and
 - (v) sign Pledgor's name on any verification of Accounts and notices thereof to account debtors and
 - (vi) execute in Pledgor's name and file any UCC financing statements or amendments thereto. Pledgor hereby releases Secured Party and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Secured Party's own gross negligence or willful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

3.5 Right to Cure

Secured Party may, at its option,

- (a) cure any default by Pledgor under any agreement with a third party or pay or bond on appeal any judgment entered against Pledgor,
- (b) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and
- (c) pay any amount, incur any expense or perform any act which, in Secured Party's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Secured Party with respect thereto. Secured Party may add any amounts so

expended to the Obligations and charge Pledgor's account therefor, such amounts to be repayable by Pledgor on demand. Secured Party shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of Pledgor. Any payment made or other action taken by Secured Party under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

3.6 Access to Premises

From time to time as requested by Secured Party, at the cost and expense of Pledgor,

- (a) Secured Party or its designee shall have complete access to all of Pledgor's premises during normal business hours and after notice to Pledgor, or at any time and without notice to Pledgor if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of Pledgor's books and records, including the Records, and
- (b) Pledgor shall promptly furnish to Secured Party such copies of such books and records or extracts therefrom as Secured Party may request, and
- (c) Secured Party shall have the right to use during normal business hours such of Pledgor's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Accounts and realization of other Collateral.

SECTION 4. REPRESENTATIONS AND WARRANTIES SECTION

Pledgor hereby represents and warrants to Secured Party the following (which shall survive the execution and delivery of this Agreement):

4.1 Chief Executive Office; Collateral Locations

The chief executive office of Pledgor and Pledgor's Records concerning Accounts are located only at the address set forth below and its only other places of business and the only other locations of Collateral, if any, are the addresses provided by Pledgor to Secured Party in writing prior to the date hereof, subject to the right of Pledgor to establish new locations in accordance with Section 5.1 below.

4.2 Priority of Liens; Title to Properties

The security interests and liens granted to Secured Party under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the liens indicated on Schedule 4.2 hereto. Pledgor has good and marketable title to all of its properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Secured Party and such others as are specifically listed on Schedule 4.2 hereto.

4.3 Accuracy and Completeness of Information

All information furnished by or on behalf of Pledgor in writing to Secured Party in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect

on the business, assets or prospects of Pledgor, which has not been fully and accurately disclosed to Secured Party in writing.

4.4 Survival of Warranties; Cumulative

All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Secured Party on the date of any additional borrowing or other credit accommodation under any amendment, restatement, modification or substitution of the Note and shall be conclusively presumed to have been relied on by Secured Party regardless of any investigation made or information possessed by Secured Party. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Pledgor shall now or hereafter give, or cause to be given, to Secured Party.

SECTION 5. AFFIRMATIVE AND NEGATIVE COVENANTS SECTION

5.1 New Collateral Locations

Pledgor may open any new location within the continental United States provided Pledgor:

- (a) gives Secured Party ten (10) days prior written notice of the intended opening of any such new location and
- (b) executes and delivers, or causes to be executed and delivered, to Secured Party such agreements, documents, and instruments as Secured Party may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including UCC financing

5.2 Insurance

Pledgor shall, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Secured Party as to form, amount and insurer. Pledgor shall furnish certificates, policies or endorsements to Secured Party as Secured Party shall require as proof of such insurance, and, if Pledgor fails to do so, Secured Party is authorized, but not required, to obtain such insurance at the expense of Pledgor. All policies shall provide for at least thirty (30) days prior written notice to Secured Party of any cancellation or reduction of coverage and that Secured Party may act as attorney for Pledgor in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Pledgor shall cause Secured Party to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Pledgor shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Secured Party. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Secured Party as its interests may appear and further specify that Secured Party shall be paid regardless of any act or omission by Pledgor or any of its affiliates. At its option, Secured Party may apply any insurance proceeds received by Secured Party at any time to the cost of repairs or replacement of Collateral or to payment of the Obligations, whether or not then due, in any order and in such manner as Secured Party may determine or hold such proceeds as cash collateral for the Obligations.

5.3 Costs and Expenses

Pledgor shall pay to Secured Party on demand all costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Secured Party's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to:

- (a) all costs and expenses of filing or recording (including all filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable, payable in connection any and all financing statements or fixture filings necessary to perfect and continue perfected Secured Party's security interests in the Collateral),
- (b) all title insurance and other insurance premiums, appraisal fees and search fees,
- (c) costs and expenses of preserving and protecting the Collateral,
- (d) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Secured Party, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Secured Party arising out of the transactions contemplated hereby and thereby (including preparations for and consultations concerning any such matters), and
- (e) the fees and disbursements of counsel (including legal assistants) to Secured Party in connection with any of the foregoing.

5.4 Further Assurances

At the request of Secured Party at any time and from time to time, Pledgor shall, at its expense, at any time or times duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Where permitted by law, Pledgor hereby authorizes Secured Party to execute and file one or more UCC financing statements signed only by Secured Party.

SECTION 6. EVENTS OF DEFAULT AND REMEDIES SECTION

6.1 Events of Default

The occurrence or existence of any of the following events (each an "Event of Default") shall occur and be continuing:

- (a) The Pledgor shall fail to pay any installment of principal or interest or any other amount payable under the Note when due; or
- (b) Any representation or warranty made by the Pledgor herein or by the Pledgor (or any of its officers) in connection with the Financing Agreements shall prove to have been incorrect in any material respect when made; or
- (c) The Pledgor shall fail to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed; or
- (d) The Pledgor shall default in the performance of or compliance with any term contained in any Financing Agreement other than this Agreement and such default shall not have been remedied or waived within any applicable grace period; or

- (e) The Pledgor shall
 - (i) fail to pay any principal of, or premium or interest on, any indebtedness, the aggregate outstanding principal amount of which is at least \$10,000 (excluding indebtedness evidenced by the Note), when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness, or
 - (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness or material to the performance, business, property, assets, condition (financing or otherwise) or prospects of the Pledgor when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument; or
- (f) The Pledgor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Pledgor shall make a general assignment for the benefit of its creditors; or
 - (i) there shall be commenced against the Pledgor any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unhanded for a period of thirty (30) days; or
 - (ii) there shall be commenced against the Pledgor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or
 - (iii) the Pledgor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) and (iii) above; or (v) the Pledgor shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or
- (g) One or more judgments or decrees shall be entered against the Pledgor involving in the aggregate a liability (not paid or fully covered by insurance or reserves) equal to or greater than \$5,000 and all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or
- (h) There shall be instituted against the Pledgor any proceeding for which forfeiture of any property is a potential penalty and such proceeding remains undismissed, undischarged or unbonded for a period of thirty (30) days from the date the Pledgor knows of such proceeding.

6.2 Remedies

- (a) At any time an Event of Default exists or has occurred and is continuing, Secured Party shall have all rights and remedies provided in this Agreement, the other Financing

Agreements, the Code and other applicable law, all of which rights and remedies may be exercised without notice to or consent by Pledgor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Secured Party hereunder, under any of the other Financing Agreements, the Code or other applicable law, are cumulative, not exclusive and enforceable, in Secured Party's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by Pledgor of this Agreement or any of the other Financing Agreements. Secured Party may, at any time or times, proceed directly against Pledgor to collect the Obligations without prior recourse to the Collateral.

- (b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Secured Party may, in its discretion and without limitation,
 - (i) accelerate the payment of all Obligations and demand immediate payment thereof to Secured Party (provided that, upon the occurrence of any Event of Default described in Section 6.1(f), all Obligations shall automatically become immediately due and payable),
 - (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral,
 - (iii) require Pledgor, at Pledgor's expense, to assemble and make available to Secured Party any part or all of the Collateral at any place and time designated by Secured Party,
 - (iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral,
 - (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose,
 - (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Secured Party or elsewhere) at such prices or terms as Secured Party may deem reasonable, for cash, upon credit or for future delivery, with the Secured Party having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Pledgor, which right or equity of redemption is hereby expressly waived and released by Pledgor. If any of the Collateral is sold or leased by Secured Party upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Secured Party. If notice of disposition of Collateral is required by law, ten (10) days prior notice by Secured Party to Pledgor designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and Pledgor waives any other notice. In the event Secured Party institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Pledgor waives the posting of any bond which might otherwise be required.
- (c) Secured Party may apply the cash proceeds of Collateral actually received by Secured Party from any sale, lease, foreclosure or other disposition of the Collateral to payment of the

Obligations, in whole or in part and in such order as Secured Party may elect, whether or not then due. Pledgor shall remain liable to Secured Party for the payment of any deficiency with interest at the highest rate provided for in the Note and all costs and expenses of collection or enforcement, including attorneys' fees and legal expenses.

SECTION 7. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW SECTION

7.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver

- (a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of South Dakota (without giving effect to principles of conflicts of law), except, that the laws of Pledgor's state of residence will apply to any determination of the maximum interest rate payable or the existence of usury.
- (b) Pledgor irrevocably consents and submits to the non-exclusive jurisdiction of the United States District Court for the District of South Dakota, and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected or related or incidental to the dealings of Pledgor and Secured Party in respect of this Agreement or the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agrees that any dispute with respect to any such matters shall be heard only in the courts described above (except that Secured Party shall have the right to bring any action or proceeding against Pledgor or its property in the courts of any other jurisdiction which Secured Party deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Pledgor or its property).
- (c) Pledgor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Secured Party's option, by service upon Pledgor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Pledgor shall appear in answer to such process, failing which Pledgor shall be deemed in default and judgment may be entered by Secured Party against Pledgor for the amount of the claim and other relief requested.
- (d) PLEDGOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF PLEDGOR AND SECURED PARTY IN RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. PLEDGOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT PLEDGOR OR SECURED PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE

CONSENT OF PLEDGOR AND SECURED PARTY TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

- (e) Secured Party shall not have any liability to Pledgor (whether in tort, contract, equity or otherwise) for losses suffered by Pledgor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Secured Party that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Secured Party shall be entitled to the benefit of the reputable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement and the other Financing Agreements.

7.2 Waiver of Notices

Pledgor hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on Pledgor which Secured Party may elect to give shall entitle Pledgor to any other or further notice or demand in the same, similar or other circumstances.

7.3 Amendments and Waivers

Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Secured Party. Secured Party shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers or remedies unless such waiver shall be in writing and signed by an authorized officer of Secured Party. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Secured Party of any right, power or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power or remedy which Secured Party would otherwise have on any future occasion, whether similar in kind or otherwise.

7.4 Indemnification

Pledgor shall indemnify and hold Secured Party, and its directors, agents, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement, court costs, and the fees and expenses of counsel. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Pledgor shall pay the maximum portion which it is permitted to pay under applicable law to Secured Party in satisfaction of indemnified matters under this Section. The foregoing indemnity shall survive the payment of the Obligations, the termination of this Agreement and the other Financing Agreements. All of the foregoing costs and expenses shall be part of the Obligations and secured by the Collateral.

SECTION 8. MISCELLANEOUS SECTION

8.1 Notices

- (a) All notices, requests and demands hereunder shall be in writing and made to Secured Party at HFC KTU LLC, 14 S. Main Street, Suite C, Aberdeen, South Dakota 57401, and to Pledgor at the address set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and
- (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

8.2 Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

8.3 Successors

This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Pledgor and its successors and assigns and inure to the benefit of and be enforceable by Secured Party and its successors and assigns, except that Pledgor may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Secured Party.

8.4 Entire Agreement

This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, Pledgor and Secured Party have caused these presents to be duly executed as of the day and year first above written.

Secured Party:

HFC KTU LLC

By: _____ ~~Heidi Morrissey~~

Pledgor:

Sign here: _____

Print Name: _____

Sign here: _____

Print Name: _____

Address of Pledgor's Offices:

EXHIBIT L

ACH AUTHORIZATION FORM

(Added)



ADDENDUM TO FRANCHISE AGREEMENTS—TWO TERRITORIES

This Addendum to Franchise Agreements (this “**Addendum**”) is entered into by and between ~~HFC KTU LLC~~, a Delaware limited liability company, with its principal place of business at 4 Main Street, Suite C, Aberdeen, South Dakota 57401 (“**Franchisor**”) and _____, a _____ (“**Franchisee**”).

WHEREAS, Franchisor and Franchisee are parties to two franchise agreements intended to bear the same date as this Addendum for the Bath Tune Up® territories known as _____ and _____ (the “**Franchise Agreements**”);

WHEREAS, in consideration for Franchisee purchasing two territories, the Royalty Fees set forth in the Franchise Agreements are modified as more particularly set forth herein.

NOW, THEREFORE, Franchisor and Franchisee agree to amend the Franchise Agreements as follows:

1. **Continuing Royalty.** Notwithstanding section 4.3(a) of the Franchise Agreements, Franchisee will pay the following Royalty Fee each month for both territories combined:

Continuing Royalty	Combined Gross Revenue for the Prior Month
7.0%	\$0 – \$45,000
6.0%	\$45,000.01 to \$90,000
5.0%	\$90,000.01 to \$180,000
4.0%	\$180,000.01 and above

Beginning with the fourth full calendar month after the Operating Date, Franchisee must pay Franchisor the greater of the Continuing Royalty as calculated above and a minimum monthly Continuing Royalty of \$1,500 for the first year and \$3,000 thereafter.

2. **National Advertising Fee.** Notwithstanding section 4.4(a) of the Franchise Agreements Franchisee will pay Franchisor the greater of one percent (1%) of Franchisee's monthly Gross Revenue for the previous month or \$750.

3. **Technology Fee.** Notwithstanding section 4.5 of the Franchise Agreements, Franchisee will pay Franchisor a monthly Technology Fee of \$450.

4. **Reaffirmation.** Except as specifically modified by this Addendum, all terms and conditions of the Franchise Agreements are reaffirmed in their entirety.

[Signatures Follow]

~~IN WITNESS WHEREOF, the parties have executed this Agreement.~~

~~HFC KTU LLC~~

~~Date: _____ By: _____ Heidi Morrissey, President~~

Sign here if AR - Franchisee is an individual: Banking Form

Please Submit the requested forms to Home Franchise Concepts

Step 1: Please provide contact and bank information.

FRANCHISEE

I hereby authorize Home Franchise Concepts to automatically draft my account as indicated below via direct debit for all franchise and agreed upon fees per the executed Franchise Agreement and any other mutually agreed upon transactions (such as promissory notes, etc.)

I acknowledge the origination of ACH direct debit transactions from my account must comply with the provisions of U.S. law. Furthermore, if any such direct debits should fail or be returned for any reason, I authorize Home Franchise Concepts to collect a returned processing fee.

~~Date: _____~~

The direct debit draft will originate from Home Franchise Concepts account at either Wells Fargo, N.A. Please contact your bank to ensure your bank is set up to allow these direct debits to be allowed.

~~Print~~ Franchisee Name:- ____ *

~~Sign here if Franchisee is a company:-~~

FRANCHISEE

Brand *

~~Date: _____ By: _____~~

~~Print Name:-~~ _____

~~Print Title:-~~ _____

Billing Address *

City, State, Zip *

Phone # *

Provide your Territory #

(If you have more than 1 territory, please list each territory number separated by a comma.) *

Provide your Territory Name

(If you have more than 1 territory, please list each territory name separated by a comma.)

Location *

Name on Acct *

Bank Name *

Bank Account # *

This authorization is to remain in full force and effect until Home Franchise Concepts has received written notification to terminate within 5 business days before a direct debit transaction will be initiated.

Step 2: Bank Verification details required for any new or banking changes: Either voided check OR bank letter with banking and routing details

(Up to 3 files may be uploaded at a time.) * ⓘ ⓘ

les

No file chosen

Signature *

(Add)

clear

Date *

mm/dd/yyyy

(Add)

Step 3: Complete the Captcha below and a Submit button will appear. Click Submit it to complete the process.

I'm not a robot

reCAPTCHA

[Privacy - Terms](#)

(Add)

CONTAINED BY (A

EXHIBIT M

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT N
RECEIPTS

RECEIPT (YOUR COPY)

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

The franchisor is HFC KTU LLC, located at 14 S. Main Street, Suite 1C, Aberdeen, South Dakota 57401, (605) 225-4049.

If HFC KTU LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Iowa requires that HFC KTU LLC gives you this disclosure document at the 1st personal meeting. Michigan requires that HFC KTU LLC gives you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that HFC KTU LLC gives you this disclosure document at the earlier of the 1st personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If HFC KTU LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit I.

The name, principal business address and telephone number of each franchise seller offering the franchise: ~~Heidi Morrissey and Christine Levine, 4 Main Street, Suite C, Aberdeen, SD 57401, (605) 225-4049;~~ ~~Shawna Bergstrom,~~ Aaron Cady, Bryan Cranfill, Troy Molen, ~~Matt Newman,~~ Ralph Rooney, ~~and~~ Jessica Sproule, Brandy Ward, Craig Green, and Randal Shirley, 19000 MacArthur Blvd., Suite 100, Irvine, CA 92612, (866) ~~879-~~ 879-8312~~8312~~; and

We authorize the agents listed in Exhibit I to this disclosure document to receive service of process for us.

Issuance Date: ~~March 3~~February 20, 202~~5~~6

On _____, I received a disclosure document dated ~~March 3~~February 20, 202~~5~~6 that included the following exhibits:

A: Franchise Agreement, State Addendum and Schedules
B: Financial Statements C:
List of Franchisees
D: List of Former Franchisees
E: Agencies/Agents for Service of Process
F: Confidential Operating Manual Table of Contents
G: Additional Recommended Tools and Supplies
H: Consent to Transfer and Assumption of

Franchise
I: Veteran's Addendum to
Franchise Agreement J: Secured
Promissory Note
K: General Security Agreement
~~L: Addendum to Franchise Agreements—Two~~
~~Territories M: Addendum to Franchise Agreements—Three~~
~~Territories~~
~~N: ACH~~
Authorization
Form M:
State
Effective
Dates ~~ON:~~
Receipts

Signature of Prospective Franchisee

Print Name of Prospective Franchisee

You should retain this dated and signed Receipt for your records.

RECEIPT (OUR COPY)

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

The franchisor is HFC KTU LLC, located at 14 S. Main Street, Suite 1C, Aberdeen, South Dakota 57401, (605) 225-4049.

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If HFC KTU LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit I.

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Franchise
I: Veteran's Addendum to
Franchise Agreement J: Secured
Promissory Note
K: General Security Agreement
L: ACH
Authorization
Form M: State
Effective
Dates
~~L: Addendum to Franchise Agreements—Two~~
~~Territories M: Addendum to Franchise Agreements—~~
~~Three~~
~~Territories~~
N: ~~State Effective Dates O: Receipts~~

Signature of Prospective Franchisee

Print Name of Prospective Franchisee

You should return this dated and signed Receipt to Aaron Cady at 19000 MacArthur Blvd, Suite 100, Irvine, CA 92612, (866) 879-8312, ~~aaron.cady@gohfc.com~~ aaron.cady@gohfc.com.