

**ITEM 3
LITIGATION**

Rome Enterprises, Inc. et al. v. Re-Bath, LLC, LLC, CV-01756-JMM. On August 29, 2005, Rome Enterprises, Inc., an existing Re-Bath franchisee, filed a Complaint against us in the United States District Court for the Middle District of Pennsylvania (CV-01756-JMM). The Complaint did not arise out of any existing Dealership Agreement, but instead alleged that Re-Bath made a verbal promise to sell an existing franchisee a new franchise territory in Rochester, New York to plaintiff. The Complaint alleged fraudulent misrepresentation, breach of contract, negligent misrepresentation, promissory estoppel and breach of a covenant of good faith and fair dealing, and requested a declaratory judgment that Re-Bath was required to sell the franchisee a new territory in Rochester, New York to plaintiff under the same terms as the previous Dealership Agreements with plaintiff. Re-Bath the franchisee. ReBath denied the allegations and contended that there was no obligation to sell an additional territory the franchise to plaintiff. Rome Enterprises, Inc. Before ReBath filed an answer to the complaint, the parties entered into a modest settlement. In the settlement, Re-Bath ReBath denies all liability. The litigation was dismissed in January, 2006, and the parties signed a settlement agreement in March, 2006.

Other than this one action, no litigation is required to be disclosed in this offering circular. Offering Circular.

**ITEM 4
BANKRUPTCY**

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

**ITEM 5
INITIAL DEALER'S FRANCHISE FEE**

When you sign the Dealership Agreement, you pay us an initial franchise fee (the "Initial Franchise Fee") for your Territory per area or territory. The Initial Franchise Fee for a Territory with large market territory will consist of a population of 150,000 or greater (a "Large Market Territory") is -- A small market territory will consist of a population of under 150,000. You will be charged at the rate of six cents (\$.06) per person, within the large market territory. For example, the Initial Franchise Fee for a Territory with a population count of 150,000 is \$9,000 (150,000 x \$.06); and the Initial Franchise Fee for a Territory with a population count of 1,000,000 is \$60,000 (1,000,000 x \$.06). The Initial Franchise Fee for a Territory with a population under 150,000 (a "Small Market Territory") is -- You will be charged a flat fee of \$3,500 for a small market territory. The population of the Territory is based upon is determined by the 2000 United States Census Bureau statistics. In 2005, the Initial Franchise Fees we actually received ranged from \$3,500 to \$20,538.

You must pay the Initial Franchise Fee, in full, upon execution of the Dealership Agreement. Fee, in full, upon execution of the Dealership Agreement, unless you or your company currently operate a business selling and installing bathtub liners. If you are in the bathtub liner industry, you may pay the Initial Fee, as determined by the population of the territory, within 12 months following the date of your Dealership Agreement, at the rate of \$30.00 per unit sold, with 10% interest, by executing a Promissory Note. Any balance owed to us, after twelve months, must be paid in full within 30 days.

You must also purchase your initial equipment and supplies (a (the "Start-Up Package") from us, unless: If you are already in the bathtub liner industry, purchase of the Start-Up Package is optional. The cost of a the Start-Up Package is \$6,000.00 for a Large Market Territory large market territory or \$3,000.00 for a Small Market Territory. A small market territory. The Start-Up Package package includes a variety of materials necessary to begin the Franchised Business. The package, unless picked up at training, is shipped to you from Mesa, Arizona to you at your expense. You may finance the total cost of the Start-Up Package for up to six months from, upon the date execution of the Dealership Agreement, with interest at the rate of 10% per annum, by signing a promissory note Promissory Note. The Promissory Note (Exhibit F), which must be F4) is personally guaranteed by you, if you are an individual, or is personally guaranteed by the owners of 15% or more of your equity, if you are a legal entity, and pledges your rights in the Dealership Agreement as collateral.

| The Initial Franchise Fee and the payment for the "Start-Up Package" are both fully earned when received
or when a promissory note is signed, whichever occurs first, and are both non-refundable.
|

| Name of Fee | Amount | Date Due | Remarks |
|--|---|---|--|
| | | demand Demand | understatement of 5% or more of Royalty Fee payable royalty or installations, installation. |
| Interest | 18% per annum from date due | Upon demand | Payable on overdue amounts. |
| Initial Installation and Operations Training | \$750.00 per person | Before beginning of training | Re-Bath trains 2 people at no cost. This fee is for additional persons. |
| Home Depot | \$65 for end cap display \$800-\$1,400 for optional in-store display | As agreed by Dealer and Home Depot | Payable to Home Depot or suppliers of items included in display. Participation in the Home Depot program is optional and is not available to all dealers. See items 1, 8 and 12. |
| Customer Service | Up to 100% customer's original amount for products and services | Within 30 days after receipt of invoice | If we feel you do not fairly handle a customer complaint, we reserve the right to intervene and satisfy the customer. |
| Income Taxes | In addition to monthly royalty fees, Franchisor has the right to collect from you the cost of all income taxes, sales taxes and other taxes arising as a result of our licensing of intellectual property to you in the state where your franchise is located, as well as any assessment on the royalty fees, advertising contributions and any other income we receive from you. | Payable monthly with royalty fees | Only imposed if state collects these taxes or assessments. |
| Supplier-Testing Fee | This fee can range from \$100 to \$5,000, depending on the item(s) being tested. | As incurred | You may incur this fee as a result of proposing a new supplier. |

**ITEM 6
OTHER FEES**

| Name of Fee | Amount | Date Due | Remarks |
|-------------|--|----------------------------------|--|
| Royalty Fee | \$25 for each bathtub liner or shower base liner that you purchase from us \$25.00/unit | Payable at time of order of Unit | A Unit is a bathtub liner or shower base liner. Displays and samples are excluded. |
| Advertising | \$249 (Large Market Territory).00 (large market territory) \$150 (Small Market Territory).00 (small market territory) | Monthly Monthly | This amount is for the national 1-800-BATHTUB advertising participation fee and this amount may change, from time to time, but no more than 10% per year. Other than this, there are no continuing advertising fees charged to you, but you are required to pay for your own advertising. We set the minimum amounts, which are \$20,000 in the first 12 months after completion of the Initial Training Program initial training program for a Small Market Territory, small market territory, and \$40,000 for a Large Market Territory, large market territory. After the first 12 months, you every dealer must spend at least 10% of your its prior year's Gross Sales gross sales on advertising (excluding such 10% to exclude any sales made through the Home Depot program). Gross Sales sales are defined as all revenue generated from sales, installation, and repair of the following before deduction for any expenses: bathtub liners, shower base liners, and wall panels ("Required Products"), together with ancillary products such as shower doors, valves, plumbing fixtures, and products necessary for the installation of the Required Products. Advertising requirements include placing local Yellow Page advertising, which we must approve in advance. |
| Transfer | \$5,000.00 | Before consummation of transfer | Transfer fee includes mandatory initial training costs. |
| | \$350.00 | Before consummation of transfer | This document fee is imposed for transfers to corporations, partnerships and limited liability companies owned by you. |
| Renewal | \$1,000.00 | Before renewal date | |
| Audit | Cost of audit Audit | Upon | Payable only if audit reveals |

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|---------------------------------|--|---|--|
| Initial Training Program | \$750 per person for training materials | Before beginning of training | If you wish to have more than 2 people trained, there is an additional fee of \$750 for each additional person. |
| Home Depot | \$65 for end cap display; \$800 - \$1,400 for optional in-store display | As agreed by Dealer and Home Depot | Payable to Home Depot or suppliers of items included in display. Participation in the Home Depot program is optional and is not available to all dealers. See Items 1, 8 and 12. |
| Customer Service | Up to 100% customer's original amount for products and services | Within 30 days after receipt of invoice | If we feel you do not fairly handle a customer complaint, we can intervene and satisfy the customer. |
| Income Taxes | In addition to monthly Royalty Fees, we have the right to collect from you the cost of all income taxes, sales taxes and other taxes arising as a result of our licensing of intellectual property to you in the state where your franchise is located, as well as any assessment on the Royalty Fees, advertising contributions and any other income we receive from you. | Payable monthly with Royalty Fees | Only imposed if state collects these taxes or assessments. |
| Supplier or Product Testing Fee | \$100 to \$5,000, depending on the item(s) tested. | As incurred | You may incur this fee as a result of proposing a new supplier or product. |

Except for the Home Depot fees, all fees are imposed by, and are payable to us, and are nonrefundable.

ITEM 7 INITIAL INVESTMENT

| | Estimated Cost | | Method of Payment | When Due | To Whom Payment Made | Whether Refundable |
|------------------------------------|--------------------------------|--------------|---|---|----------------------|--------------------|
| | Large Market | Small Market | | | | |
| Initial Franchise Fee ¹ | \$9,000-\$100,000 ² | \$3,500 | In full, unless in bathtub liner industry, in which event then we will finance for 12 months at \$30 for each bathtub liner or shower base liner, per | Upon execution of Dealership Agreement, unless in bathtub liner industry, then payable over a time of order of 12 months when you order bathtub liner or shower base liners, with the full balance at the end of 12 months, if any, due | Us/ Franchisor | No |

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| | Estimated Cost | | Method of Payment | When Due | To Whom Payment Made | Whether Refundable |
|--|------------------------|------------------------|--|---|--|--------------------|
| | Large Market | Small Market | | | | |
| Start-Up Package ¹ | \$6,000 | \$3,000 | Unit Lump sum or 6-monthly payments | within 30 days Before training or may be financed for up to 6 months | Franchisor | No |
| Pre-Opening Salaries, Travel, Transportation and Initial Training ² | \$1,500- \$5,000 | \$1,500- \$3,000 | As arranged | As arranged | Suppliers of transportation, food, employees | No |
| Custom-Product Displays-Improvements-Construction Costs ³ | \$3,000- \$50,000 | \$3,000- \$30,000 | As arranged | As arranged | Contractor employees | No |
| Real Estate ⁴ | \$3,400- \$20,000 | \$3,400- \$20,000 | As arranged | As arranged | Property owner/lessor | No |
| Signage ⁵ | \$3,000- \$5,000 | \$3,000- \$5,000 | As arranged | As arranged | Suppliers | No |
| Opening Advertising ⁶ | \$13,500- \$27,000 | \$6,700- \$13,400 | As arranged | As incurred | Suppliers | No |
| Insurance ⁷ | \$2,000- \$4,000 | \$2,000- \$4,000 | As arranged | As incurred | Insurers | No |
| Supplies/Office and Misc. ⁸ | \$2,000- \$6,000 | \$2,000- \$6,000 | As Arranged | As incurred | Suppliers | No |
| Additional Funds- three months ⁹ | \$7,500- \$30,000 | \$7,500- \$15,000 | | | | |
| TOTAL ¹⁰ | \$50,000- \$256,000 | \$35,600- \$102,900 | | | | |

| | | | | | | |
|--|------------------------|------------------------|--------------------------------|---|--|----|
| Start-Up Package ³ | \$6,000 | \$3,000 | Lump sum or 6 monthly payments | Before training or may be financed for up to 6 months | Us | No |
| Training Materials (for 2 people) | \$1,500 | \$1,500 | Lump sum | Before training | Us | No |
| Pre-Opening Salaries, Travel, Transportation and Initial Training ⁴ | \$1,500- \$5,000 | \$1,500- \$3,000 | As arranged by you | As arranged by you | Suppliers of transportation, food, employees | No |
| Custom Product Displays - Improvements- Construction Costs ⁵ | \$3,000- \$50,000 | \$3,000- \$30,000 | As arranged by you | As arranged by you | Contractor employees | No |
| Real Estate ⁶ | \$3,400- \$20,000 | \$3,400- \$20,000 | As arranged by you | As arranged by you | Property owner/lessor | No |
| Signage ⁷ | \$3,000- \$5,000 | \$3,000- \$5,000 | As arranged by you | As arranged by you | Suppliers | No |
| Opening Advertising ⁸ | \$13,500- \$27,000 | \$6,700- \$13,400 | As arranged by you | As incurred | Suppliers | No |
| Insurance ⁹ | \$2,000- \$4,000 | \$2,000- \$4,000 | As arranged by you | As incurred | Insurers | No |
| Supplies/Office and Misc. ¹⁰ | \$2,000- \$6,000 | \$2,000- \$6,000 | As arranged by you | As incurred | Suppliers | No |
| Additional Funds- three months ¹¹ | \$7,500- \$30,000 | \$7,500- \$15,000 | As arranged by you | As incurred | | |
| TOTAL ¹² | \$52,400- \$257,500 | \$37,100- \$104,400 | | | | |

¹ The Initial Franchise Fee initial fee and certain expenses are discussed in detail in Item 5. The Initial Franchise Fee for a Large Market Territory depends upon the population of the Territory; initial fee may vary if you purchase a larger territory. For example, if you purchase a Territory territory with a population of 150,000 people, then the Initial Franchise Fee initial fee is \$9,000, and if you purchase a Territory territory with a population of 1,000,000 people, the Initial Franchise Fee initial fee is \$60,000. You must pay the Initial Franchise Fee initial fee, in full, when you signing the Dealership Agreement Agreement, unless you or your company are currently in business selling and installing bathtub liners. If in the bathtub liner industry, you may finance the initial fee (see Item 5), if we approve, with a Promissory Note for twelve months at the rate of \$30.00 per Unit purchase, at 10% interest per annum. Any balance owed to us, after twelve months, must be paid in full within 30 days. The Promissory Note is personally guaranteed by you if you are an individual, or is personally guaranteed by the owners of 15% or more of your equity if you are a legal entity. The Promissory Note can be prepaid at any time without penalty. If you do not pay on time, penalties include: immediate payment of the full outstanding balance, court costs and attorney's fees if a collection action is necessary, and we have the right to terminate your Dealership Agreement. Promissory Note in Exhibit F-2.

² In 2004, Re-Bath granted a franchise in Central Florida ~~for that had~~ an Initial Franchise Fee of \$133,179; however, Re-Bath will not grant any future franchises ~~for that have an Initial Franchise Fee in excess of~~ greater than \$100,000.

³ You must purchase your initial equipment and supplies ~~(at the "Start-Up Package") from us, unless~~—If you are already in the bathtub liner industry, ~~industry; purchase of the Start-Up Package is optional.~~ The cost of the Start-Up Package is \$6,000.00 for a Large Market Territory ~~the large market territory~~ or \$3,000 for a Small Market Territory ~~the small market territory~~, which includes a variety of materials necessary to begin the Franchised Business. The package, unless picked up at training, is shipped from Mesa, Arizona to you at your expense. If you meet our credit standards, you may finance the total cost of the Start-Up Package, for up to six months, upon the execution of the Dealer Agreement, by signing a Promissory Note. The Promissory Note ~~(Exhibit F) is~~ personally guaranteed by you, ~~if you are an individual or~~ the owners of 15% or more of your equity, if you are a legal entity. The Promissory Note pledges your Dealership Agreement as collateral.

⁴ We provide instructors and materials. We also pay the cost of one hotel room (for maximum of 2 people) during the initial training period only. You must pay for all other expenses, such as transportation, including airfare and car rental, food and wages, associated with all training programs. These expenses will not be uniform, but will vary according to the location of the Dealership in relation to the training facilities and other variables.

⁵ A minimum of five permanent product displays ~~is~~ necessary to display Re-Bath Products. Two displays must be a combination bathtub liner and wall surround system. Two other displays must be a shower base liner and wall surround system. The fifth display may be a combination of your choice.

⁶ If you do not already operate an existing business with adequate showroom space which meets Re-Bath's criteria, you must within six months after the completion of your training, ~~you must~~ open and operate your Dealership from a showroom/office within your Territory ~~exclusive territory~~. The site must ~~should~~ include a minimum of 800 square feet for a showroom for the display of Re-Bath Products ~~products~~, and be located in an area with high traffic on or near a main arterial street. You may also need additional square footage for office and storage. Rent is estimated to be between \$3,400 - \$20,000 per year depending on factors such as size, condition and location of the leased premises. You may also be required to pay security deposits, utilities and improvement costs. If the population in your territory increases by 10% or more, as shown in any census conducted by the United States Census Bureau, we may require you to open additional showrooms or alternatives, such as mall kiosks, in your Territory ~~territory~~. In addition we may require you to open one or more additional showrooms, or additional alternatives such as mall kiosks, if you acquire additional Territory ~~territory~~ from us or from other Dealers ~~dealers~~ and we do not enter into a new Dealership Agreement for the additional Territory ~~territory~~.

⁷ Indoor and outdoor signage is necessary to open a showroom and must be approved by Re-Bath.

⁸ Advertising includes media buys and promotional items. Expenses may start to incur before opening the Dealership. During the first 12 months after completion of the Initial Training Program ~~initial training program~~, we ~~require~~ you must commit at least \$40,000 for initial advertising in a Large Market Territory ~~large market territory~~ to promote your Dealership. In a Small Market Territory ~~small market territory~~, the commitment ~~must~~ ~~shall~~ be at least \$20,000. During the first 12 months after completion of the Initial Training Program, ~~you~~ ~~initial training program~~ each dealer must spend at least 10% of ~~your~~ ~~the dealer's~~ gross sales for the prior 12 months on advertising ~~(excluding such 10% to exclude any sales made through the Home Depot program)~~. We expect you will spend one-third to two-thirds of the first year minimum advertising requirement in the first three months of operation.

⁹ Before opening and during the term of your Franchised Business, you need insurance to protect you and us against loss, liability or expense, from personal injury, death, property damage, connected with the operation of your Re-Bath Dealership. You must name us as an additional named insured on the policy. The policy must, at a minimum, include the following: 1. General and Public Liability, with a minimum single limit liability of \$1,000,000 per person; and 2. Property Damage liability insurance with minimum limits of \$500,000 per occurrence. You must have Worker's Compensation and Employer's Liability insurance as required by state and federal law where you operate. You may need other insurance as required by the state in which your

Franchised Business operates. You must give us copies of all policies and policy amendments. We require 30 day written cancellation notice to us on the insurance policies. Inadequate insurance coverage is cause for us to stop shipment of any ~~products~~Products to your Re-Bath Dealership until these requirements are met. All insurance payments are non-refundable, and insurance costs will vary.

- 10 Includes miscellaneous supplies (in addition to the Start-Up Package) and office supplies that you may need.
- 11 You will need capital to support on-going expenses, such as ~~like~~ payroll and other monthly fixed costs, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the Dealership, which we calculate to be three months. This is only an estimate, and there is no guarantee that more working capital will not be needed during this start-up phase or thereafter.
- 12 We relied upon our collective experience of over 50 years in the industry when preparing these figures. You should carefully review these figures with a business advisor before making any decision to purchase the Franchise, Franchised Business.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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You must purchase Re-Bath Products as specified in our Confidential Operations Manuals. These specifications include the specific product type required. ~~You must We place no restrictions on where or from whom you purchase ancillary products such as shower doors, valves, plumbing fixtures, and products necessary for installation. At the present time, Re-Bath is the only approved source of supply for bathtub liners, shower base liners, and wall systems and shower bases/pans (the "Required Products") for you as a Re-Bath Dealer. Re-Bath offers our Dealers annual volume discount pricing. You may purchase the Required Products and specified materials and supplies from us or another supplier or manufacturer from manufacturers approved by us who demonstrates, demonstrate, to our satisfaction, the ability to meet our reasonable standards and specifications for those items; who possesses adequate quality control and capacity to supply your needs promptly and reliably, and who has/have been previously approved by us in writing by us and not later disapproved. At the present time, Re-Bath is the only approved source of supply for the Required Products. You may also purchase certain supplies from us, however, we place no restrictions on where or from whom you purchase ancillary products, such as shower doors, valves, plumbing fixtures, and products necessary for installation, provided that these products meet our specifications. Re-Bath offers annual volume discount pricing for the Required Products. Other recommended manufacturers or suppliers and their products are listed in the Confidential Operations Manual or are made available to you upon request, later. We may make other Re-Bath products/Products available to you, from time to time, either on a private label or third party basis. Generally, you are not obligated to purchase these additional products from us; however, we may add additional items to the list of Required Products if such additional items are manufactured by us or one of our affiliates, or such items incorporate our intellectual property. We may require you to purchase new Required Products, as well as other specific supplies and materials, directly from us or only from manufacturers approved by us.~~

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~~We derive income from the purchase of supplies by you. In addition, our affiliate, Ambath, L.L.C., derives income from your purchases by manufacturing the Required Products for us. Ambath, L.L.C. had revenue for Required Products in 2005 of approximately \$8,084,733. Ambath's 2005 total revenue represented for Required Products was approximately 45%. We are also an approved provider for other supplies. Other approved manufacturers and their products are listed in the Confidential Operations Manual or available to you upon request. We do not negotiate purchase arrangements with suppliers. We do not provide material benefits to you based upon your use of approved sources. We consider a variety of factors when determining whether to renew or grant additional franchises. Among the factors we consider is compliance with the requirements described above.~~

If you want to purchase any installation items, or any Required Products from an unapproved manufacturer, you must submit a written request for approval, or request the manufacturer itself to do so. We will not unreasonably withhold approval. We must approve or disapprove the request within 60 days after a request has been submitted. We have the right to require that our representatives be permitted to inspect the proposed manufacturer's

facilities, and request samples ~~be delivered by~~ from the manufacturer, ~~be delivered;~~ at our option, either to us or to an independent laboratory designated by us for testing. You are responsible for any testing fees. We may inspect the proposed manufacturer's financial records and investigate its history. We may also re-inspect the facilities and products of any approved manufacturer and revoke approval upon the manufacturer's failure to continue to meet any of our reasonable criteria.

You must not sell or offer for sale any Required Products acquired from the proposed supplier unless and until you receive ~~or~~ our written approval of the proposed supplier. We may, from time to time, revoke our approval of a particular products or supplier ~~if~~ when we determine, in our sole discretion, that the products or suppliers no longer meets our standards. Upon receipt of written notice of such revocation, you must stop selling and/or installing any disapproved products and any products acquired from any disapproved supplier.

We have negotiated a program with Home Depot, which is a voluntary program and which will have Home Depot stores selling Re-Bath Products through a display in the selected Home Depot stores. If ~~you~~ any of our dealers choose to participate in this program, ~~you must, they will be required to~~ sign an agreement with Home Depot, a copy of which is attached as Exhibit K. If you choose not to participate in the Home Depot program, or if your dealer's participation in the program is terminated by Home Depot for any reason, we reserve the right to sell Re-Bath Products via this program in your territory, either directly or by another dealer, even though the Re-Bath Products will be sold within their protected territory. We will not receive any income or other material benefit from the Home Depot program. We may also enter into similar programs with other home improvement retailers or other mass merchandise retailers.

~~_____ We estimate the purchase of Required Products represents approximately 15% to 20% of a Dealer's cost to establish and operate the Franchised Business. During the year ending December 31, 2005, Re-Bath had revenues of \$17,950,000. \$17,105,824 of this amount (approximately 95%) consisted of revenues from the sale of Re-Bath Products to our Dealers. See ReBath, LLC's financial statements attached as Exhibit I.~~

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There are no purchasing or distribution cooperatives.

~~_____ We derive income from your purchase of Required Products and supplies from us. During the year ending December 31, 2005, Re-Bath had revenues of \$17,950,000, of which \$17,105,824 (approximately 95%) consisted of revenues from the sale of Re-Bath Products to Dealers. We also derive revenue from your purchase of products from certain other parties. During the year ending December 31, 2006, \$5,502,04 of our total revenues consisted of revenues derived from the sale of products to Dealers by such parties. See financial statements attached as Exhibit I.~~

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~~_____ In addition, our affiliate, AmBath, also derives income from your purchases by manufacturing and selling the Required Products and supplies to us. AmBath had revenue for Required Products in 2005 of approximately \$8,084,733, representing approximately 45% of AmBath's total 2005 revenue.~~

~~_____ We estimate your purchase of Required Products represents approximately 15% to 20% of your cost to establish and operate the Franchised Business.~~

~~_____ We consider a variety of factors when determining whether to renew or grant additional franchises. Among the factors we consider is compliance with the requirements described in this Item 8.~~

ITEM 9 DEALER'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 OFFERING CIRCULAR.

| Obligation | Section in Agreement | Item in Offering Circular |
|-----------------------|--------------------------------|---------------------------|
| a. Site selection and | Articles 6 and 7 of Dealership | Items 7 and 11 |

| Obligation | Section in Agreement | Item in Offering Circular |
|--|--|----------------------------------|
| acquisition/lease | Agreement | |
| b. Pre-opening purchases/leases | Articles 1, 6, 16, 18 and 22 of Dealership Agreement | Items 5, 6 and 7 |
| c. Site development and other pre-opening requirements | None | None |
| d. Initial and ongoing training | Articles 4, 5 and 7 of Dealership Agreement | Items 11 and 6 |
| e. Opening | Articles 2 and 6 of Dealership Agreement | Item 11 |
| f. Fees | Articles 1 and 14 of Dealership Agreement | Items 5 and 6 |
| g. Compliance with standards and policies/Operating Manual | Articles 6 and 8 of Dealership Agreement | Items 11 and 14 |
| h. Trademarks and proprietary information | Articles 1, 6, 15, 17 and 26 of Dealership Agreement | Items 11, 13 and 14 |
| i. Restrictions on products/services offered | Articles 6 and 9 of Dealership Agreement | Item 16 |
| j. Warranty and customer service requirements | Articles 6, 10 and 26 of Dealership Agreement | Item 6 |
| k. Territorial development and sales quotas | Articles 2 and 19 of Dealership Agreement | Item 12 |
| l. Ongoing products/service purchases | Articles 6 and 9 of Dealership Agreement | Item 8 |
| m. Maintenance, appearance and remodeling requirements | Article 6 of Dealership Agreement | None |
| n. Insurance | Article 22 of Dealership Agreement | Item 7 |
| o. Advertising | Articles 16 and 18 of Dealership Agreement | Items 6 and 11 |
| p. Indemnification | Articles 22 and 29 of Dealership Agreement | None |
| q. Owner's participation/management/staffing | Article 26 of Dealership Agreement | Item 15 |
| r. Records/reports | Article 6 of Dealership Agreement | None |
| s. Inspections/audits | Article 6 of Dealership Agreement | Items 6 and 19 |
| t. Transfer | Articles 23 and 24 of Dealership Agreement | Item 17 |
| u. Renewal | Article 21 of Dealership Agreement | Item 17 |
| v. Post-termination obligations | Article 26 of Dealership Agreement | Item 17 |
| w. Non-Competition covenants | Articles 20 and 27 of Dealership Agreements | Item 17 |

Obligation

Section in Agreement

Item in Offering Circular

x. Dispute resolution

Article 33 of Dealership Agreement Item 17

ITEM 10

SUMMARY OF FINANCING OFFERED

| ITEM FINANCED SOURCE | AMOUNT FINANCED | DOWN PAYMENT | TERM (YRS) | APR % | MONTHLY PAYMENT | PREPAY PENALTY | SECURITY REQUIRED | LIABILITY UPON DEFAULT | LOSS OF LEGAL RIGHT ON DEFAULT |
|--|------------------------------------|--------------|------------|-------|-----------------|----------------|--------------------|--------------------------------|--------------------------------|
| Initial Fee (Note 1) Example - Large Market Territory | \$20,000 | None | 1 | 10 | N/A | None | Personal Guarantee | Loss of Franchise; Atty's fees | None |
| Initial Fee (Note 1) Example - Small Market Territory | \$3,500 | None | 1 | 10 | N/A | None | Personal Guarantee | Loss of Franchise; Atty's fees | None |
| Land/Construction | None | | | | | | | | |
| Leased Space | None | | | | | | | | |
| Equipment Leases | None | | | | | | | | |
| Equipment Purchases (Note 2) | \$6,000 for Large Market Territory | None | .5 | 10 | \$1,029.37 | None | Personal Guarantee | Loss of Franchise; Atty's fees | None |
| | \$3,000 for Small Market Territory | None | .5 | 10 | \$514.68 | None | Personal Guarantee | Loss of Franchise; Atty's Fees | None |
| Opening Inventory Investment | None | | | | | | | | |
| Other Financing | None | | | | | | | | |

Note 1 - You must pay the Initial Franchise Fee in full when you sign the Dealership Agreement.

Note 2 - You must pay the Initial Fee in full unless you or your company is currently in the bathtub liner business. You may finance the Initial Fee (see Item 5), if we approve, with a Promissory Note for twelve months at the rate of \$30.00 per unit purchased with interest at 10% per annum or as negotiated. Any balance owed to us, after twelve months, must be paid in full within 30 days. The Promissory Note is personally guaranteed by you if you are an individual, or is personally guaranteed by the owners of 15% or more of your equity if you are a legal entity. The Promissory Note can be prepaid at any time without penalty. If you do not pay on time, we can call the loan and demand immediate payment of the full outstanding balance, obtain court costs and attorney's fees if a collection action is necessary and we have the right to terminate your Dealership Agreement. Promissory Note in Exhibit 12.