

# FRANCHISE DISCLOSURE DOCUMENT

TOUCHING HEARTS, INC.  
A Minnesota corporation  
11100 Wayzata Boulevard  
Suite 390  
Minnetonka, Minnesota 55350  
(877) 870-8750  
www.touchinghearts.com



The “Touching Hearts” franchise is for the right to use Touching Hearts, Inc.'s trademarks and confidential proprietary information to operate a business that provides affordable high quality personal care, in-home care, non-medical and care management services, together with medical and skilled nursing care services for older adults, persons with disabilities and others with care management service needs.

The total investment necessary to begin operation of a “Touching Hearts” franchise ranges from \$84,600 to \$153,700. This includes \$49,500 that must be paid to the franchisor or any affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 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 Todd Treml at 11100 Wayzata Boulevard, Suite 390, Minnetonka, MN 55350 and (877) 870-8750.

The terms of your contract will govern your franchise relationship. Do not 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. 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, N.W., Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

**Issuance Date: April 30, 2026**

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

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 Minnesota. 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 Minnesota than in your own state.

2. **Spousal Liability.** We may require your spouse to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has little or no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets at risk if your franchise fails.

3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

4. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) call into question the Franchisor's financial ability to provide services and support to you.

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.

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

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

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

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

**THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

(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, Corporate Oversight Division, Franchise Section, 525 W. Ottawa Street, G. Mennen Williams Building, 5<sup>th</sup> Floor, Lansing, Michigan 48933, telephone (517) 335-7622.**

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## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in the Disclosure Document, “we,” “us” or “THI” means Touching Hearts, Inc., the Franchisor. “You” means the person who buys the franchise (the “Franchisee”). If you are a corporation, partnership, or other entity, “you” includes your owners.

#### Franchisor

We are a Minnesota corporation formed in October 2006. We do not do business under another name. Our principal business address is 11100 Wayzata Boulevard, Suite 390, Minnetonka, MN 55350; telephone number is 877-870-8750. We have been offering franchises since 2007. We have never offered franchises in any other line of business.

#### Our Business Experience

We began operating a company-owned business under the name “Touching Hearts at Home” in the area of St. Paul, Minnesota in November 2006. In September 2009, we sold the company-owned business as an individual TOUCHING HEARTS franchise office in September 2009. We have been offering TOUCHING HEARTS franchises since September 2009.

#### Our Business and the Franchise Offered

We own a proprietary system of know-how, procedures and standards for operating TOUCHING HEARTS franchised home healthcare businesses (the “System”). The Franchise Agreement (defined below) and confidential Operations Manual describe the System. This Disclosure Document contains a TOUCHING HEARTS Franchise Agreement attached as Exhibit A (the “Franchise Agreement”). We have no parents, predecessors or affiliates required to be disclosed in this Item.

We offer franchises for the operation of a business (“Business”) providing those “Core Services” and optional “Ancillary Services” described below under the TOUCHING HEARTS trademarks, trade names, service marks, and logos (collectively, the “Marks”) to qualified individuals and entities who desire to operate a franchised business using the Marks and the System. The Business will provide high quality personal care, non-medical care, in-home care assistance, and companionship care and care management services to older adults, seniors, persons with disabilities and others with care service needs and other related services authorized for TOUCHING HEARTS businesses to offer, as we periodically may modify or otherwise approve to provide to customers through your Business (“Core Services”). In addition, you may, but are not required to, provide through your Business certain skilled care and other in-home medical care services and related products that we have or may develop and approve for TOUCHING HEARTS businesses to offer, as we periodically may modify or otherwise approve (“Ancillary Services”). You must obtain our consent before offering any Ancillary Services. Core Services and Ancillary Services collectively are considered “Approved Services.”

#### Market and Competition

You will compete with other businesses including franchised operations, national chains, and independently owned companies offering similar services to customers. The market for senior home care and related services is well-developed and competitive. You will also face other normal

business risks that could have an adverse effect on your Business. These may include industry developments, such as pricing policies of competitors, labor regulations, and supply and demand.

### Industry Specific Regulations

You must comply with all federal, state, and local laws and regulations that apply to your operations, including the practice of medicine and the operation and licensing of medical services; the relationship of providers and suppliers of health care services; on the one hand, and physicians and clinicians, on the other, including anti-kickback laws such as the Federal Anti-Kickback Statute and similar state laws; restrictions or prohibition on fee splitting; physician self-referral restrictions; use of medical devices; and advertising of medical services.

There may be specific laws or regulations in your state or municipality governing operation of the Business. You should also familiarize yourself with federal, state, and local laws of a more general nature, which may affect the operation of your Business. You must comply with employment, health and safety, workers' compensation, insurance, licensing, and similar laws and regulations. You should examine these laws before purchasing a franchise from us. You are solely responsible for complying with all applicable laws and regulations.

You must check with your state Department of Health and Human Services and any other department that may regulate this industry. Specific state statutes in your area may require licensing of your Business. To the extent you receive our consent to offer one or more Ancillary Services, you will be solely responsible for obtaining all additional permits and licenses, and employing licensed individuals, necessary to conduct such Ancillary Services. Even if a TOUCHING HEARTS franchise does not provide Ancillary Services, certain state statutes may have a broad definition of "medical services" that includes personal care services. You will need to determine those licensing requirements necessary for the Approved Services that you will offer through your Business. You also must comply with any applicable data protection and privacy laws in operating the Business.

You must obtain and maintain any health care or employment related permits, licenses, certifications or other indications of authority necessary for the operation of your Business, including, for example, a home health agency license, nurse staffing and/or employment agency license and medication management licensing compliance. You cannot provide nursing services or otherwise without complying with the Nurse Practices Act. The Nurse Practices Act varies by state and may include requirements regarding licensing, educational program standards, and supervision by a physician. Some jurisdictions may also require a Certificate of Need. Some states require you to obtain a license to provide employment services. Local law may require you to obtain a particular permit, license or accreditation. Some states have imposed a moratorium on the issuance of home health agency licenses, nurse staffing licenses, and other in-home healthcare licenses or permits. You are responsible for investigating the availability and requirements for obtaining all necessary licenses in your state and compliance with the Nurse Practices Act.

Many states have licensing, certification or registration requirements applicable to the services you will be providing as a TOUCHING HEARTS franchise. You therefore may be required to register as a home health agency, nurse staffing and/or employment agency and to comply with the screening requirements of health care workers. State licensing, certification and registration statutes may require a minimum level of education or related work experience and/or the payment of a fee to obtain the license.

In addition to obtaining business licenses, your staff may also need to be licensed, registered, or certified to perform certain services. To the extent we permit you to provide Ancillary Services, you may also be required to have a full-time registered nurse (RN) to comply with regulations in your state governing nursing agencies and/or home health agencies and to provide services through licensed individuals. You should inquire about any applicable laws and your corresponding obligations and cost of compliance.

Some states may have specific record-keeping or other requirements for health care providers. You will be responsible for investigating and complying with any such laws that may apply in your Protected Territory (as defined in Item 12).

Certain provisions of the Social Security Act, commonly referred to as the "Anti-Kickback Statute," prohibit the offer, payment, solicitation or receipt of any form of remuneration either in return for the referral of patients or patient care opportunities paid in whole or in part by a federal health care program, or in return for the recommendation, arrangement, purchase, lease or order of items or services paid in whole or in part by a federal health care program. The Anti-Kickback Statute is broad in scope and has been broadly interpreted by courts in many jurisdictions. Additionally, a number of states have enacted laws which prohibit payment for referrals and other types of "kickback" arrangements. These state laws sometimes apply to all patients regardless of their insurance coverage.

There are a number of federal laws prohibiting certain activities and arrangements relating to services or items that are reimbursable by Medicare or Medicaid. While Medicare and Medicaid laws may not apply to your Business, these laws may apply to those facilities, including laws prohibiting Medicare or Medicaid-participating facilities, from employing providers excluded from those programs. If a practitioner is an excluded provider from Medicare or Medicaid, he or she will be prohibited from receiving payment from that facility. It is your responsibility to determine whether and to what extent employees of your Business need to be screened for their possible excluded status in these or other payment programs.

To the extent your Business accepts reimbursement directly from the VA, it will be required to satisfy the applicable regulatory requirements the VA imposes on its vendors, including but not limited to the Federal Acquisition Regulations and various VA contract requirements. The False Claims Act imposes civil liability on persons or corporations, which submit or cause to be submitted false or fraudulent claims for payment to the government. A violation of the False Claims Act may result in liability for fines, treble damages, attorney's fees and exclusion from federal health care programs.

We require all of our franchisees to comply with all relevant portions of the Health Insurance Portability and Accountability Act ("HIPAA") which require health care providers to submit transactions related to payment in standard electronic formats and regulate the security and privacy of health data, and HIPAA's implementing regulations, including the HIPAA Privacy Rule, HIPAA Breach Notification Rule, HIPAA Security Rule, HITECH Act, and Omnibus Rule. Under HIPAA's privacy and security regulations, you must implement privacy and security policies and safeguards, designate a privacy and security officer, inform individuals how their health information is used and disclosed, provide access to health information, and give notice of certain breaches of protection data. In addition, to the extent you offer any Ancillary Services or we otherwise determine, you must sign and comply with the terms of the Business Associate Agreement ("Business Associate Agreement") substantially in the form attached as Exhibit C to the Franchise Agreement. Further, if you engage a third party to perform functions that require

access to patients' personal information, you and such third party also must sign a business associate agreement in a form similar to the Business Associate Agreement.

If we grant you the right to operate a Business, we are not engaging in the practice of medicine, nursing or any other profession that requires specialized training or certification, and you must not engage in the practice of medicine, nursing, or any other profession that requires specialized training or certification, except to the extent we permit you to provide Ancillary Services or applicable laws require you to do so in providing Core Services. The Franchise Agreement will not interfere, affect or limit the independent exercise of medical judgment by the Business and its medical staff. You must research all applicable laws, and we strongly advise that you consult with an attorney and/or contact local, state and federal agencies before signing a Franchise Agreement with us to determine your legal obligations and evaluate the possible effects on your costs and operations.

#### Agents for Service of Process

Our agents for service of process and their principal business addresses are disclosed in Exhibit C to this Franchise Disclosure Document.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### Chief Executive Officer: Todd Tremel

Todd Tremel has been our Chief Executive Officer in Minneapolis since August 2024. From August 2021 to August 2024, Mr. Tremel served as President of Pedal Pub Global and GoXperia in St. Paul. Prior to that, Mr. Tremel served as Chief Executive Officer of PSMN Holdings, LLC from August 2018 to July 2021 in St. Paul.

#### Chief Financial Officer and Director of Information Technology: Andrew Lungstrom

Andrew Lungstrom has held various positions with us in Minneapolis since October 2006, including that of Director of Information Technology since August 2007 and Chief Financial Officer and a director since July 2022.

#### Chief Marketing Officer: Ryan Lungstrom

Ryan Lungstrom has held various positions with us since October 2006, including that of Chief Marketing Officer since September 2024 and Director of Marketing from 2014 to August 2024.

#### Vice President of Franchise Development: Glenn Leingang

Glenn Leingang has been our Vice President of Franchise Development since December 2024. From January 2024 to November 2024, Mr. Leingang was Franchise Manager for Port of Subs, Inc. in Reno, Nevada. From May 2020 to December 2023, Mr. Leingang was Chief Development Officer of Generator Supercenter Franchising LLC in Tomball, Texas.

Vice President of Franchise Operations: Kimberly Holtmeier

Kimberly Holtmeier has been our Vice President of Franchise Operations since June of 2025. From November 2024 to June 2025, Ms. Holtmeier was an Owner/Consultant for Home Care Business Consultants, a business consulting firm based in Chandler, Arizona. From November 2015 to December 2024, Ms. Holtmeier held the positions of Sr. Manager Franchise Operations and Director of Operations for Home Instead, Inc., a home care franchisor, in Omaha, Nebraska.

Director of Marketing: Katie Woodard

Katie Woodard has been our Director of Marketing since March 2026. From September 2023 to February 2026, Ms. Woodard was a Senior Marketing Account Manager for Ellie Mental Health in Mendota Heights, Minnesota. From January 2016 to September 2023, Ms. Woodard was the Director of Media and Local Marketing for Regis Corporation, a service-based franchisor in Minneapolis.

**ITEM 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**

**BANKRUPTCY**

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

**ITEM 5**

**INITIAL FEES**

Initial Franchise Fee.

We charge a nonrefundable “Initial Franchise Fee” of \$49,500 for each Business. The Initial Franchise Fee for each additional Business is \$39,500. You must pay the Initial Franchise Fee to us when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned when paid and is not refundable under any circumstances.

We are a member of the VetFran program and offer a 10% discount of the Initial Franchise Fee to individuals who qualify under VetFran. VetFran is a voluntary effort of International Franchise Association member-companies that is designed to encourage franchise ownership by offering financial incentives to honorably discharged veterans.

Except as stated above, the Initial Franchise Fee is uniform to all franchisees under this offering. During 2025, we received Initial Franchise Fees ranging from \$39,500 to \$49,500.

You pay us no other fees or payments for services before your Business opens.

**ITEM 6**  
**OTHER FEES**

Type of Fee (Note 1)	Amount	Due Date	Remarks
Service Fee	6% of "Gross Revenues" subject to a possible lower amount during the "Start-Up Phase" (See Note 2)	Paid by electronic funds transfer ("EFT") semi-monthly, or as we otherwise describe in the Operations Manual, on such dates as we annually determine	Paid on Gross Revenues for the preceding semi-monthly period; the actual rate you pay will depend upon your annual Gross Revenues (See Note 3)
Marketing Fund Fee	If implemented, we may require you to pay up to 2% of Gross Revenues (currently not collected)	If implemented, due and payable by EFT semi-monthly with the Service Fee	See Item 11 for further description.
Advertising Cooperative	Currently not collected	Established by us	We may require you to participate in local or regional advertising cooperatives in the future.
Technology Fee	Our then-current fee (currently \$200/month)	Due and payable by EFT within 10 days of each calendar month or as we otherwise describe in the Operations Manual	We may increase the Technology Fee no more than once every 12 months, and will not increase more than 10% in any 12 month period.
Initial Training Program Fee for new General Manager	Our then-current fee (currently \$1,000) plus other costs and expenses we incur	When incurred	If you appoint a new General Manager, he/she must attend our initial training program. In addition to our fees, you also must pay any related travel, room and board expenses incurred during training. Maximum fee will not exceed \$2,000 during the initial term of the Franchise Agreement.
Operating Assistance	Currently \$500 per day plus reimbursement of our related travel, room and board expenses.	When incurred	We may provide you with additional operating assistance for a fee. You may request such assistance or we may require such assistance. Maximum fee will not exceed \$1,000/day during the initial term of the Franchise Agreement.
Mystery Shopper or Compliance Assessment Program Expenses	Cost of third-party mystery shopper services	When incurred	Payable if we establish a mystery shopper program and seek reimbursement for third-party fees related to your Business
Franchise Convention Fee	Our then-current fee, which is currently \$500 per attendee	When incurred	You must pay our then-current convention fee even if you do not attend. Maximum fee will not exceed \$1,500 during the initial term of the Franchise Agreement.
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Business is located, as well as any assessment on fees and any other income we receive from you.	When applicable, payable within 15 days after invoiced by us	Only imposed if state collects these taxes or assessments

Type of Fee (Note 1)	Amount	Due Date	Remarks
Transfer Fee	40% of our then-current Initial Franchise Fee; transfers to existing franchisees or heirs or between existing partners or members of you (the franchisee entity) only pay 10% of our then-current Initial Franchise Fee	At Closing	Payable by you or the buyer when you transfer your franchise, inclusive of the then-current training fee as designated to a new franchisee.
Costs and Attorneys' Fees	Reasonable costs and expenses	When incurred	We may recover costs and reasonable attorney's fees if you lose in a dispute with us.
Audit	Cost of Audit plus interest on underpayment	Invoiced through us	We have the right to audit your financial records and reports. You must pay the full cost of the audit if you understated Gross Revenues for any month by 2% or more.
Interest On Late Payments	1½% per month or the maximum interest rate allowed by applicable law, whichever is less.	30 days after due to date	You must pay interest on all late payments.
Insufficient Fund Fee	Up to \$50 for each delinquent payment	When due	In addition to interest charges on late fee payments, you must pay to us a service charge of up to \$50 for each payment that we do not receive on or before the date due, or if there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due.
Franchise Renewal Fee	Then-current fee (currently \$5,000)	Upon renewal	
Insurance	Will vary by location and insurer (See Item 7)	When incurred	You must purchase insurance coverage as we require.

Notes:

- 1) Unless otherwise noted fees are imposed by and payable to us. The fees are non-refundable and are uniformly imposed under the current form Franchise Agreement.
- 2) During the first 12 months following commencement of Business operations (the "Start-Up Phase"), you will pay a reduced Service Fee equal to 3 percent of Business Gross Revenues so long as your Gross Revenues for any one month has not exceeded \$10,000. You will be deemed to have commenced operating the Business as of the earlier of: (1) your completion of our Initial Training Program; and (2) you have obtained all necessary licenses and permits to operate the Business. To qualify for the reduced Service Fee for any given month, your Business must have been in operation for less than 12 months and your monthly Gross Revenues for the Business during that month (and each preceding month) must be less than \$10,000.
- 3) "Gross Revenues" means the aggregate amount of all sales of all Approved Services and related products and other services, whether for cash, on credit or otherwise, made or provided at or in connection with the Business. The term "Gross Revenues" does not include: (1) any federal, state, municipal or other sales, value added or retailer's excise taxes you pay or accrue; or (2) adjustments for bona fide refunds, rebates or discounts approved by us. Gross Revenues will not be adjusted for uncollected accounts. For purposes of the Service Fee, the sale is made at the earlier of delivery of the Approved Service or product, or receipt of payment.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 2)	\$49,500	Lump Sum	When you sign the Franchise Agreement	Us
Initial Training Program Expenses	\$3,000 to \$8000 (Note 3)	As Incurred	During training	Third Parties
Caregiver Training Expenses	\$0 to \$1,600 (Note 4)	As Incurred	Prior to opening	Third Parties
Office Lease Deposit	\$0 to \$5,000	Lump Sum	Upon signing an office lease	Landlord
Office Equipment and Computer Related Expenses	\$2,600 to \$5,600 (Note 5)	As Incurred	Prior to opening	Third Parties
Professional/Legal Fees	\$1,000 to \$5,000 (Note 6)	As Incurred	Prior to opening	Third Parties
License and Permit Costs	\$2,000 to \$7,000 (Note 7)	As incurred	Prior to opening	Third Parties
Initial Opening Marketing	\$3,000 to \$8,000 (Note 8)	As incurred	Prior to and including the opening	Third Parties
Signage	\$500 to \$1,000 (Note 9)	As incurred	Prior to opening	Third Parties
Furniture, Fixtures and Equipment	\$500 to \$2,000	As incurred	Prior to opening	Third Parties
Real Estate and Improvements	\$0 to \$5,500 (Note 10)	As Incurred	As Incurred	Third Parties
Insurance	\$2,500 to \$5,500 (Note 11)	As Incurred	Prior to opening	Insurance Company
Additional Funds - 3 months	\$20,000 to \$50,000 (Note 12)	As Incurred	As Incurred	Advertising, Employees, Supplies, Utilities, Signage
<b>TOTAL</b>	<b>\$84,600 to \$153,700</b> (Note 13)			

**NOTES:**

- 1) Amount. Except where otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable.
- 2) Initial Franchise Fee. You will pay us the Initial Franchise Fee as more fully disclosed in Item 5.
- 3) Initial Training Expenses. You will be responsible for travel, lodging, food and other personal expenses while attending the initial training program. Your expenses will vary, depending on the number of people attending training and other factors.
- 4) Caregiver Training Expenses. This amount covers expenses you may incur for online training for your caregivers.

- 5) Office Equipment and Computer Expenses. You may need to purchase office furniture, office fixtures, computer hardware, computer software (including expenses relating to subscription services for online training and human resources), broadband internet access and office decorations. All computer hardware and software must meet the requirements listed in Item 11.
- 6) Professional/Legal Fees. You will incur various miscellaneous costs to open your Business. These costs may include your miscellaneous deposits, legal and accounting expenses, and expenses related to the formation of an entity.
- 7) Licenses and Permits. You will need to obtain a business license as well as all applicable home care licenses and permits for your Business.
- 8) Initial Opening Marketing. These are anticipated marketing expenses you will incur during the initial stage of Business operations.
- 9) Signage. We require you to purchase and install exterior and interior signage that meets our specifications.
- 10) Real Estate and Improvements. You will need to lease an office for the Business. Typical locations are light industrial and commercial areas. The typical office for the Business occupies 350 to 800 square feet. The indicated estimate is only for the first 3 months' rent, security deposit, utilities and improvements.
- 11) Insurance. This amount estimates the expenses you will incur for insurance premiums during the first 3 months of Business operations.
- 12) Additional Funds. This amount estimates all other required expenses you will incur during the initial period (first 3 months) of Business operations, including initial wages and fringe benefits (for staff only), taxes, repairs, utilities, Technology Fees and interest payments on any business loans. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the Business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local and global economic conditions, the local market for the services offered by the Business, the prevailing wage rate, competition, the amount of the initial investment you decide to finance, and the sales level reached during the initial period.
- 13) Total. These estimates do not include owner compensation or return on investment. Your costs will depend on factors such as how closely you follow our methods and procedures; your management skill; experience and business acumen; local economic conditions; the local market for the services you offer; the prevailing wage rate; competition; and the sales level you reach during the initial period. We have relied on our 25+ years of experience in franchising Touching Hearts Businesses to compile these estimates.

We do not offer financing directly or indirectly for any part of the initial investment.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We require that you establish and operate your Business in compliance with your Franchise Agreement. You must strictly follow our procedures as stated in the Operations Manual we provide to you or other written materials from us, which we periodically may modify. Our standards and specifications have been presented to maintain a uniform standard of high quality, service, value and customer recognition in connection with our trademarks.

In the development and operation of your Business, you may use only those brands, types of equipment and supplies which meet our specifications and standards we prescribe periodically, which are required in the operation of your Business. We will issue or modify specifications and standards and designation of approved brands and types of equipment and supplies through the Operations Manual or other written communication to you. You may purchase only approved brands, types and models of equipment, signage and supplies which meet our specifications, and only from approved suppliers we designate, in our discretion. We will provide you with a list of approved suppliers who sell items, equipment, and supplies meeting our specifications and standards. The requirement to purchase supplies, equipment and fixtures meeting our specifications and standards from the approved suppliers will include (1) brochures, (2) business cards and stationery, (3) office signage, (4) company forms, and (5) computer software. We may establish specifications and standards for customer satisfaction and require you to provide services which meet our standards and specifications for customer service. We do not make the criteria for approving suppliers available to you and we do not provide material benefits to you for your use of designated or approved suppliers. We do not negotiate purchasing arrangements with suppliers on your behalf.

We currently require you to obtain a computer system, together with the designated software and related hardware and software from our designated supplier or other third party suppliers (if any). See Item 11.

You may purchase any of the required products and services from a supplier of your choosing, provided the products and services meet our standards and specifications and the supplier meets our criteria for approved suppliers. If you desire to purchase any items, services or products from suppliers not previously approved by us, you must submit to us written notice of a proposed supplier. We will have 30 days from receipt of written notice to approve or reject the proposed supplier. As a condition of approval, we may inspect the supplier's facility and the products and services to ensure compliance with our specifications and standards.

You also must use only our approved advertising and promotional materials in promoting the Business. See Item 11 for further information regarding advertising programs.

During the term of the Franchise Agreement, you must purchase and maintain in force at your expense: (1) comprehensive general liability insurance with minimum limits of \$1,000,000 per occurrence and \$2,000,000 annual aggregate; (2) workers' compensation, employer's liability and other insurance to meet the greater of all applicable statutory requirements; (3) commercial property insurance with the minimum levels of coverage we require; (4) sexual abuse/molestation liability insurance with minimum limits of \$1,000,000 per occurrence; (5) automobile liability insurance, including personal injury, wrongful death and property damage, with limits of at least \$1,000,000 per occurrence; (6) employment practices liability insurance; and (7) such other insurance as we periodically require. Your general liability policy must: (i) name us and our

affiliates, and their respective officers, directors, and employees and any other person that we designate as an additional insured; (ii) be issued by an insurance carrier(s) acceptable to us and have an A.M. Best rating of A or higher; (iii) contain a waiver of the insurance company's right of subrogation against us; (iv) contain the above-mentioned insurance coverage for each TOUCHING HEARTS business that you operate; and (v) provide that we will receive 30 days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and as we may approve). We periodically may, with prior written notice to your, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards in the industry, or other relevant changes. You must submit to us annually a copy of the certificate of insurance or evidence of the renewal or extension of each insurance policy or any modifications to any insurance policies. If at any time you fail or refuse to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence of that insurance, we may, at our option and in addition to other rights and remedies we may have, obtain insurance coverage for you and require you to reimburse us for any expenses we incur.

We (directly or through an affiliate) may derive revenue directly or in the form of rebates or other payments from suppliers, based directly or indirectly on sales of products, advertising materials and other items to franchisees, and from other service providers. These payments may range from less than 1% up to 10% or more of the total purchase price of those items. One or more of our officers have an interest in us and our affiliates. No officer owns a material interest in any other supplier.

We do not provide material benefits based on your use of approved sources. We may negotiate prices for numerous products for the benefit of the system, but not for any individual franchisee. There is no purchasing or distribution cooperative in the system. We may, however, attempt to receive volume discounts for the system.

For the fiscal year ending December 31, 2025, we received \$4,333 as a result of franchisee purchases of products and services from approved suppliers, which is less than 0.2% of our total revenue of \$3,731,364, based on our audited financial statements attached as Exhibit E). We estimate the cost of the goods and services you must purchase from us or from approved suppliers or in compliance with our specifications and standards will represent approximately 70% to 90% of the cost to develop the Business and 30% to 50% of the cost to operate your Business.

## 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(s) in Agreement(s)	Disclosure Document Item
A. Site Selection and Acquisition/Lease	Section 2(C) of Franchise Agreement	Items 7, 8, and 11
B. Pre-opening Purchases and Leases	Not Applicable	Items 7 and 8
C. Site Development and Other Pre-opening Requirements	Sections 2(C) and 6(A) of Franchise Agreement	Items 7 and 11
D. Initial and Ongoing Training	Sections 4(A) and 6(B) of Franchise Agreement	Item 11

<b>Obligation</b>	<b>Section(s) in Agreement(s)</b>	<b>Disclosure Document Item</b>
E. Opening	Section 6(D) of Franchise Agreement	Item 11
F. Fees	Sections 5, 6, 12(A), 14(B) and 17(D) of Franchise Agreement	Items 5, 6 and 7
G. Compliance with Standards and Policies/Operations Manual	Sections 6 and 8-12 of Franchise Agreement	Items 11 and 16
H. Trademarks and Proprietary Information	Sections 7-9 of Franchise Agreement	Items 13 and 14
I. Restrictions on Products/Services Offered	Section 4 and 6 of Franchise Agreement	Items 8 and 16
J. Warranty and Customer Service Requirements	Section 6 of Franchise Agreement	Item 11
K. Territorial Development and Sales Quotas	Section 6(F) of Franchise Agreement	Item 12
L. Ongoing Product/ Service Purchases	Section 6(L) of Franchise Agreement	Item 8 and 11
M. Maintenance, Appearance and Remodeling Requirements	Sections 6(A) and 8(B) of Franchise Agreement	Items 6 and 11
N. Insurance	Section 13 of Franchise Agreement	Items 6, 7 and 8
O. Advertising	Section 12 of Franchise Agreement	Items 6, 7 and 11
P. Indemnification	Sections 5(J) and 16 of Franchise Agreement	Item 6
Q. Owner's Participation/ Management/Staffing	Section 6 of Franchise Agreement	Item 15
R. Records/Reports	Sections 10 of Franchise Agreement	Item 6
S. Inspections/Audits	Section 11 of Franchise Agreement	Items 6 and 11
T. Transfer	Section 14 of Franchise Agreement	Items 6 and 17
U. Renewal	Section 3(B) of Franchise Agreement	Items 6 and 17
V. Post-termination Obligations	Section 15(E) of Franchise Agreement	Item 17
W. Non-competitive Covenants	Section 9 of Franchise Agreement	Item 17
X. Dispute Resolution	Section 17 of Franchise Agreement	Item 17
Y. Personal Guaranty	Section 14(E) of the Franchise Agreement; Exhibit B	Item 15

## **ITEM 10**

### **FINANCING**

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

## **ITEM 11**

### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

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

#### Pre-Opening Obligations

Before you open your Business, we will:

1. Designate your Protected Territory. (Franchise Agreement Section 2(A))
2. Provide the initial training program described below for a Principal Owner and a General Manager. (Franchise Agreement – Section 4(A))

3. Provide on loan to you online access to our Operations Manual, which contains both mandatory and suggested specifications and standards. The Operations Manual is confidential and remains our property and we periodically may modify it. The Table of Contents of the Operations Manual is listed in Exhibit D. (Franchise Agreement – Section 4(C))

4. Provide you with access to our computer software management and reporting system for use in operating your Business as further described below (the “Software”) upon your completion of the initial training program (Franchise Agreement – Section 6(C)).

### Post-Opening Obligations

We provide the following services and assistance after you open your Business:

1. Periodically provide advisory assistance in the operation of the Business. We may offer these services online and by telephone during normal business hours or at your location as described in Item 6. (Franchise Agreement – Section 4(B).)

2. Periodically inspect your Business and provide advice regarding System standards. (Franchise Agreement – Section 11(A))

3. Include information about your Business on our Website. (Franchise Agreement – Section 12(G))

4. Periodically provide additional training sessions that we may offer or otherwise require you to attend. You must pay all of the travel and living expenses for you and your employees who attend additional training. (Franchise Agreement – Section 4(A))

5. Provide instruction regarding improvements and developments for your general business, administrative, bookkeeping, accounting, and operating systems. (Franchise Agreement – Sections 6 and 8)

6. Periodically hold or sponsor franchise conventions and meetings relating to new Approved Services, new operational procedures or programs, business management and other topics. (Franchise Agreement – Section 4(D))

### Advertising

We establish and conduct certain advertising programs as follows:

We reserve the right, following a minimum of 90 days’ advance written notice to you, to establish and operate a marketing and promotional fund (the “Marketing Fund” or “Fund”) to promote TOUCHING HEARTS businesses in the System and conduct other promotional and marketing activities. As of the date of this Disclosure Document, however, we have not yet established a Marketing Fund. If we establish a Marketing Fund, we can require you to pay a Marketing Fund Fee of up to 2% of your Gross Revenues for deposit in the Marketing Fund (the “Marketing Fund Fee”). We reserve the right to increase the Marketing Fund Fee upon 60 days’ notice to you. If we commence operating a Marketing Fund, we will place all Marketing Fund Fees we receive into the Marketing Fund and will manage the Fund. If applicable, we also will contribute to the Marketing Fund for each TOUCHING HEARTS business that we or our affiliates operate in the United States at the same percentage rate as a majority of the TOUCHING HEARTS businesses located in the United States must pay to the Marketing Fund. If we commence

operating a Marketing Fund, disbursements from the Marketing Fund will be made solely to pay reasonable expenses we incur in connection with the general promotion of the Marks and the System, including the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns; the cost of market research and analytics; and the costs of administering the Marketing Fund, including the cost of employing advertising, public relations and other third-party agencies to assist us, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Marketing Fund. The Marketing Fund will not be a trust or escrow account, and we will have no fiduciary obligations regarding the Marketing Fund. If we establish the Marketing Fund, we cannot ensure that you will benefit directly or on a pro rata basis from the future placement of any such advertising or marketing activities in your local market. (Franchise Agreement – Section 12(A))

In addition to any Marketing Fund Fee obligation, you must spend each calendar month the greater of \$300 or 2% of the previous calendar month's Gross Revenues on "approved" Business marketing and promotional activities in your local geographic area ("Local Marketing Spend"). Within 10 days following the end of each calendar month, you will provide us with an accounting of the funds that you have spent on local marketing for the preceding calendar month. Business marketing and promotional activities are "approved" if they comply with the Franchise Agreement and Operations Manual. (Franchise Agreement – Section 12(B))

In the future, we may require that you participate in, support and contribute to the cost of regional cooperative advertising programs we designate. We reserve the right to designate regional and local advertising markets, to establish regional advertising councils and to establish the bylaws and other rules under which such councils will operate. Your contributions to regional and local advertising cooperatives will be credited toward your local marketing obligations (if any). (Franchise Agreement – Section 12(C))

You will use only our approved advertising and promotional materials in promoting the Business. If you desire to use any advertising or promotional materials in promoting the Business which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within 15 days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time and require you to remove any subsequently disapproved materials. (Franchise Agreement – Section 12(D))

In 2026, we formed a Marketing Committee comprised of franchisees who serve in an advisory capacity to us. There currently are 7 franchisees on the Marketing Committee, each of whom we appoint. We have the power to form, change or dissolve the Marketing Committee.

### Development Time and Site Selection

Typically, TOUCHING HEARTS franchisees will begin operating their Businesses between 3 and 8 months after signing the Franchise Agreement. City, state or any other required licenses and permits could adversely affect the time it takes to open your Business. You must operate your Business in a retail office, industrial park or other commercial location within your Territory. You are solely responsible for locating and obtaining a site that is acceptable to us. We will consent to the location of the site so long as it is located in your Territory, the lease terms are commercially reasonable and the premises is in good condition. We will respond to your proposed site within 30 days following receipt of your written request (which must include all necessary information respecting the proposed site). We typically do not own the premises which is then

leased to you. You must open your Business within 8 months after you sign the Franchise Agreement or 60 days following your receipt of all licenses and permits necessary to operate the Business, whichever is earlier. If you do not open your Business by that deadline, and we otherwise do not grant you an extension, we may terminate the Franchise Agreement. (Franchise Agreement – Sections 2(C), 6(D) and 15(B))

### Computer Hardware and Software Requirements

You must obtain a computer system consisting of the Software, a laptop or desktop computer with access to broadband Internet, and Intuit's QuickBooks Pro. The current designated Software is WellSky, although we are evaluating alternative software. We will provide you with the Software package and you can purchase the other computer hardware or software from any source. We estimate that the initial cost for the computer hardware and Software will range from \$400 to \$1,000. We are not obligated to provide ongoing maintenance, repairs, upgrades or updates respecting the Software or related hardware. We may require you to upgrade or update your hardware and/or the Software during the term of your Franchise Agreement and there are no contractual limits on the frequency and cost of this obligation. We estimate that the cost of updates, upgrades, support or maintenance contracts range from \$50 to \$500. You also must pay WellSky all fees for use of the WellSky Software, the current amount for which is the greater of \$10 per active client (customer) per month, or \$120 per month. We reserve the right to change the Software and related requirements.

We will have independent access to the information that is generated or stored on your computer system (collectively the "Customer Data"). During the term of the Franchise Agreement, we reserve the right to own and control the use of the Customer Data that is stored on the Management System, although you will be responsible for obtaining all customer consents necessary to transfer to us or otherwise allow us to use the Customer Data for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not hold us liable for any harm caused by such computer-related problems. You must notify us immediately of any suspected data breach or cyber-attack at or in connection with the Business. You cannot use the Customer Data for any purpose other than the operation of the Business consistent with our standards of use. There are no contractual limitations on our right to access the information and data.

You will pay us our then-current monthly technology fee (the "Technology Fee") to offset our costs related to the Computer System, including our expenses relating to website maintenance, the internal franchisee reporting system, license fees we pay on your behalf for certain software programs and other items. We may increase the Technology Fee no more than once every 12 months, and will not increase the Technology Fee by more than 10% in any 12 month period. The Technology Fee is due and payable on or before the 10th day of each month, or as described in the Operations Manual.

### Training

We will provide a one week intensive "Initial Training Program" called "Heart Start Academy" for a Principal Owner and a General Manager (or one other employee if a Principal Owner is the General Manager) at a place and time that we designate. Both individuals must

successfully complete the Initial Training Program at least 2 months before commencing operation of the Business. If, during the Initial Training Program, we determine that the Principal Owner and/or the General Manager are not qualified to manage the Business, or fail to meet our then-current requirements, we will notify you and you must select and enroll a substitute Principal Owner and/or General Manager in the Initial Training Program. Those individuals attending the Initial Training Program must successfully complete the Initial Training Program and you must satisfy other training requirements. (Franchise Agreement - Section 6(B)). We do not charge an additional fee for additional persons to attend the Initial Training Program. You are responsible for travel, lodging and living expenses that you and your other attendees incur while attending our initial training program. See Item 7 for additional information on travel and living expenses. All training, except any off-site training, will be held at our corporate headquarters in Minnetonka, Minnesota, or at another location we designate. Additional training may be required at our discretion. The following items will be used in training: Operations Manual (table of contents for this manual is listed in Exhibit D); employee training packet; payroll/human resource/billing specialist and training guide; marketing specialist and training guide; online IT training; insurance specialist and training guide. The training is designed to provide you with the fundamental technical, sales and managerial skills necessary to operate your Business. We generally plan to offer the initial training program at least quarterly or as needed. A brief description of the program is as follows:

### TRAINING PROGRAM

Subject	Hours of Classroom Training (Minimum Number of Hours)	Hours of On- the- Job Training	Location
Orientation	2	0	Minnetonka
Marketing and Promotion	7	0	Minnetonka
Employee Management	5	0	Minnetonka
Hiring Practices	4	0	Minnetonka
Client Services	6	0	Minnetonka
Office Procedures	3	0	Minnetonka
Office Procedures, Q&A	3	0	Minnetonka
Software Training	2	0	Minnetonka
<b>TOTAL</b>	<b>32</b>	<b>0</b>	

Kimberly Holtmeier, our Vice President of Franchise Operations, oversees training. She has been responsible for training since January 2025. She has 17+ years of experience in coaching and instruction in the senior home care business. The Operations Manual will be used as the principal instructional material.

### ITEM 12

#### TERRITORY

You will receive a territory (the “Protected Territory”) in which you will operate your Business. We will describe your Protected Territory in Exhibit A to the Franchise Agreement. The Protected Territory generally will have a senior (individuals over the age of 65) population of at least 20,000.

You will operate your Business in a retail office, industrial park or other commercial location that is centrally located within the Protected Territory and that we have approved (“Office”). You may relocate your premises within your Protected Territory without our prior written

approval. You may not operate your Business, or locate your Office, outside of your Protected Territory. Except as we otherwise determine, you must establish an Office within 6 months following the effective date of the Franchise Agreement or 60 days following your receipt of all licenses and permits necessary to operate the Business, whichever is earlier.

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

You will receive a “protected” territory in that while your Franchise Agreement is in effect, we will not establish or license another to establish any other TOUCHING HEARTS franchise within your Protected Territory. You cannot advertise or solicit sales or accept orders outside of your Protected Territory except with our consent.

You must at all times use your best efforts to promote and increase the sale and service of the Business throughout the Protected Territory. You must confine all efforts (including any advertising, promotion or solicitation) at sites located in the Protected Territory. If you wish to provide care or companionship services and/or staffing or any other services outside your Protected Territory, in unassigned areas, you first must obtain our written consent and understand that we may withdraw the right to perform services outside of your Protected Territory at any time in our sole discretion.

You retain the rights to your Protected Territory even if the population there increases. Continuation of your Protected Territory is based on maintaining the minimum monthly average gross revenues levels stated below:

<b>Period from Commencement of Business</b>	<b>Minimum Monthly Average Gross Revenues</b>
Months 1-12	No Minimum
Months 13-24	\$10,000
Months 25-36	\$20,000
Months 37-48	\$30,000
Months 49-72	\$50,000
Months 73 and thereafter	\$70,000

You will be deemed to have commenced operating the Business as of the earlier of: (1) your completion of our Initial Training Program; and (2) you have obtained all necessary licenses and permits to operate the Business. We may increase the sales level requirements, in our discretion, in any renewal Franchise Agreement. If you do not meet the minimum monthly average Gross Revenue levels above, we may terminate the Franchise Agreement or terminate your protected rights respecting the Franchise Agreement and grant franchises within your Protected Territory to third parties.

We (for ourselves and our affiliates) reserve the right, without compensation to you:

1. To ourselves operate, or to grant other persons the right to operate, TOUCHING HEARTS businesses outside the Protected Territory, although we or another franchisee periodically may service particular customers in the Protected Territory if you are unwilling or unable to service such customers as further described in the “Operations Manual” (as defined in the Franchise Agreement);

2. To sell the Approved Services and related products authorized for sale from TOUCHING HEARTS businesses under trademarks other than the Marks through similar or dissimilar channels of distribution;

3. To sell the Approved Services and related products authorized for sale through businesses under the Marks through dissimilar channels of distribution (i.e., other than the operation of TOUCHING HEARTS businesses), including by electronic means such as the Internet, by websites we establish, pursuant to conditions we deem appropriate within and outside the Protected Territory;

4. To advertise the System on the Internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks; and

5. To acquire businesses that are the same as or similar to the Business or other TOUCHING HEARTS businesses and operate such businesses regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party operating businesses that are the same as or similar to the Business or other TOUCHING HEARTS businesses regardless of whether such businesses are located within or outside the Protected Territory.


You will receive no right of first refusal or similar rights to acquire additional franchises. We or our affiliates currently have no plans to operate or franchises a business under a different trademark that sells similar goods and services as the Business.

### ITEM 13

#### TRADEMARKS

We grant you the right to operate your Business under the mark “Touching Hearts,” a federally registered service mark and other trademarks or service marks (the “Marks”). Those rights are granted under the Franchise Agreement.

The following schedule list only the principal Marks that you are licensed to use. We have filed all required affidavits and renewal registrations for those Marks listed below.

Principal Trademarks	U.S. Registration Or Serial No.	Registration Or Application Date	Principal/Supplemental Register
Touching Hearts	Reg. No. 3,406,039	Reg. Date: April 1, 2008	Principal
 Touching Hearts <small>AT HOME</small>	Reg. No. 7,181,278	Reg. Date: October 3, 2023	Principal

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website without our prior written approval.

There are currently no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. We are unaware of any infringing uses or superior rights that could materially affect your use of the principal Marks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation relating to the Marks and we will have the sole right to decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense.

## **ITEM 14**

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

There are no patents or copyrights currently registered that are material to the franchise. We do claim copyright ownership and protection for the Operations Manual as well as our advertising copy and design, written training materials and for certain other written materials we provide to assist you in operating your Business. In addition, we treat certain portions of our training curriculum as trade secrets.

We own certain proprietary or confidential information relating to the operation of TOUCHING HEARTS businesses, including information in the Operations Manual ("Confidential Information"). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost. We reserve the right to own and control the Customer Data stored on your Management System and grant you a license to use the Customer Data during the term of your Franchise Agreement. As the Customer Data is Confidential Information, you must cease to use it when your Franchise Agreement expires or terminates. We will periodically establish policies respecting the Customer Data.

All ideas, concepts, techniques, or materials relating specifically and solely to a TOUCHING HEARTS Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. You must take whatever action we request to show our ownership, including obtaining all

necessary consents under applicable data privacy laws or to help us obtain intellectual property rights in the item.

## ITEM 15

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

You must designate an individual we approve and who successfully completes our Initial Training Program and other required training as the general manager of the Business (“General Manager”). If the General Manager is not a “Principal Owner” (as defined below), a Principal Owner also must attend and successfully complete the Initial Training Program. The General Manager is responsible for day-to-day Business operations, and must devote his/her personal full time and attention to the management of your Business. The General Manager assumes his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility or time commitments, or that otherwise may conflict with his/her obligations. If the General Manager is not a Principal Owner, the General Manager must sign a written agreement to maintain confidentiality of the proprietary information described in Item 14 and to comply with a covenant not to compete, similar to that described in Item 17, in a form acceptable to us. The General Manager is not required to possess an equity interest in the Business.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a “Principal Owner” and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement (see Exhibit B) and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17. In addition, we may require each spouse of a Principal Owner to sign a Personal Guaranty.

If at any time the General Manager is not managing the Business or no longer serves as the General Manager, you must promptly appoint a successor General Manager who attends and successfully completes our Initial Training Program.

## ITEM 16

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

You agree to sell (provide) or offer for sale only such Core Services and Ancillary Services as we periodically direct and that meet our uniform standards of quality and performance for the System as we provide in the Operations Manual or otherwise in writing (collectively, the “Approved Services”). You must offer and sell in your Business all Core Services that we periodically direct. In addition, you may, but are not required to, sell or offer to sell Ancillary Services through your Business. You must obtain our consent before offering any Ancillary Services and must comply with all laws, rules and regulations in advance of offering any Ancillary Services. You must not deviate from our standards and specifications in providing the Approved Services and you must discontinue selling and offering for sale any such services as we may, in our discretion, disapprove in writing at any time.

You must focus your marketing and advertising of the Business within your Protected Territory and cannot advertise or solicit sales outside of your Protected Territory unless you

receive our prior written consent. You will not service any customers outside your Protected Territory unless we, in our sole discretion, agree in writing to permit you to do so and you understand that we may withdraw that approval at any time.

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

**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.**

#### THE FRANCHISE RELATIONSHIP

	Provision	Section in Franchise or Other Agreement	Summary
a.	Term of Franchise	3	10 years.
b.	Renewal or Extension of Term	3	If you have substantially complied with the agreement and comply with our System standards, you may extend the franchise for up to two additional 5 year terms.
c.	Requirements for You to Renew or Extend	3	You must notify us of your intention to renew at least 180 days prior to the expiration of the Franchise Agreement. You must satisfy all requirements of your Franchise Agreement; pay a renewal fee; sign a general release; not be in default; retain right to the Office premises; update or upgrade your Office; replace and modernize supplies, fixtures, signs, and equipment; sign the then-current Franchise Agreement, which may contain terms and conditions substantially different from those stated in the original franchise agreement.
d.	Termination by You	15(F)	If you are in substantial compliance with the Franchise Agreement, you may terminate the Franchise Agreement if we violate any material obligation of us to you and fail to cure such violation within 60 days after our receipt of written notice from you. Also, Franchisees may terminate under any grounds permitted by law in the state of Washington.
e.	Termination by THI without Cause	Not applicable	Not applicable.
f.	Termination by THI with Cause	15(B)	We can terminate your Franchisee Agreement only for cause.
g.	"Cause" Defined- Defaults Which Can be Cured	15(B)	30 days to cure any breach of the Franchise Agreement (except for non-curable defaults listed below).
h.	"Cause" Defined- Defaults Which Cannot be Cured	15(A)	You, the General Manager or a Principal Owner pleads guilty or no contest to or is convicted of a felony, crime involving moral turpitude or violation of law that we believe will adversely affect the Business or the System; disclosure of confidential information; 3 or more defaults within a 12 month period; material misrepresentation or omission in franchise application; default which is not curable; unauthorized transfer; understatement of Gross Sales of 5% or more; insolvency or bankruptcy; any conduct that poses an imminent threat to public health or safety; abandonment of the Business; or conduct that materially impairs the goodwill associated with the name "Touching Hearts," the Marks or the System.

	Provision	Section in Franchise or Other Agreement	Summary
i.	Your Obligations on Termination/Non-renewal	15(E)	Obligations include ceasing operation of the Business and use of the Marks; return all materials supplied by us, assign to us or disconnect phone numbers; remove all signs and other materials distinctive of a TOUCHING HEARTS business; pay all amounts due; comply with post-term provisions of any software license agreement; cancel all assumed name filings; cease use of all Confidential Information; and at our option, sell to us all the tangible assets relating to the Business (see also R below).
j.	Assignment of Contract by THI	14(A)	We have the right to or assign the Franchise Agreement in whole or in part. Assignee must assume our obligations under the Franchise Agreement.
k.	"Transfer" by You-Definition	14(B) and (C)	Includes direct or indirect transfers of Franchise Agreement to a wholly-owned entity or otherwise; transfers of the Business or its assets; or transfer of a controlling interest in you.
l.	Our Approval of Transfer	14(B) and (C)	We have the right to approve all transfers but will not unreasonably withhold approval, if transfer conditions are satisfied.
m.	Conditions of Approval of Transfer	14(B) and (C)	You may transfer to a wholly owned entity if you own all interests in the entity; the Business is actively managed by the General Manager; the Principal Owners of the assignee entity sign the Guaranty Agreement; provide us 15 days' written notice before assignment; provide certified copy of organizational documents and list of all owners; and entity organizational documents bear a restrictive legend.  New franchisee must qualify and complete any required training; you pay a transfer fee; all amounts owed are paid and you are in good standing; you sign a release and agree to comply with all post-term obligations; new franchisee must assume your obligations under the existing franchise agreement or, at our option, sign our then-current franchise agreement (see also R below).
n.	Our Right of First Refusal to Acquire Your Business	14(E)	We have a right of first refusal to acquire your Business which is for sale and for which you have received a good faith offer to purchase. We have 30 days from a written notice of the offer to enter into a contract to purchase the franchise or its assets at the same terms as those contained in the offer.
o.	Our Option to Purchase Your Business Assets	Not applicable	Not applicable
p.	Your Death or Disability	14(D)	Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months.
q.	Non-Competition Covenants During the Term of the Franchise	9(B)	No involvement in a competing business (any business offering any Approved Services).
r.	Non-Competition Covenants After the Franchise is Terminated or Expires	9(C)	No involvement in a competing business for two years within a 30 mile radius of the outside boundary of your Protected Territory or the protected territory of any other franchisee.
s.	Modification of Agreement	18(F)	The Franchise Agreement may be amended by mutual written consent. We retain the right to unilaterally change our Operations Manual.

	<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
t.	Integration/Merger Clause	18(O)	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to federal and state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute Resolution by Arbitration or Mediation	17(A) and (B)	Except for actions we bring for monies owed or injunctive relief, all disputes first will be subject to non-binding mediation in the county where our headquarters is located, then (if not resolved) to binding arbitration in the county where our headquarters is located (subject to applicable law).
V.	Choice of Forum	17(E)	Litigation (to the extent permitted) must be in state or federal court in the in the county where our headquarters is located at the time the suit is commenced (subject to applicable law). We also have the right to file suit where the Business is located (subject to applicable law).
w.	Choice of Law	17(D)	Laws of the state where the Business is located applies (subject to applicable law).

## **ITEM 18**

### **PUBLIC FIGURES**

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

## **ITEM 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The Federal Trade Commission'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 financial performance representation below is a historic financial performance representation based on certain historical financial performance information experienced by our franchisees that have owned and operated their Touching Hearts® Business for at least one year as of December 31, 2025. There were 69 franchised Businesses operated by 55 franchisees as of December 31, 2025. Of the 69 franchised Businesses, 66 franchised Businesses were open a full year as of December 31, 2025, and these 66 franchised Businesses are the source of the data used in this Item 19. We have not audited or independently verified this information and do not know whether the information was prepared consistent with generally accepted accounting principles.

**Table 1**

Table 1 reflects average annual “Gross Revenues” (as defined below) information for all 66 franchised Businesses for calendar year 2025 that were open at least one year as of December 31, 2025 (the “Participating Franchised Businesses”). “Gross Revenues” means the aggregate amount of all sales of all Approved Services and related products and other services, whether for cash, on credit or otherwise, made or provided at or in connection with the Business. The term “Gross Revenues” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes you pay or accrue; or (2) adjustments for bona fide refunds, rebates or discounts approved by us. Gross Revenues are not adjusted for uncollected accounts.”

Statement of Annual Gross Revenues – All Participating Franchised Businesses				
Number of Franchised Businesses	Average Annual Gross Revenues	Number and Percentage of Franchised Businesses Above Average	Median Gross Revenues	Range
66	\$1,213,802	22 (33%)	\$1,018,557	\$113,095 to \$5,366,988

**Table 2**

Table 2 reflects average annual Gross Revenues information for the Participating Franchised Businesses by quartile for calendar year 2025.

Statement of Annual Gross Revenues for Participating Franchised Businesses By Quartile					
Quartile	Number of Franchised Businesses	Average Annual Gross Revenues	Number and Percentage of Franchised Businesses Above Average	Median Gross Revenues	Range
Top 25%	16	\$2,554,772	7 (44%)	\$2,300,240	\$1,746,584 to \$5,366,988
Upper Middle 25%	17	\$1,209,829	6 (35%)	\$1,142,620	\$1,019,513 to \$1,746,584
Lower Middle 25%	17	\$856,482	11 (65%)	\$945,943	\$545,677 to \$1,017,602
Bottom 25%	16	\$256,704	8 (50%)	\$273,861	\$113,095 to \$502,219

**Table 3**

The same-store sales growth figures below compare the Gross Revenues earned by franchised Businesses (by territory vs. franchise owner) over the course of a calendar year with the Gross Revenues earned by the same franchised Businesses during the prior calendar year. We used information from sales reports submitted by the franchised Businesses in calculating royalties, and data obtained from our franchisee scheduling and billing software. Same store sales for franchised Businesses open for at least 12 months is measured each year. Over the last 10 years, franchised Businesses in the Touching Hearts System have experienced same store sales growth that breaks down as follows:

## Historic Same-Store Net Sales Growth Over Prior Year – Franchised Businesses

Period	Franchised Same-Store Sales Growth Over Prior Year	Total No. of Operating Franchised Businesses Whose Data Were Used	Total No. of Operating Franchised Businesses Existing During Period	No. and Percentage of Operating Franchised Businesses that Attained or Exceeded Avg.
2024-2025	+15%	66	69	27 / 41%
2023-2024	+11%	62	65	27 / 44%
2022-2023	+9%	60	65	27 / 45%
2021-2022	+14%	60	65	19 / 32%
2020-2021	+41%	58	69	19 / 33%
2019-2020	+18%	53	72	17 / 32%
2018-2019	+13%	47	68	25 / 53%
2017-2018	+28%	44	68	12 / 27%
2016-2017	+18%	37	57	19 / 51%
2015-2016	+35%	28	50	5 / 18%

### Additional Notes Applicable to Tables 1 through 3 Above:

(1) All of the franchised Businesses (Participating Franchised Businesses) whose data were used in the tables above were open for at least a full year during the measured period. The franchised Businesses that were excluded from the tables above were not open for at least a full year during the measured period. There is no guarantee you will stay in business that long or that you will achieve the stated levels of same-store sales growth within that time period. In addition, many of the Participating Franchised Businesses represented in this Item 19 have been in business for more than 5 years. As a result, their results are likely to be significantly higher than a franchisee in its first year of operation.

(2) Sixteen franchisees operate more than one Business. In each of these situations, the Gross Revenues for each Participating Franchised Business was determined by dividing Gross Revenues reported by the franchisee by the number of Participating Franchised Businesses operated by the franchisee.

(3) The term “Gross Revenues” means all of the franchisee’s billings, whether or not collected, including cash sales and sales on account, monies billed for companion and ancillary services whether performed by the franchisee or subcontracted, monies billed in connection with trade or barter agreements, or monies billed for any other service performed using the Proprietary Marks, but does not include any bona fide refunds, rebates or discounts approved by us.

(4) The term “Average Gross Revenues” means the cumulative Gross Revenues of the number of Participating Franchised Businesses identified in each category divided by the number of Participating Franchised Businesses identified for that category. The term “Median Gross Revenue” means the Gross Revenue of the Participating Franchised Business lying at the midpoint of the total number of Participating Franchised Businesses identified in a category with the number of Participating Franchised Businesses having more Gross Revenue than the Median Gross Revenue equal to the number of Participating Franchised Businesses having less Gross Revenue.

(5) We recommend that you make your own independent investigation to determine whether or not to purchase this franchise and consult with an attorney and other advisors before signing any Franchise Agreement. You should conduct an independent investigation of the costs and expenses in operating a Business.

(6) Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

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

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Todd Trembl at 11100 Wayzata Boulevard, Suite 390, Minnetonka, MN 55350, (877) 870-8750, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NUMBER ONE  
SYSTEM-WIDE OUTLET SUMMARY  
FOR YEARS 2023 TO 2025**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Company-Owned	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Franchised	2023	65	65	0
	2024	65	65	0
	2025	65	69	+4
<b>Total Outlets</b>	<b>2023</b>	<b>65</b>	<b>65</b>	<b>0</b>
	<b>2024</b>	<b>65</b>	<b>65</b>	<b>0</b>
	<b>2025</b>	<b>65</b>	<b>69</b>	<b>+4</b>

\* - The number of franchised and total outlets for 2023 in Tables 1 and 3 were adjusted from the previous FDD to reflect one additional outlet at the end of each of those years.

**TABLE NUMBER TWO  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR)  
FOR YEARS 2023 TO 2025**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Colorado	2023	1
	2024	0
	2025	1
Illinois	2023	0
	2024	2
	2025	0

State	Year	Number of Transfers
Ohio	2023	0
	2024	1
	2025	0
Pennsylvania	2023	0
	2024	1
	2025	0
<b>Total</b>	<b>2023</b>	<b>1</b>
	<b>2024</b>	<b>4</b>
	<b>2025</b>	<b>1</b>

**TABLE NUMBER THREE  
STATUS OF FRANCHISED OUTLETS  
FOR YEARS 2023 TO 2025**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Alabama	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Arizona	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Colorado	2023	4	1	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	0	5
Florida	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
	2025	7	0	0	0	0	0	7
Georgia	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
Idaho	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Illinois	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Kansas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	0	2
Massachusetts	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Michigan	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Minnesota	2023	9	0	0	0	0	0	9
	2024	9	0	0	0	0	0	9
	2025	9	0	0	0	0	0	9
Nebraska	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
New Jersey	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
New York	2023	10	0	0	0	0	0	10
	2024	10	0	0	0	0	0	10
	2025	10	0	0	0	0	0	10
Ohio	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	1	0	0	0	0	4
Oregon	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Pennsylvania	2023	5	0	0	0	0	1	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Tennessee	2023	2	1	0	0	0	0	3
	2024	3	1	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Texas	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	1	0	0	0	0	6
Virginia	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Washington	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Wisconsin	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	0	5
Total	2023	65	2	0	0	0	2	65
	2024	65	3	0	0	0	3	65
	2025	65	4	0	0	0	0	69

**TABLE NUMBER FOUR  
STATUS OF COMPANY-OWNED OUTLETS  
FOR YEARS 2023 TO 2025**

State	Year	Outlets at Start of Year	Outlet Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
TOTAL	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0

**TABLE NUMBER FIVE  
PROJECTED OPENINGS AS OF DECEMBER 31, 2025**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Arizona	0	2	0
California	1	1	0
Florida	5	4	0
Illinois	2	1	0
Kansas	0	1	0
Michigan	1	0	0
Nevada	1	1	0
New Jersey	0	1	0
North Carolina	3	0	0
Ohio	2	0	0
Texas	4	4	0
<b>Total</b>	<b>19</b>	<b>15</b>	<b>0</b>

The name, business address, and business telephone number of each current franchisee as of December 31, 2025, is attached as Exhibit F. Also attached as Exhibit F is the name, city, state and telephone number of every franchisee who was terminated, not renewed, reacquired, ceased operations or otherwise left the system during our 2025 fiscal year or has failed to communicate with us within 10 weeks of the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no instances during the last three fiscal years where a former franchisee signed provisions restricting their ability to speak openly about their experience with us due to a confidentiality clause agreement.

We are not aware of any trademark specific franchisee organizations.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Our audited financial statements, dated December 31, 2025, December 31, 2024, and December 31, 2023, are included in this Disclosure Document at Exhibit E.

## **ITEM 22**

### **CONTRACTS**

The Franchise Agreement and exhibits are included as Exhibit A. The Disclosure Acknowledgement Agreement is attached as Exhibit H.

## **ITEM 23**

### **RECEIPTS**

The last two pages of this Disclosure Document (Exhibit I) are documents acknowledging receipt of this Disclosure Document by you (one copy for you and one copy for us). The Receipt must be signed and dated and delivered to us at least 14 calendar days, or earlier if required by state law, before you sign the Franchise Agreement or pay any fee.

**EXHIBIT A**

**FRANCHISE AGREEMENT**



**TOUCHING HEARTS, INC.  
FRANCHISE AGREEMENT**

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FRANCHISEE

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DATE OF AGREEMENT

Touching Hearts, Inc.  
FTC 2026 Franchise Agreement

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### **EXHIBITS**

A – PROTECTED TERRITORY

B – GUARANTY AND ASSUMPTION OF OBLIGATIONS

C –BUSINESS ASSOCIATE AGREEMENT

## TOUCHING HEARTS, INC. FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between Touching Hearts, Inc., a Minnesota corporation, with a principal place of business at 11100 Wayzata Boulevard, Suite 390, Minnetonka, Minnesota 55350 (“we” or “us”) and \_\_\_\_\_, a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_ (“you”).

### INTRODUCTION

A. We developed, own and continue to improve a “System” (as defined in Section 1(J) below) for providing affordable high quality personal care, in-home care, non-medical and care management services, together with medical and skilled nursing care services for older adults, persons with disabilities and others with care management service needs.

B. We own the “Touching Hearts” trademark, and certain other “Marks” (as defined in Section 1(F) below) used in operating the System.

C. We grant qualified persons the right to develop, own and operate a Touching Hearts® business within a specific territory.

D. You desire to obtain the right to develop and operate a Touching Hearts® business under the System within a specific territory.

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

### AGREEMENTS

#### 1. DEFINITIONS

A. “Ancillary Services” means those skilled care and other in-home medical care services and related products that we have or may develop and implement that franchisees are authorized, but not required, to provide in Touching Hearts® businesses, as we periodically may modify or otherwise approve.

B. “Approved Services” means the Core Services and the Ancillary Services, as we periodically may modify or otherwise approve.

C. “Business” means the Touching Hearts® business developed and operated under this Agreement, and which offers the Approved Services and related products.

D. “Confidential Information” means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, the “Operations Manual” (as defined in Section 4(C)), systems, and knowledge of and experience in the operation and franchising of Touching Hearts® businesses that we communicate to you or that you otherwise acquire in operating the Business under the System (as defined in Section 1(J) below). Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

E. “Core Services” means those high quality personal care, non-medical care, in-home care assistance, and companionship care and care management services provided to older adults, persons with disabilities and others with care management service needs and other related services authorized for Touching Hearts® businesses, as we periodically may modify or otherwise approve to provide to customers through your Business.

F. “Customer Data” means any name, address, email address, telephone number, date of birth, demographic data, behavioral data, customer service history, financial data, transaction data, correspondence, and other information about any potential, current or former customer whether stored in electronic, physical or other forms or formats.

G. “General Manager” means the Principal Owner or other person that you designate as the general manager of the Business, has completed our Initial Training Program and all mandatory follow-up training programs, and meets our then-current requirements for general managers (as described in the Operations Manual).

H. “Gross Revenues” means the aggregate amount of all sales of all Approved Services and related products and other services, whether for cash, on credit or otherwise, made or provided at or in connection with the Business. The term “Gross Revenues” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes you pay or accrue; or (2) adjustments for bona fide refunds, rebates, expense reimbursements or discounts approved by us. Gross Revenues will not be adjusted for uncollected accounts. For purposes of the Service Fee described in Section 4(B) below, the sale is made at the earlier of delivery of the Approved Service or product, or receipt of payment.

I. “Marks” means the Touching Hearts® trademark and service mark, the related design logo, and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the System.

J. “Principal Owner” means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner.

K. “Protected Territory” means the geographic area, identified in Exhibit A, which is an area surrounding the location of the Business that we designate.

L. “System” means the Touching Hearts® system which includes providing Approved Services and related products to individuals under the Marks at Touching Hearts® businesses, using certain distinctive business techniques, methods and procedures, types of equipment (including the Computer System (as defined in Section 6(C) below)), Confidential Information, and sales promotion programs, as we periodically may modify and further improve.

## 2. FRANCHISE RIGHTS

A. Grant. We grant you a non-exclusive license during the term of this Agreement to use our System and Marks under the terms of this Agreement to operate a Touching Hearts® franchise (the “Business”) at a site we authorize (the “Office”) within the territory identified in

Exhibit A (the “Protected Territory”). Subject to Section 2(B) below, during the term of your Agreement and so long as you are not in default hereunder, we will not directly, or grant another person a license to, operate a Touching Hearts® (“TH”) business within the Protected Territory.

B. Rights Reserved To Us. We (for us self and our affiliates) retain the right:

1. To ourselves operate, or to grant other persons the right to operate, TH businesses outside the Protected Territory, although we or another franchisee periodically may service particular customers in the Protected Territory if you are unwilling or unable to service such customers as further described in the Operations Manual;

2. To sell the Approved Services and related products authorized for sale from TH businesses under trademarks other than the Marks through similar or dissimilar channels of distribution

3. To sell the Approved Services and related products authorized for sale through TH businesses under the Marks through dissimilar channels of distribution (i.e., other than the operation of TH businesses), including by electronic means such as the Internet, by websites we establish, pursuant to conditions we deem appropriate within and outside the Protected Territory;

4. To advertise the System on the Internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks; and

5. To acquire businesses that are the same as or similar to the Business or other TH businesses and operate such businesses regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party operating businesses that are the same as or similar to the Business or other TH businesses regardless of whether such businesses are located within or outside the Protected Territory.

C. Site Selection. You must operate your Business in a retail office, industrial park or other commercial location that is centrally located within the Protected Territory and that we have approved (“Office”). You may not operate your Business, or locate your Office, outside of your Territory. Except as we otherwise determine, you must establish an Office within six (6) months following the Effective Date or sixty (60) days following your receipt of all licenses and permits necessary to operate the Business, whichever is earlier.

D. Territory Rights and Restrictions. You must focus your marketing and advertising of the Business within your Protected Territory and cannot advertise or solicit sales outside of your Protected Territory unless you receive our prior written consent. You will not service any customers outside your Protected Territory unless we, in our sole discretion, agree in writing to permit you to do so and you understand that we may withdraw that approval at any time. The license granted to you under this Agreement is personal in nature, may not be used at any location other than at the Business, and does not include the right to provide or sell any Approved Services or related products identified by the Marks at any location other than from the Business. This Agreement does not include the right to provide or sell any Approved Services or related products identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not open any other TH business or office in the Protected Territory unless we permit you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under this

Agreement. You will not use the Business for any purposes other than the operation of a TH business.

### 3. TERM AND RENEWAL

A. Term. This Agreement is for a term of ten (10) years, beginning on the date of this Agreement (the "Effective Date").

B. Renewal. You will have the right to enter into a successor agreement for the franchise granted herein for two (2) additional renewal terms of five (5) years each, provided you satisfy the following conditions respecting each renewal term:

1. You provide us with written notice of your intent to renew at least one hundred eighty (180) days but no more than three hundred sixty-five (365) days prior to the end of the term (or renewal term, if applicable) of this Agreement;

2. You are not in default of any provision of this Agreement or any other agreement between you and us or any of our affiliates, and you have substantially complied with all the terms and conditions of the foregoing agreements, including the payment of all monetary obligations owed to us or our affiliates;

3. At the time of renewal, you have met or exceeded the minimum monthly Gross Revenues levels stated in Section 6(E) below for the prior six (6) months;

4. Both a Principal Owner and General Manager (if the General Manager is not a Principal Owner) must complete, to our satisfaction, any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You maintain possession of the Office premises and, if we then so require, have at your expense made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Office premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your Business so that it reflects the then-current physical appearance of new TH businesses;

6. You sign our then-current form of franchise agreement which may contain terms and conditions substantially different from the provisions of this Agreement;

7. You pay to us a fee equal to Five Thousand Dollars (\$5,000) (the "Renewal Fee") when you provide notice of your intent to renew the Franchise Agreement; and

8. You and each Principal Owner sign a general release, in a form satisfactory to us, of any and all claims against us and our partners, directors, shareholders, agents, and employees.

### 4. FRANCHISOR SERVICES

A. Training. We will provide a one week intensive "Initial Training Program" for a Principal Owner and a General Manager (or one other employee if a Principal Owner is not the General Manager) at a place and time that we designate. The Initial Training Program may include online tutorials, classroom instruction and on-site training relating to Business operations,

providing Approved Services, marketing and sales programs and methods of controlling operating costs. If, during the Initial Training Program, we determine that the Principal Owner and/or the General Manager are not qualified to manage the Business, or fail to meet our then-current requirements, we will notify you and you must select and enroll a substitute Principal Owner and/or General Manager in the Initial Training Program. Those individuals attending the Initial Training Program must successfully complete the Initial Training Program and you must satisfy other training requirements as described in Section 5 below. If at any time we determine that one of the persons who were initially trained are not qualified to continue to manage the Business or the General Manager is no longer acting as a full-time manager of the Business, you must pay our then-current fee for his or her replacement to attend the Initial Training Program.

B. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Business as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Approved Services and products authorized for sale at TH businesses;
2. selecting, purchasing and marketing products, equipment and other approved materials and supplies;
3. marketing assistance and sales promotion programs; and
4. establishing and operating administrative, bookkeeping, accounting, and general operating procedures for the proper operation of a TH business.

We will provide such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone conversations and/or meetings at our office or at the Business in conjunction with an inspection of the Business. We will provide you with additional assistance at the Business location for a fee, plus reimbursement of our travel, accommodation and meal expenses.

C. Operations Manual. We will provide on loan to you, during the term of this Agreement, electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the "Operations Manual") for TH businesses. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for TH businesses and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not to establish any control or duty to take control over those matters that are reserved to you. We may supplement, modify or remove information to or from the Operations Manual to reflect changes in the System, the Approved Services and related products, and specifications, standards and operating procedures of a TH business. You must implement any changes to your Business that we require in the Operations Manual within the specified time frames. The master copy of the Operations Manual that we maintain on our website, and make available to you by electronic access, will control if there is a dispute involving the contents of the Operations Manual.

D. Conventions and Meetings. We may periodically hold or sponsor, and you must attend, franchise conventions and meetings relating to new Approved Services, new operational procedures or programs, recognition of successful franchisees, training, business management, sales and sales promotion or similar topics. We may require your General Manager to attend the

convention and pay our then-current registration fee. You must pay the then-current registration even if you do not attend. You are responsible for all expenses you incur during the convention, including your and your employees' transportation, lodging, meals and salaries. We may use the monies from the Marketing Fund for purposes related to the convention.

## 5. FEES PAID TO FRANCHISOR

A. Initial Franchise Fee. You will pay us an "Initial Franchise Fee" of Forty-Nine Thousand Five Hundred Dollars (\$49,500). If you are an existing TOUCHING HEARTS franchisee acquiring an additional TOUCHING HEARTS business, the Initial Franchise Fee is Thirty-nine Thousand Five Hundred Dollars (\$39,500). The Initial Franchise Fee is payable when you sign this Agreement, is fully earned by us upon receipt of the Initial Franchise Fee, and is not refundable.

B. Service Fee. Subject to the following, you will pay us a non-refundable service fee equal to six percent (6%) of your Gross Revenues ("Service Fee") on a semi-monthly basis, or as we otherwise describe in the Operations Manual. During the first twelve (12) months following the commencement of Business operations (the "Start-Up Phase"), you will pay a reduced Service Fee equal to three percent (3%) of your Gross Revenues so long as your Gross Revenues during any one month does not exceed Ten Thousand Dollars (\$10,000). You will be deemed to have commenced operating the Business as of the earlier of: (1) your completion of our Initial Training Program; and (2) you have obtained all necessary licenses and permits to operate the Business. To qualify for the reduced Service Fee for any given month, your Business must have been in operation for less than twelve (12) months and your monthly Gross Revenues for the Business during that month (and each preceding month) must be less than Ten Thousand Dollars (10,000).

C. Marketing Fee. As further described in Section 12(A) below, we may require you to pay us in the future a non-refundable "Marketing Fund Fee" for deposit into a "Marketing Fund." If implemented, the Marketing Fund Fee will be due and payable at the same time and in the same manner as the Service Fee.

D. Technology Fee. You will pay us our then-current monthly technology fee (the "Technology Fee") to offset our costs related to the Computer System, including our expenses relating to website maintenance, the internal franchisee reporting system and other items. We may increase the Technology Fee no more than once every twelve (12) months, and will not increase the Technology Fee by more than ten percent (10%) in any twelve (12) month period. The Technology Fee is due and payable on or before the tenth (10th) day of each month, or as described in the Operations Manual.

E. Electronic Transfer of Funds. We will require you to sign electronic funds transfer (EFT) authorizations and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all Service Fees, Technology Fees and other amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. You must maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein. We may change the frequency with which we collect fees under this Agreement, although we will not collect fees more frequently than once a week. You agree to comply with our payment instructions as we periodically may modify them.

F. Insufficient Funds. In addition to interest charges on late fee payments, you must pay to us a service charge of up to Fifty Dollars (\$50) (“Insufficient Fund Fee”) for each delinquent payment that you owe to us under this Agreement. A payment is delinquent if: (1) we do not receive the payment on or before the date due; or (2) there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due.

G. Interest on Late Payments. All Service Fees, Technology Fees and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) eighteen percent (18%) per year; or (2) the maximum contract rate of interest permitted by law in the state in which the Business is located.

H. Application of Payments. We have discretion to apply any payments received from you to any amounts due to us or any of our affiliates. Moreover, we have discretion to apply any amounts we pay you to any amounts that may be due to you.

I. Withholding Payments Unlawful. You agree that you will not withhold payment of any Service Fees, Technology Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under this Agreement or any other agreement does not establish a right at law or in equity to withhold payments due us for Service Fees, Technology Fees or any other amounts due.

J. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales and other taxes that the state in which the Business is located imposes on us as a result of your operation of the Business or the license of any of our intangible property in the jurisdiction in which the Business is located. If more than one TH business is located in such jurisdiction, then those businesses will share the liability in proportion to their Gross Revenues from the Business, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Service Fee payments described above.

## 6. DUTIES OF FRANCHISEE

A. Development of the Business. Once you have identified a site for the Office and received our consent to that site, you will:

1. obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses to operate the Business and provide each of the Approved Services. You acknowledge and agree that you will be required to satisfy additional licensing and personnel requirements imposed by applicable laws, rules and regulations to provide certain Approved Services, including skilled nursing services, at the Business;

2. construct all required improvements to the Business premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with all applicable specifications described in the Operations Manual or as we otherwise approve and in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions; and

3. establish filing, accounting and inventory control systems complying with our requirements.

B. Initial Training. No less than two (2) months before the opening of the Business, the “General Manager” (as defined below) and one other full-time employee must attend and successfully complete the Initial Training Program on the operation of a TH business. If the General Manager is not a Principal Owner, a Principal Owner must also attend and successfully complete the Initial Training Program. The Principal Owner and the General Manager may be the same person so long as the Principal Owner meets the then-current requirements for general managers (as described in the Operations Manual. The Initial Training Program will be held in Minnetonka, Minnesota or at such other location as we may designate. We do not charge a fee for additional persons to attend the Initial Training Program. You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the Initial Training Program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker’s compensation insurance, for you and your employees, while you and your employees attend training.

C. Computer System. In your Business, you will use the computer software and hardware management and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we have developed or selected for the System (the “Computer System”). The Computer System may include one or more proprietary or other software programs developed or customized by or for us (the “Designated Software”). You must use the Designated Software (if applicable) and the Designated Software will remain the confidential property of us or our third-party supplier. You must enter into our or our designee’s standard form software license agreement in connection with your use of any Designated Software and pay the initial license fee and any ongoing fees related to your use of the Designated Software. In addition, you must pay us a Technology Fee as described in Section 4(D). We reserve the right to assign our rights, title and interest in any Designated Software to a third-party we designate or to replace the Designated Software with software that we or a third party may provide. You must participate in our designated Payment Card Industry (“PCI”) compliance program if we establish such a program and pay the then-current fee associated with such program. If we do not designate a separate PCI compliance program, you must take all necessary steps to comply with all applicable PCI data security standards. You must maintain a secure technology infrastructure that meets our then-current requirements. All technology used to support the Computer System must comply with the then-current regulations of the Payment Card Industry Data Security Standards (PCI-DSS) council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including the Fair and Accurate Credit Transaction Act (FACTA). You will use one or more e-mail addresses we designate for communication with us. The computer hardware component of the Computer System must comply with specifications we develop. We have the right to designate a single source from which you must purchase the Computer System, including any software or hardware components or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the Computer System. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks.

D. Opening. You must comply with any Business opening requirements we periodically describe in the Operations Manual. You will not open the Business for business without our prior written approval. You agree to complete the development and open the Business for business within six (6) months following the Effective Date or within sixty (60) days following your receipt of all necessary licenses required to operate the Business, whichever is sooner.

E. General Manager. You will designate a general manager who will devote his or her best efforts and personal full time and attention to the management of your Business and who has successfully completed the Initial Training Program and all other training requirements we impose (the “General Manager”). The General Manager must sign a confidentiality agreement in a form we approve. If the General Manager no longer fulfills his/her duties at the Business, you agree to have the replacement manager attend and successfully complete our Initial Training Program at your expense within one (1) month of such replacement.

F. Minimum Performance Requirements. The rights granted to you under this Agreement are dependent on you achieving certain minimum performance requirements regarding the minimum Gross Revenues. During the term of this Agreement, you must maintain the following minimum Gross Revenues (the “Minimum Performance Requirement”):

<b>Period from Commencement of the Business*</b>	<b>Minimum Monthly Average Gross Revenues</b>
Months 1 – 12	No Minimum
Months 13 – 24	\$10,000
Months 25-36	\$20,000
Months 37 – 48	\$30,000
Months 49 – 72	\$50,000
Months 73 and thereafter	\$70,000

\* - You will be deemed to have commenced operating the Business as of the earlier of: (1) your completion of our Initial Training Program; and (2) you have obtained all necessary licenses and permits to operate the Business.

If you fail to satisfy the Minimum Performance Requirement for any twelve (12) month period, we may (a) require your General Manager to attend and complete additional training, at your sole expense, (b) reduce the size of your Protected Territory, (c) terminate this Agreement pursuant to Section 15 below, or (d) exercise any other rights provided to us under this Agreement or available to us at law.

G. Additional Training. The General Manager and Principal Owner(s), as we designate, must attend and complete to our satisfaction, all supplemental and refresher training programs that we designate each calendar year. We may charge you our then-current fee, plus any costs and expenses we incur, for these supplemental and refresher training programs, and you will reimburse us for any costs and expenses we incur.

H. Services to be Offered. You agree to sell or offer for sale only the Approved Services as we periodically direct in the Operations Manual or otherwise in writing. In addition, we will designate certain Approved Services that you must provide at the Business and may periodically designate other Approved Services that you may, but will not be required to, provide at the Business. You must not deviate from our standards and specifications in providing the Approved Services and you must discontinue selling and offering for sale any such services as we may, in our discretion, disapprove in writing at any time. You must notify us in writing in advance of offering any Ancillary Services.

I. Performance of Services. You agree that all Approved Services provided at the Business will be performed solely by you or your employees. In providing the Approved Services, you must satisfy all requirements stated in the Operations Manual, or otherwise in writing, including the hours and operations of the Business, scheduling customer service, marketing and financial reporting techniques, and controls. You and your employees must at all times present a

neat and clean appearance and provide competent, sober, and courteous service to all customers of the Business.

J. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer at the Business any services or products we have not then authorized for use or sale for TH businesses, nor will the Business or the premises which it occupies be used for any purpose other than the operation of a TH business in compliance with this Agreement.

K. Your Hiring and Training of Employees. You will hire all employees of the Business, and you will be exclusively responsible for the terms of their employment, scheduling, benefits, disciplining, compensation, and all other personnel decisions. You must complete a background check of all of your potential employees, by a vendor approved by us. You will implement a training program for Business employees in compliance with our requirements. You will maintain at all times a staff of trained employees sufficient to operate the Business in compliance with our standards. You must ensure that all Business employees comply with all licenses and certifications respecting the Business as we may require or as federal, state and/or local authorities may require. At all times, the Business must be under the supervision of the General Manager. Any employees you hire will be solely your employees and will not be deemed our employees or subject to our control.

L. Authorized Products, Supplies and Equipment. You agree to offer and sell at the Business only the Services and related products which we have approved as being suitable to provide and meeting the standards of quality and uniformity for the System. In addition, you agree to use in the operation of the Business only such products, supplies, equipment and brands that we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have approved (which may include us and/or our affiliates). We periodically may modify the lists of approved and designated products, supplies, equipment, brands and suppliers. If you propose to use in operating the Business, any products, supplies, equipment or brand, or use any supplier that we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the proposed item and/or supplier to permit us to determine whether the proposed item complies with our specifications and standards and/or the supplier meets our approved supplier criteria. You must pay our then-current evaluation fee for each item or supplier you request that we evaluate, plus the costs we incur in connection with testing, inspecting and evaluating the proposed item or supplier. We will notify you within a reasonable time whether the proposed item and/or supplier is approved. If we revoke our approval of a supplier or products, you will have thirty (30) days to stop offering, selling or using those suppliers, products or other items or services in your Business. We may impose limits on the number of suppliers and/or brands for any products, supplies or equipment sold or used in the Business, and we may require that you use only one designated supplier for any products, supplies or equipment. You agree that certain products, supplies, equipment, and other items may only be available from one source, and we or our affiliates may be that source. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED PART OF THE MANAGEMENT SYSTEM), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM

M. Specifications, Standards and Procedures. You acknowledge that each and every detail of the operation of the Business is important to us and other TH businesses. You agree to

maintain the highest standards of quality and service and comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the operation of a TH business. You agree to promptly comply with all modifications and updates we may make to the System standards in the Operations Manual or otherwise in writing.

N. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Business, and must operate the Business in full compliance with all applicable laws, ordinances and regulations, including all labor and employment laws. In addition, to the extent you offer any Ancillary Services, you will be solely responsible for obtaining all additional permits and licenses, and employing licensed individuals, necessary to conduct such Ancillary Services. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, or award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of you or the Business. You will not conduct any business or advertising practice which injures our business, the System or the goodwill associated with the Marks and other TH businesses. You agree to remain in compliance with all local, state, and federal laws, rules and regulations in connection with the operation of your Business, including the prompt payment of required licenses, surveys, permits, assessments, taxes, fees, and fines. You agree to perform all services and conduct your Business in compliance with all Health Insurance Portability and Accountability Act (HIPAA) laws and regulations.

You must comply with all relevant portions of HIPAA which require health care providers to submit transactions related to payment in standard electronic formats and regulate the security and privacy of health data, and HIPAA's implementing regulations, including the HIPAA Privacy Rule, HIPAA Breach Notification Rule, HIPAA Security Rule, HITECH Act, and Omnibus Rule. To comply with HIPAA's privacy and security regulations, you must implement privacy and security policies and safeguards, designate a privacy and security officer, inform individuals how their health information is used and disclosed, provide access to health information, and give notice of certain breaches of protected data. You are solely responsible for training your employees on all such policies and procedures. In addition, to the extent you offer any Ancillary Services or we otherwise determine, you and we agree to sign and comply with the terms of the Business Associate Agreement ("Business Associate Agreement") substantially in the form of Exhibit C attached hereto, regarding Customer Data. You agree to sign an amended Business Associate Agreement to the extent we determine such an amended agreement is necessary. Further, if you engage a third party to perform functions that require access to patients' personal information, you and such third party also must sign a business associate agreement in a form similar to the Business Associate Agreement.

O. Customer Data. You acknowledge and agree that we reserve the right to own and control the use of Customer Data, and we grant you a license to use the Customer Data during the term of this Agreement. You have no right to sell, transfer, sublicense or otherwise share Customer Data to or with any third party unless you obtain our prior written approval. You will only use Customer Data for approved uses related to your Business, unless you obtain our prior written approval. Upon reasonable request, you will transfer all Customer Data to us or our affiliate in accordance with the Operations Manual. You must provide to us usernames and passwords to access the Computer System, and we have the right to access Customer Data on the Computer System and at the Office. It is your sole responsibility to protect Customer Data from cyber-attacks or unauthorized intruders, and you waive any claim you may have against us as the direct or indirect result of such attacks and intrusions. You are solely responsible for complying with all

federal, state, and local laws and regulations concerning the storage, handling, use and protection of Customer Data. In addition, you must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach or cyber-attack at or in connection with the Business.

P. Management of the Business/Conflicting Interests. The General Manager will be responsible for the day-to-day supervision of the Business, must at all times faithfully, honestly and diligently perform his or her obligations, and must continuously use their best efforts to promote and enhance the business of the Business. The General Manager must assume their responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations.

## 7. TRADEMARK STANDARDS

A. Ownership and Goodwill of Marks. You acknowledge that you have no interest in or to the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require during the term of this Agreement. You agree that the use of the Marks and any goodwill established exclusively benefits us, and that you receive no interest in any goodwill related to your use of the Marks or the System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Business, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or trade name or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You will have the right to participate in our TH website as further described in Section 12(G) below. Except as we may authorize in writing, however, you will not: (1) duplicate our website; (2) conduct any business or offer to sell or advertise any Services or similar services or products on the Internet (or any other existing or future form of electronic communication); (3) create or register any Internet domain name in any connection with your franchise; and (4) use any e-mail address which we have not authorized for use in operating the Business. You will not register, as Internet domain names, any of the Marks that we now or hereafter may own or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You must not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We may take any action we deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge

or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

E. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation we incur, including attorneys' fees, specifically relating to the Marks. We and our legal counsel will have the right to control and conduct any litigation relating to the Marks.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us.

## 8. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Business pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you agree that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Business employees; and (5) will sign a Confidentiality Agreement and will require the General Manager and other managers, employees and agents with access to Confidential Information to sign such an agreement in a form we approve. The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, process methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of a TH business or the System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Business, or any advertising or promotion ideas related to the Business (collectively, the "Improvements") that you, your owners or your employees or agents conceive or develop during the term of this Agreement. You and your owners, agents and employees acknowledge and agree that any Improvement is our property, and you and your owners, agents or employees must sign all documents necessary to evidence the assignment of the Improvement to us without any additional compensation. You acknowledge and agree that we may use the Improvement and

disclose and/or license the Improvement for use by others. You must not introduce any Improvement or any additions or modifications of or to the System into the Business without our prior written consent.

## 9. COVENANTS

A. Organization. You and each Principal Owner covenants that:

1. You are organized and validly exist under the laws of the state where you were formed and are qualified and authorized to do business in the jurisdiction where the Protected Territory and the Business is located;

2. Your articles of incorporation, bylaws, operating agreement or other organizational documents (collectively, "Authorizing Documents") at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Business, unless you otherwise obtain our written consent;

3. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

4. You will provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

5. The names of all Principal Owners are accurately stated on the Guaranty attached hereto as Exhibit B; and

6. You will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners' names, address and telephone numbers) at all times and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. In-Term Non-Compete. You (and each Principal Owner) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or owner of any other person, partnership, firm, entity or business:

1. Divert or attempt to divert any business or customer of the Business hereunder 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 System; or

2. Own, maintain, engage in, or have any interest in any other business which performs any of the Approved Services or any services substantially similar to any of the Approved Services anywhere in the United States; provided, that this provision will not apply to any ownership of less than one percent (1%) of the outstanding equity securities of any publicly held entity.

C. Post-Term Non-Compete. You covenant that, for two (2) years after the termination or expiration of this Agreement or the date on which you cease to operate the Business (whichever is later), you will not, directly or as an employee, agent, consultant, partner, officer, director or owner of any other person, partnership, firm, entity or business:

3. Divert or attempt to divert any business or customer of the Business hereunder 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 System;

4. Own, maintain, engage in, or have any interest in any other business which performs any of the Approved Services or any services substantially similar to any of the Approved Services within thirty (30) miles of the outside boundary of the former Protected Territory or the protected territory of any other TH franchisee; or

5. Use any reproduction, copy or similar imitation of the Marks subject to this Agreement in any trade or business.

You agree that the covenants contained in this Section are reasonable and will not impose undue hardship on you. You understand that your willingness to agree to such covenants is an important inducement and consideration for our entering into this Agreement.

D. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section 9, and that injunctive relief is essential for our protection. You therefore agree that, to the greatest extent permitted by applicable law, we may seek injunctive relief without posting any bond or security, and without the need to prove irreparable harm, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section 9. The covenants stated in this Section 9 will survive the termination or expiration of this Agreement.

## 10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, you will, at your expense, establish and maintain at the Business premises and retain for a minimum of six (6) years from the date of their preparation, an accounting and record keeping system we designate that will generate complete and accurate books, records, and accounts relating to the Business (the "Records"). The accounting and record keeping system will include accounting and reporting software that we periodically direct. The Records must be prepared in the form and manner we direct in the Operations Manual or otherwise in writing. You must preserve the Records and submit reports electronically, consistent with our requirements described in the Operations Manual or otherwise in writing. You will ensure that we have electronic access at all times to the Records, accounting systems and other information and supporting documents as we designate. If at any time you fail to fully comply with your obligations under this Section 10, we may require that you engage, at your expense, a third-party accounting firm or other service provider that we designate to satisfy the requirements of this Section 10.

B. Reports and Tax Returns. You will deliver or allow us access to the following: (1) all accounting software used in connection with the Business; (2) daily statements relating to Gross Revenues accompanying your payment of semi-monthly Service Fees; (3) monthly income statements in a format we require; (4) profit and loss statements for the Business at such intervals as we periodically may require; (5) an annual profit and loss statement and source and use of funds statement for the Business for the year and a balance sheet for the Business as of the end of the year, reviewed by an independent certified public accountant; and (6) at our request, all tax returns relating to the Business and each of its Principal Owners. All financial statements, reports and information must be in the form we approve and that you independently have verified.

## 11. INSPECTION AND AUDITS

A. Our Right to Inspect the Business. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Business and observe the provision of the Approved Services. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Business and to interview employees and customers of the Business. If we establish a mystery shopper or compliance assessment program, we may require you to pay for the reasonable expense of mystery shopper visits or the completion of any compliance assessments at your Business.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records and state and/or federal income tax records and returns of any Principal Owner. You must maintain all Records and supporting documents at all times at the Business premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any such information at the Business. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Gross Revenues. If any examination or audit discloses an understatement of Gross Revenues, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Service Fees and any other fees due on the amount of the understatement, plus interest (at the rate provided in Section 5(G) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) we determine that an examination or audit is necessary because you failed to timely provide required information; or (2) any examination or audit results in a determination that Gross Revenues for any month are understated by greater than two percent (2%). The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

## 12. ADVERTISING

A. Marketing and Promotional Fund. We reserve the right, following a minimum of ninety (90) days' advance written notice to you, to commence operation of a Marketing Fund and require you to pay a Marketing Fund Fee of up to two percent (2%) of your Gross Revenues for deposit in the Marketing Fund. If we commence operating a Marketing Fund, we will place all Marketing Fund Fees we receive into the Marketing Fund and will manage the Fund. If applicable, we also will contribute to the Marketing Fund for each TH business that we or our affiliates operate in the United States at the same percentage rate as a majority of TH businesses located in the United States must pay to the Marketing Fund. If we commence operating a Marketing Fund, disbursements from the Marketing Fund will be made solely to pay reasonable expenses we incur in connection with the general promotion of the Marks and the System, including the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns; the cost of market research and analytics; and the costs of administering the Marketing Fund, including the cost of employing advertising, public relations and other third-party agencies to assist us, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Marketing Fund. The Marketing Fund will not be a trust or escrow account, and we will have no fiduciary obligations regarding the Marketing Fund. If we establish the Marketing Fund, we cannot ensure that you will benefit directly or on a

pro rata basis from the future placement of any such advertising or marketing activities in your local market.

B. Local Marketing and Business Promotion. In addition to any obligation you may have to pay a Marketing Fund Fee under Section 12(A) above if we establish a Marketing Fund, you must spend each calendar month the greater of Three Hundred Dollars (\$300) or two percent (2%) of the previous calendar month's Gross Revenues on "approved" Business marketing and promotional activities in your local geographic area. Within ten (10) days following the end of each calendar month, you will provide us with an accounting of the funds that you have spent on approved local marketing for the preceding calendar month. Business marketing and promotional activities are "approved" if they comply with this Agreement and Operations Manual.

C. Cooperative Advertising. In the future, we may require that you participate in, support and contribute to the cost of regional cooperative advertising programs we designate. We reserve the right to designate regional and local advertising markets, to establish regional advertising councils and to establish the bylaws and other rules under which such councils will operate. Your contributions to regional and local advertising cooperatives will be credited toward your local marketing obligations (if any) described in Section 12(B) above.

D. Approved Advertising and Business Promotion Materials. You will use only our approved advertising and promotional materials in promoting the Business. If you desire to use any advertising or promotional materials in promoting the Business which we previously have not approved, you must submit all materials to us for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within fifteen (15) days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time and require you to remove any subsequently disapproved materials.

E. Participation in Certain Programs and Promotions. You must use your best efforts to promote and advertise your Business and must participate in all advertising and promotional programs we establish in the manner we direct. We may set minimum and maximum prices on all Approved Services and related services and products provided or sold at or in connection with the Business, subject to applicable law.

F. Telephone Service Requirements. You must maintain a full-time telephone line with a 24-hour answering service and/or paging system.

G. Participation in Internet Website. You will participate in a TH website listed on the Internet or other online communications and participate in any intranet system we operate. We will, at our discretion, determine the content and use of a TH website and intranet system and will establish rules under which you may or will participate. We will retain all rights relating to the TH website and intranet system and may alter or terminate the website or intranet system upon thirty (30) days' notice to you. Your general conduct on the Internet and the TH intranet system, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information, including access codes and identification codes. Your right to participate in the TH website or intranet system or otherwise use the Marks or the System on the Internet will terminate when this Agreement expires or terminates.

### 13. INSURANCE

A. Requirements. You agree to purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (2) will name us and our affiliates, and their respective officers, directors and employees, as an additional insured; (3) contain a waiver of the insurance company's right of subrogation against us; (4) contain the above-mentioned insurance coverage for each TH business that you operate; and (5) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and as we may approve).

B. Additional Insurance Terms. We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least two (2) weeks before you commence operation of the Business and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. Your obligation to obtain and maintain these insurance policies in the amounts specified will not be limited by any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 16. Your insurance procurement obligations under this Section 13(B) are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that we require you to purchase will provide you with adequate coverage. The insurance requirements specified in this Agreement are for our protection. You should consult with your own insurance agents, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits we require.

### 14. ASSIGNMENT

A. Transfer by Us. We may assign or transfer this Agreement without providing to you any notice and without requiring any consent from you. Any such assignment will require the assignee to fulfill our obligations under this Agreement. Separately, we may assign or delegate to an affiliate or other third party certain of our obligations under this Agreement without assigning our interest in this Agreement.

B. Transfer to a Wholly Owned Corporation or Limited Liability Company. You (as one or more individuals may assign your interests herein to an entity that conducts no business other than the Business (or other TH businesses under franchise agreements with us), provided:

1. You own all of the voting stock or all of the membership interests, as applicable, in the entity or, if you comprise more than one individual, each such individual has the same proportionate ownership interest in the entity as he/she held in the Business before the contemplated transfer;

2. the Business is actively managed by the General Manager;

3. all Principal Owners of the assignee entity sign the Guaranty Agreement attached hereto as Exhibit B;

4. you provide us fifteen (15) days' written notice before the proposed date of assignment of this Agreement to the entity;

5. you provide to us a certified copy of the articles of incorporation, operation agreement, organizational documents, a list of all shareholders or members having beneficial ownership, reflecting their respective interest in the assignee entity;

6. the organizational documents of the entity and all issued and outstanding stock or membership certificates will bear a legend, in form acceptable to us, reflecting or referring to the assignment restrictions stated in Section 14(C) below; and

7. A transfer under this Section 14(B) may only occur once and is not subject to our right of first refusal as described in Section 14(D) below. You will remain liable under this Agreement as if the transfer to the entity did not occur.

C. Transfer by Franchisee. You understand and acknowledge that the rights and duties stated in this Agreement are personal to you, and that we have granted this license in reliance on your (and your owners' and managers') business skill and financial capacity. Accordingly, except to the extent permitted under (and subject to) Section 14(B) above, you will not transfer (voluntarily or involuntarily), sell, assign, pledge or otherwise dispose of, in one or more transactions, the Business, substantially all or all of the assets of the Business, or this Agreement, and you will not permit the transfer of any controlling interest in you ("controlling interest" to include a proposed transfer, whether in one single transaction or a series of transactions occurring after the Effective Date, of fifty percent (50%) or more of the voting equity interests in a corporation, limited liability company or partnership) unless you obtain our prior written consent. We will not unreasonably withhold our consent to an assignment of this Agreement, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

1. All of your accrued monetary obligations to us or our affiliates and all other outstanding obligations related to the Business have been satisfied and you otherwise are in good standing under this Agreement and any other agreement with us or our affiliates;

2. The transferee demonstrates to our satisfaction that it meets our managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Business (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the business. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to ensure that the transferee and Principal Owners meet our qualifications;

3. The transferee, a Principal Owner and the new General Manager (if not a Principal Owner) successfully complete the Initial Training Program required of new TH businesses;

4. The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this

Agreement for the remainder of your term or, at our option, signs our then-current standard form of franchise agreement (which may contain materially different terms and conditions than this Agreement) and each new Principal Owner signs a personal guaranty in the form attached to the franchise agreement;

5. You pay us a transfer fee equal to: (i) forty percent (40%) of our then-current standard initial franchise fee applicable to new Touching Hearts® franchisees if the transferee is a new Touching Hearts® franchisee, or (ii) ten percent (10%) of our then-current standard initial franchise fee applicable to new Touching Hearts® franchisees if the transfer is between existing Principal Owners, or if the transferee is an immediate family member (including specifically a spouse, parent, sibling or child) of the Principal Owner of a controlling interest in you or is an existing Touching Hearts® franchisee in good standing with us;

6. We approve the material provisions of the assignment or sale of assets, which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset;

7. You (and each Principal Owners, if applicable) sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenant to observe the post-termination non-solicitation covenant and covenant not to compete contained herein and all other applicable post-termination obligations; and

8. You and each Principal Owner signs a general release, in a form satisfactory to us, of any and all claims against us and our partners, officers, directors, shareholders, and employees.

D. Transfer Upon Death or Permanent Incapacity. If the General Manager (including a Principal Owner who also serves as the General Manager) dies or is permanently disable, the remaining Principal Owners (or if none, the executor, administrator, personal representative, or trustee of such person or entity) must appoint (if necessary) a competent General Manager acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed General Manager must satisfactorily complete our Initial Training Program. If the Principal Owner who also serves as the General Manager dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance, will be subject to conditions contained in Section 14(C) above.

E. Our Right of First Refusal. If you or your Principal Owners (each individual who owns twenty percent (20%) or more of the total voting capital stock in Franchisee) at any time desire to sell or assign this Agreement, the Business, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in you or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Business or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and

the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

F. Guaranty. All of your Principal Owners will sign the Guaranty and Assumption Agreement substantially in the form attached to this Agreement as Exhibit B (the "Guaranty Agreement"). We may also require the spouse of any Principal Owner to sign the Guaranty Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 14 or otherwise will, as a condition to becoming a Principal Owner, sign the Guaranty Agreement, and you must ensure that any proposed new Principal Owner signs the Guaranty Agreement.

## 15. DEFAULT AND TERMINATION

A. Termination without Opportunity to Cure. You will be in default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon the mailing of notice by us, if:

1. If you, the General Manager or a Principal Owner pleads guilty, pleads non contendere or is convicted of a felony, a crime involving moral turpitude, or a violation of any law relating to this Business that is reasonably likely, in our sole opinion, to adversely affect the Business, the System, the Marks or the goodwill associated therewith;

2. If you disclose the contents of the Operations Manual or other Confidential Information we provided to you or fail to comply with the covenants in Sections 8 or 9;

3. You fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any twelve (12) month period;

4. You or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for the franchise granted hereunder;

5. You file for bankruptcy, are insolvent within the meaning of any applicable state or federal law, or make an assignment for the benefit of creditors or enter into any similar arrangement to dispose of your assets for the benefit of creditors;

6. You breach any obligation of this Agreement, the nature of which makes it not curable;

7. If you misuse or are involved in any act or conduct that materially impairs or otherwise is prejudicial to the goodwill associated with the name "Touching Hearts" or any of the Marks or the System;

8. You or a Principal Owner transfer or attempt to make an unauthorized transfer without our consent;

9. You perform any act, or fail to prevent or immediately cure any situation, which poses an imminent threat to the public health or safety or which may cause injury to any of your customers or employees;

10. the result of an audit discloses an understatement of Gross Sales of five percent (5%) or more; or

11. You abandon the Business or otherwise forfeit the right to do or transact business in the Protected Territory.

B. Termination with Opportunity to Cure. You will be in default and we may, at our option, terminate this Agreement and all rights granted hereunder, effective thirty (30) days following your receipt of written notice of termination (or such longer period as applicable law may require), if you default under any provision of this Agreement not described in Section 15(A) above and fail to cure the default during such thirty (30) day notice (or such longer period as applicable law may require) and provide evidence thereof to us. If you fail to correct an alleged default within the applicable cure time stated above, this Agreement will terminate without further notice to you, effective immediately when the applicable cure period expires, or such longer period as applicable law may require.

C. Suspension of Rights Upon Default. If you default under this Agreement, in addition to any other rights or remedies we may have hereunder, we may suspend performing our obligations under this Agreement.

D. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

E. Obligations Upon Termination. If this Agreement expires or is terminated for any reason, you will:

1. immediately cease operating the Business and using the Marks as well as any confusingly similar trademarks or service marks;

2. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Service Fees, Technology Fees, any other amounts, and accrued interest due under this Agreement;

3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manuals and any other manuals, advertising materials, and all other printed materials relating to the operation of the Business;

4. assign to us or, at our discretion, disconnect the telephone number for the Business. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;

5. remove from the Business premises all signs, posters, fixtures, wall coverings and other materials that are distinctive of a TH business or bear the name "Touching Hearts" or other Marks;

6. comply with all post-termination obligations under any software license agreement, including the return of all materials relating to any Designated Software;

7. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;

8. immediately cease using Confidential Information (including all Customer Data) and return to us all documents in your possession that contain Confidential Information;

9. At our option, and upon thirty (30) days' written notice from the date of expiration or termination, you will sell to us all the tangible assets relating to the Business, (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the "Purchased Assets"). The purchase price for the Purchased Assets will be the book value of the Purchased Assets as last reported to us; provided that we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement. If the parties cannot agree on book value within a reasonable time, we will designate an independent appraiser to determine the book value of the Purchased Assets. The determination of such appraiser will be binding on you and us, and the costs of such appraisal will be divided equally between you and us; and

10. Comply with all other applicable provisions of this Agreement, including the non-compete provisions.

F. Your Right to Terminate. You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

G. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

## 16. RELATIONSHIP OF THE PARTIES

A. Relationship of the Parties. We and you are independent contractors. Neither you nor we are the agent, legal representative, partner, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any reason. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself at the premises of the Business and in all dealings with customers, lessors, contractors, suppliers, public officials and others as an independent contractor, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require.

B. Control Over Operations. You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your Business, and that we will not do so or be deemed to do so. You further acknowledge and agree that the various restrictions, prohibitions, specifications and procedures of the System which you must comply with under this Agreement, whether stated in our Operations Manual or otherwise, do not directly or indirectly represent or suggest that we control any aspect or element of the day-to-day operations of your

Business, but only represent standards you must comply with when exercising your control of the day-to-day operations of your Business.

C. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Business, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 16(C) regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you or the Business. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Business. This obligation does not diminish your indemnification obligations under this Section 16(C).

D. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any third party claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

E. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

## 17. DISPUTE RESOLUTION

A. Mediation. Except as otherwise stated in this Section 17(A), the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree on a mediator or mediation services organization within fifteen (15) days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the county where our headquarters is located. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within sixty (60) days after conferring with the mediator, either party may submit such claim, controversy or dispute to arbitration as described in Section 17(B) below. We may bring an action under the applicable provisions of this Section 17, without first submitting the action to mediation under this Section 17(A), for injunctive relief or for monies you owe us.

B. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 17(C) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims

of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 17(A) above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the city in which our corporate headquarters is located at the time the arbitration is commenced. The arbitrator(s) will have a minimum of five (5) years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other Touching Hearts® franchisee or include any class action or multi-party claims. This Section 17 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement.

C. Injunctive Relief. Notwithstanding Sections 17(A) and 17(B) above, you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other TH businesses. Therefore, if you breach or threaten to breach any of the terms of this Agreement, then, to the greatest extent permitted by applicable law, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual or irreparable damage and without the need to post bond for security, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrator.

D. Attorneys' Fees. The non-prevailing party will pay all costs, expenses, and interest including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

## 18. MISCELLANEOUS PROVISIONS

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach. No waiver by us of any rights under this Agreement will be valid or binding upon us unless we provide that waiver in writing and sign it.

C. Rights of Parties are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act, this Agreement will be governed by and construed under the laws of the state in which the Business is located, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the state in which the Business is located.

E. Venue. Subject to the provisions of Sections 17(A) and 17(B) above, any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties must be brought exclusively in any state or federal court of competent jurisdiction in the county where our headquarters is located. We also have the right to file any such suit against you in the federal or state court where the Business is located. Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Principal Owners waive any and all rights to proceed on a consolidated, common, or class basis. Each of us and you irrevocably consent to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue.

F. Binding Effect. This Agreement is binding on us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and permitted successors in interest. Subject to our right to modify the Operations Manual and the System, this Agreement may not be modified except by a written agreement signed by both our and your authorized officers. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

G. References. If you consist of two or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

H. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise reasonable business judgment in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a

financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact), will substitute their judgment for our reasonable business judgment.

I. **WAIVER OF PUNITIVE DAMAGES.** YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY US.

J. **WAIVER OF JURY TRIAL.** YOU AND WE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

K. **Notices.** All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand one (1) business day after having been sent by a recognized overnight delivery service requiring a written receipt, three (3) business days after having been placed in the U.S. Mail by registered or certified mail, return receipt requested, or by such other means which provides the sender with evidence of delivery, or of rejected delivery, and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Any notice by a means which provides the sender with evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery.

L. **Force Majeure.** If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

M. **Notice of Potential Profit.** We advise you that we and/or our affiliates periodically may make available to you goods, products and/or services for use in the Business on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to you or in consideration for services provided or rights licensed to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

N. **Limitation of Actions.** Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

O. **Entire Agreement.** The Introduction, exhibit(s) to this Agreement, and Disclosure Acknowledgment Agreement signed contemporaneously with this Agreement are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or

written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

P. **Franchise Disclosure Document.** You acknowledge receipt of our Franchise Disclosure Document at least fourteen (14) calendar days prior to execution of this Agreement. You acknowledge receipt of this Agreement with all applicable blanks completed and with all applicable Attachments, Addendums, and Appendices at least seven (7) calendar days prior to execution of this Agreement. You also acknowledge that we have recommended, and that you have had opportunity to obtain and review this Agreement and our Franchise Disclosure Document with your lawyer, accountant, or other business advisor prior to the execution of this Agreement.

## 19. ACKNOWLEDGEMENTS

A. **Success of the Business.** The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Principal Owners') ability as an independent businessman, and your active participation in the daily affairs of the Business as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. **Independent Investigation.** You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross sales, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept and sign this Agreement.

C. **Receipt of Documents.** Except for filling in the blank provisions and changes made as a result of negotiations that you initiated, you acknowledge that you received a copy of the complete Franchise Agreement, and exhibits attached hereto, at least seven (7) calendar days before the date on which this Agreement was signed. You further acknowledge that you received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled "Franchise Disclosure Document" at least fourteen (14) calendar days prior to the date on which this Agreement was signed. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with any attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

D. **Other Franchises.** You acknowledge that other TH businesses have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement

The parties have signed this Agreement on the date stated in the first paragraph.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_  
Name of corporation or limited liability  
company

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT A**  
**TERRITORY**

## EXHIBIT B

### GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain franchise agreement of even date herewith (the "Franchise Agreement") by Touching Hearts, Inc. ("we" or "us"), each of the undersigned (a "Guarantor"), each of whom has a significant economic stake in \_\_\_\_\_ (the "Franchisee") by virtue of holding equity interests in the Franchisee, hereby personally, irrevocably and unconditionally guarantees to us, and our successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that the Franchisee will timely pay and perform each and every undertaking, agreement and covenant stated in the Franchise Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every such undertaking, agreement and covenant, and other provision in the Franchise Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any obligation or indebtedness hereunder; (3) protest, demand, presentment, notice of protest, default, notice of intent to accelerate, and notice of acceleration, to any party respecting the obligation or indebtedness hereunder; and (4) any right he or she may have to require that an action be brought against the Franchisee or any other person as a condition of liability hereunder.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this guaranty will be direct and independent of the liability of, and will be joint and several with, the Franchisee and the other Guarantors of the Franchisee.

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon our demand if the Franchisee fails to do so.

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of the Franchisee or any assignee or successor of the Franchisee.

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit that we may grant to the Franchisee, including the acceptance of any partial payment or performance, any delay on our part in enforcing our rights under the Franchise Agreement, or any waiver, compromise or release of any claims.

(5) We may proceed against Guarantor and the Franchisee jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against the Franchisee or any other Guarantor.

(6) Guarantor's liability hereunder will be an open and continuing guarantee and will continue in force notwithstanding any subsequent amendment to the Franchise Agreement or any renewal, expiration or termination of the Franchise Agreement. Our rights hereunder are transferable without the Guarantor's consent and will benefit our successors and assigns.

(7) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incur in enforcing this guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

(8) The dispute resolution and related enforcement provisions contained in Section 15 of the Franchise Agreement are incorporated herein by reference. Guarantor irrevocably

consents to the jurisdictional requirements outlined in such Sections and waives all rights to challenge personal jurisdiction and venue.

(9) If any provision of this Guaranty and Assumption of Obligations is construed by a court of competent jurisdiction to be unenforceable, then the offending provision will be severed from this undertaking, and the remainder of this undertaking will be unaffected thereby.

The undersigned Guarantor has signed this Guaranty and Assumption of Obligations as of the following date: \_\_\_\_\_.

**GUARANTOR(S)**

**PERCENTAGE OWNERSHIP IN YOU**

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## EXHIBIT C

### BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (“Agreement”) is made and effective \_\_\_\_\_, (“Effective Date”) between \_\_\_\_\_ (the “Covered Entity”) and Touching Hearts, Inc. (the “Business Associate”) (collectively the “Parties”).

#### RECITALS

A. Pursuant to Sections 261 through 264 of the federal Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, (“HIPAA”), the Department of Health and Human Services (“HHS”) has issued regulations at 45 C.F.R. Parts 160 and 164 (the HIPAA Security Rule, HIPAA Privacy Rule, the HIPAA Enforcement Rule and the HIPAA Breach Notification Rule, referred to collectively herein as the “Regulations”) to protect the security, confidentiality and integrity of health information.

B. The Parties have entered into an engagement whereby Business Associate will provide certain services to Covered Entity (the “Engagement”), and, pursuant to such Engagement, Business Associate may be considered a “business associate” of Covered Entity as defined in the Regulations.

In consideration of the mutual covenants herein contained, the Parties agree to the provisions of this Agreement in order to comply with the Regulations.

#### I. Definitions and Term

The following terms are defined as stated below. Any terms used but not otherwise defined in this Agreement have the definitions set forth in the Regulations and the Health Information Technology for Economic and Clinical Health Act (“HITECH”), found in Title XIII of the American Recovery and Reinvestment Act of 2009, Public Law 111-005, and any regulations promulgated thereunder.

- a. “Breach” shall have the meaning set forth in 45 C.F.R. § 164.402.
- b. “Designated Record Set” shall have the meaning set forth in 45 C.F.R. § 164.501 and shall include, but not be limited to, medical records and billing records about Individuals.
- c. “Electronic Protected Health Information” or “EPHI” shall have the same meaning as the term “electronic protected health information” in 45 C.F.R. § 160.103.
- d. “Individual” shall have the same meaning as the term “individual” in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).
- e. “Protected Health Information” or “PHI” means, subject to the definition provided at 45 C.F.R. § 160.103, individually identifiable health information that Business Associate receives from Covered Entity or creates, receives, transmits or maintains on behalf of Covered Entity for purposes of performing the services under the

Engagement. Unless otherwise stated in this Agreement, any provision, restriction or obligation in this Agreement related to the use of PHI shall apply equally to EPHI.

- f. "Required by Law" shall have the same meaning as the term "required by law" in 45 C.F.R. § 164.103.
- g. "Secretary" shall mean the Secretary of the Department of Health and Human Services or their designee.
- h. "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification or destruction of information or interference with the system operations in an information system.
- i. "Subcontractor" means a person to whom a business associate delegates a function, activity or service, other than in the capacity of a member of the workforce of such business associate.
- j. "Unsecured PHI" shall have the same meaning as the term "Unsecured PHI" in 45 C.F.R. § 164.402.

Business Associate acknowledges and agrees that all PHI that is created or received by Covered Entity and disclosed or made available in any form by Covered Entity to Business Associate, or is created, received, maintained or transmitted by Business Associate on Covered Entity's behalf, will be subject to this Agreement. This Agreement will commence upon the Effective Date and will continue as long as Business Associate has use, custody or access to PHI subject to this Agreement, and thereafter for the period required by the Regulations.

## **II. Obligations and Activities of Business Associate**

- a. Use and Disclosure. Business Associate will not use or further disclose PHI other than as permitted or required by this Agreement or as Required by Law. Business Associate will not use or disclose PHI in a manner that would violate the Regulations if done by Covered Entity.
- b. HIPAA Security Rule. Business Associate will develop, implement, maintain and use appropriate safeguards, and comply with the Security Rule at Subpart C of 45 C.F.R. Part 164, with respect to EPHI, to prevent use or disclosure of the PHI other than as provided for by this Agreement.
- c. HIPAA Privacy Rule. Business Associate will comply with all requirements of the Privacy Rule at Subpart E of 45 C.F.R. Part 164 that apply to business associates.
- d. Mitigation. Business Associate will mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate in violation of the requirements of this Agreement.
- e. Subcontractors. In accordance with the requirements of the Regulations, Business Associate will ensure that any Subcontractor that creates, receives, maintains or transmits PHI on behalf of Business Associate agrees in writing to the same restrictions that apply to Business Associate with respect to that PHI.

- f. Reports of Impermissible Use or Disclosure of PHI; Security Incident. Business Associate will report to Covered Entity any use or disclosure of PHI not provided for or permitted by this Agreement of which it becomes aware, or any Security Incident of EPHI of which it becomes aware, within five (5) days of the date on which Business Associate first discovers the use, disclosure or Security Incident. In addition to its other obligations under this Agreement, Business Associate will take prompt action to correct any Security Incident or use or disclosure of PHI not permitted under this Agreement and any action pertaining to such Security Incident or unauthorized use or disclosure as required by applicable federal or state laws and regulations. Notwithstanding the foregoing, the Parties acknowledge and agree that Business Associate need not report all attempted but unsuccessful Security Incidents to Covered Entity, and that this Agreement constitutes notice to Covered Entity that such unsuccessful Security Incidents occur periodically. Unsuccessful Security Incidents include, but are not limited to, pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denials of service, and any combination of the above, so long as such incidents do not result in actual unauthorized access, use, or disclosure of PHI.
- g. Breaches of Unsecured PHI. Business Associate will report to Covered Entity any Breach of Unsecured PHI by Business Associate or any of its officers, directors, employees, Subcontractors or agents. All notifications of Breach of Unsecured PHI will be made by Business Associate to Covered Entity without unreasonable delay and in no event later than five (5) days of discovery. Business Associate will use the standard at 45 C.F.R. § 164.410(a) to determine when the Breach is treated as discovered. All notifications will comply with Business Associate's obligations under, and include the information specified in, 45 C.F.R. § 164.410 and include any other available information that Covered Entity is required to include in its notification to individuals pursuant to 45 C.F.R. § 164.404(c). In the event of a Breach by Business Associate, Business Associate will cooperate with Covered Entity to notify, (i) individuals whose Unsecured PHI has been, or is reasonably believed by Business Associate to have been, accessed, acquired, used or disclosed, and (ii) the media, as required pursuant to 45 C.F.R. § 164.406, if the legal requirements for media notification are triggered by the circumstances of such Breach.
- h. Access. In the event an Individual requests access to PHI in a Designated Record Set from Business Associate, Business Associate will provide Covered Entity with notice of the same within five (5) days. Business Associate will provide access, within ten (10) days of a request of Covered Entity and in the manner designated by Covered Entity, to PHI in a Designated Record Set to Covered Entity, or, as directed by Covered Entity, to an Individual or the Individual's designee in order to meet the requirements under 45 C.F.R. § 164.524 (Access). If the PHI that is the subject of a request is maintained by the Business Associate in a Designated Record Set electronically, Business Associate will provide an electronic copy of such information to the Covered Entity, or, as directed by the Covered Entity, to the Individual or the Individual's designee, in the format required by the Regulations and as directed by Covered Entity, in order to meet the Covered Entity's obligations under 45 C.F.R. § 164.524.
- i. Amendment. In the event Business Associate receives a request from an Individual for an amendment to PHI in a Designated Record Set, Business Associate will provide Covered Entity with notice of the same within five (5) days. Business Associate will make any amendments to PHI in a Designated Record Set that Covered Entity directs

or agrees to pursuant to 45 C.F.R. § 164.526 (Amendment) within ten (10) days of a request of Covered Entity or an Individual and in the manner designated by Covered Entity, in order to meet the Covered Entity's obligations under 45 C.F.R. § 164.526. Business Associate will incorporate any amendments to PHI it receives from Covered Entity and will notify Covered Entity of any amended PHI that it receives from third parties relating to Covered Entity's PHI.

- j. Accounting of Disclosures. Business Associate will document such disclosures of PHI and information related to such disclosures as would be required for Covered Entity to fulfill its obligations under the Regulations, including, but not limited to, responding to a request by an Individual for an accounting of disclosures in accordance with 45 C.F.R. § 164.528, and will provide such information to Covered Entity or an Individual, in the time and manner designated by Covered Entity. Except in the case of a direct request from an Individual for an accounting related to treatment, payment or healthcare operations disclosures through an electronic health record, if the request for an accounting is delivered directly to Business Associate or its agents or subcontractors, Business Associate will, within five (5) days of a request, notify Covered Entity of the request. Covered Entity will either inform Business Associate to provide such information directly to the Individual, or it will request the information to be immediately forwarded to Covered Entity for compilation and distribution to such Individual, and Business Associate will provide such information in its possession within ten (10) days of Covered Entity's request. In the case of a direct request for an accounting from an Individual related to treatment, payment or healthcare operations disclosures through electronic health records, Business Associate will provide such accounting to the Individual in accordance with Section 13405(c) of HITECH and such regulations as are adopted thereunder. Covered Entity and Business Associate agree that the provisions of this section related to accounting of disclosures for treatment, payment and healthcare operations purposes from an electronic health record will only be effective as of such date such accountings of disclosures are required under HITECH. Business Associate and any agent or Subcontractors will maintain the information required for purposes of complying with this section for such period of time as is required under the Regulations and HITECH.
- k. Covered Entity's Obligations Under Privacy Rule. To the extent that Business Associate is to carry out one or more of Covered Entity's obligations under Subpart E of 45 C.F.R. Part 164, Business Associate will comply with the requirements of Subpart E that apply to Covered Entity in the performance of such obligations.
- l. Records. Business Associate will make its internal practices, books, and records relating to the use and disclosure of PHI available to the Covered Entity or to the Secretary for purposes of determining Covered Entity's compliance with the Regulations. Business Associate will notify Covered Entity regarding any PHI that Business Associate provides to the Secretary concurrently with providing such PHI to the Secretary, and upon request by Covered Entity, will provide Covered Entity with a duplicate copy of such PHI.
- m. Inspections; Audits. Within five (5) days of a written request by Covered Entity, Business Associate will allow Covered Entity to conduct a reasonable inspection of the books and records relating to the use or disclosure of PHI pursuant to this Agreement for the purpose of determining whether Business Associate has complied with this Agreement and the requirements of the Regulations; provided, however, that

Covered Entity will protect the confidentiality of all proprietary information of Business Associate to which Covered Entity has access during the course of such inspection and Business Associate and Covered Entity will mutually agree in advance upon the scope, location and timing of such an inspection. The costs of the audit will be covered by Covered Entity in the event the audit determines that Business Associate is in compliance with this Agreement and the Regulations and covered by Business Associate in the event the audit determines that Business Associate has violated this Agreement or the Regulations. Covered Entity is permitted to engage in the inspections and audits set forth in this Section no more often than one time during each calendar year during which this Agreement is in effect.

- n. Minimum Necessary. Business Associate and its Subcontractors, if any, will only request, use and disclose the minimum amount of PHI necessary to accomplish the intended purpose of the request, use or disclosure. Business Associates agrees, and it will ensure that its Subcontractors agree, to comply with Section 13405(b) of HITECH, any regulations issued thereunder or any guidance from the Secretary regarding what constitutes the definition of minimum necessary.
- o. Compliance with HITECH. Business Associate will comply with all requirements of Title XIII, Subtitle D of HITECH which are applicable to business associates, and will comply with all regulations issued by the Secretary to implement these referenced statutes, as of the date by which business associates are required to comply with such referenced statutes and regulations.

### **III. Permitted Uses and Disclosures by Business Associate**

- a. Required by Law. Business Associate may use or disclose PHI as Required by Law.
- b. To Carry Out Engagement. Except as otherwise limited in this Agreement, for purposes of the services provided as part of the Engagement, Business Associate may use or disclose PHI solely to perform functions, activities, or services for, or on behalf of, Covered Entity, provided that such use or disclosure would not violate the Regulations if done by Covered Entity.
- c. Management and Administration. Except as otherwise limited in this Agreement, Business Associate may use PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, as provided in 45 C.F.R. § 164.504(e)(4). In addition, Business Associate may disclose PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided that such disclosures are Required by Law or Business Associate obtains, prior to the disclosure, reasonable assurances from the person to whom it is disclosed that such PHI will be held secure and confidential as provided pursuant to this Agreement and only disclosed as Required by Law or for the purposes for which it was disclosed to the third party, and that any breaches of confidentiality of the PHI which becomes known to such third party will be immediately reported to Business Associate.
- d. Data Aggregation. Business Associate may use PHI to provide data aggregation services related to the health care operations of the Covered Entity as permitted by 45 C.F.R. § 164.504(e)(2)(i)(B).

- e. De-Identification. Business Associate may use PHI to create information that is de-identified. Any such de-identification by Business Associate will be done in compliance with 45 C.F.R. § 164.514(b). Covered Entity agrees that de-identified information may be used and disclosed on Business Associate's own behalf. Covered Entity agrees that any de-identified information is and will remain the sole property of Business Associate and, due to the regulatory treatment of de-identified information, is no longer PHI and not subject to this Agreement or the Regulations.

#### **IV. Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions**

- a. Notice of Privacy Practices. Covered Entity will provide Business Associate, upon request, with Covered Entity's Notice of Privacy Practices in effect at the time of the request.
- b. Revocation of Permission. Covered Entity will provide Business Associate with any changes in or revocation of permission by an Individual to use or disclose PHI to the extent such changes may affect Business Associate's permitted or required uses and disclosures.
- c. Restrictions on Use and Disclosure. Covered Entity will notify Business Associate of any material restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent such restrictions may affect Business Associate's use and disclosure of PHI.

#### **V. Obligations of the Covered Entity**

Covered Entity will not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Regulations if done by Covered Entity.

#### **VI. Termination**

- a. Termination for Cause by Covered Entity. Notwithstanding any contrary termination provision of any other agreement between the Parties, Covered Entity is authorized to terminate this Agreement and the Engagement as described in this Section if Covered Entity determines that Business Associate has violated a material term of this Agreement. Upon Covered Entity's knowledge of a material breach of this Agreement by Business Associate, Covered Entity will provide written notice of such breach to Business Associate and provide an opportunity for Business Associate to cure the breach or end the violation. If Business Associate does not cure the breach or end the violation within the time specified by the Covered Entity, then Covered Entity may immediately terminate this Agreement; or Covered Entity may immediately terminate this Agreement if Business Associate has breached a material term of this Agreement and Covered Entity determines that cure is not possible.
- b. Effect of Termination.
  - 1. Except as provided in paragraph 2 of this section, upon termination of the Engagement, Business Associate will return or destroy all PHI received from Covered Entity or created, received, maintained or transmitted by Business Associate on behalf of Covered Entity. This provision will apply to PHI that is in

the possession of subcontractors or agents of Business Associate. Business Associate will retain no copies of PHI.

2. In the event that Business Associate determines that returning or destroying the PHI is infeasible, Business Associate will provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of PHI is infeasible, Business Associate will extend the protections of this Agreement to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible for so long as Business Associate maintains such PHI.

## **VII. Indemnification**

Each Party (the "Indemnifying Party") shall defend, hold harmless and indemnify the other Party (the "Indemnified Party") against any and all claims, liabilities, damages, judgments, costs and expenses (including reasonable attorney's fees and costs) asserted against, imposed upon or incurred by the Indemnified Party that arises out of, or in connection with, the Indemnifying Party's default under or failure to perform any contractual or other obligation, commitment or undertaking under this Agreement, or the negligence of the Indemnifying Party or its employees, agents, or representatives in the discharge of its or their responsibilities, or any other act or omission of the Indemnifying Party or its employees, agents or representatives. This provision will survive termination of the Agreement with respect to any claim, action, or proceeding by a third party that relates to acts or omissions occurring during the term of this Agreement.

## **VIII. Miscellaneous**

- a. Survival. The respective rights and obligations of Business Associate and Covered Entity under Sections II, VI, VII, and VIII of this Agreement shall survive the termination of this Agreement.
- b. Notification. Except as otherwise agreed to in this Agreement, any notice required or permitted under this Agreement will be given in writing and delivered personally or sent by certified mail, return receipt requested, or by reputable overnight delivery service, such as Federal Express, to the following addresses:

Covered Entity

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Business Associate

Touching Hearts, Inc.  
11100 Wayzata Blvd., Suite 390  
Minnetonka, MN 55350

Such addresses may be changed by either Party by written advice as to the new address given as above provided.

- c. Interpretation. Any ambiguity in this Agreement will be resolved in favor of a meaning that permits Covered Entity and Business Associate to comply with HIPAA, the Regulations, and HITECH. In the event of any inconsistency between the provisions of this Agreement, the Engagement and the Regulations, the Regulations will control.
- d. No Third Party Beneficiaries. This Agreement is intended for the sole benefit of the Business Associate and Covered Entity and does not create any third party beneficiary rights.

- e. Unenforceability. In the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the provisions of this Agreement will remain in full force and effect. In addition, in the event either Party believes in good faith that any provision of the Agreement fails to comply with the then-current requirements of HIPAA, the Regulations, and other applicable law, including but not limited to HITECH and all regulations promulgated thereunder, that Party will notify the other Party in writing. For a period of up to thirty (30) days, the Parties will address in good faith such concern and will amend the terms of this Agreement if necessary to bring it into compliance. If after such thirty (30) day period either Party in good faith believes that this Agreement fails to comply with HIPAA, the Regulations, and other applicable law, including but not limited to HITECH and all regulations promulgated thereunder, then that Party has the right to terminate this Agreement upon written notice to the other Party.
  
- f. Independent Contractors. Business Associate is not the agent of Covered Entity and Covered Entity does not control, supervise or instruct Business Associates or any Subcontractors. The Parties are independent contractors and nothing in this Agreement will be deemed to make them partners or joint venturers or make Business Associate an agent of Covered Entity.
  
- g. Entire Agreement. This Agreement is the entire agreement of the Parties related to its subject matter and supersedes all prior agreements between the Parties that were designated or qualified as business associate agreements and replaces all previous drafts, understandings and communications.

The Parties have executed this Agreement to be effective as of the Effective Date.

**COVERED ENTITY:**

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**BUSINESS ASSOCIATE:**

**TOUCHING HEARTS, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT B**

**LIST OF STATE FRANCHISE ADMINISTRATORS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Maryland	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Corporate Oversight Division	G. Mennen Williams Building, 5th Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York	New York State Department of Law Investor Protection Bureau	28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8222
North Dakota	Insurance Commissioner North Dakota Insurance & Securities Department	600 East Boulevard Avenue, Dept 401 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT C**  
**AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Corporate Oversight Division	G. Mennen Williams Building, 5th Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York	Secretary of State of New York	99 Washington Avenue Albany, NY 12231 518-473-2492
North Dakota	Insurance Commissioner North Dakota Insurance & Securities Department	600 East Boulevard Avenue, Dept 401 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT D**

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**EXHIBIT E**

**FINANCIAL STATEMENTS**

**TOUCHING HEARTS, INC.**

**FINANCIAL STATEMENTS**

December 31, 2025, 2024, and 2023

**TOUCHING HEARTS, INC.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Stockholders  
Touching Hearts, Inc.  
Minneapolis, Minnesota

### **Opinion**

We have audited the accompanying financial statements of Touching Hearts, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of income, changes in stockholders' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2025 financial statements referred to above present fairly, in all material respects, the financial position of Touching Hearts, Inc., and the results of its operations and its cash flows for the year then ended 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Touching Hearts, Inc. 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.

### **Prior Period Financial Statements**

The financial statements of Touching Hearts, Inc. as of December 31, 2024 and 2023, were audited by other auditors whose report dated May 6, 2025, expressed an unmodified opinion on those financials.

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

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



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

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

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

*Redpath and Company, LLC*

REDPATH AND COMPANY, LLC  
St. Paul, Minnesota

April 29, 2026

## **FINANCIAL STATEMENTS**

Assets	2025	2024	2023
Current assets:			
Cash	\$337,151	\$97,273	\$87,291
Accounts receivable	200,153	168,508	133,550
Inventory	12,972	15,299	18,925
Prepaid expenses	16,098	17,096	34,050
Current portion of notes receivable	99,275	2,400	2,817
Total current assets	<u>665,649</u>	<u>300,576</u>	<u>276,633</u>
Property and equipment, net	<u>2,574</u>	<u>2,376</u>	<u>4,437</u>
Other assets:			
Operating lease right-of-use assets	11,066	36,215	66,096
Notes receivable, net of current portion	12,600	15,000	16,200
Intangible assets, net	-	17,164	58,357
Security deposits	4,583	4,583	4,583
Total other assets	<u>28,249</u>	<u>72,962</u>	<u>145,236</u>
Total assets	<u>\$696,472</u>	<u>\$375,914</u>	<u>\$426,306</u>

The accompanying notes are an integral part of these financial statements.

Liabilities and Stockholders' Equity (Deficit)	2025	2024	2023
<b>Current liabilities:</b>			
Line of credit	\$ -	\$29,364	\$35,570
Current portion of notes payable	196,173	236,948	18,958
Current portion of operating lease liabilities	6,300	36,514	34,367
Accounts payable	52,528	92,825	95,326
Accrued expenses	174,190	47,284	33,318
Due to stockholder	-	-	31,000
Current portion of deferred revenue	613,350	9,171	19,800
Total current liabilities	<u>1,042,541</u>	<u>452,106</u>	<u>268,339</u>
<b>Long-term liabilities:</b>			
Notes payable, net of current portion	100,100	296,331	60,299
Operating lease liabilities, net of current portion	-	6,300	42,814
Deferred revenue, net of current portion	-	88,823	-
Total long-term liabilities	<u>100,100</u>	<u>391,454</u>	<u>103,113</u>
Total liabilities	<u>1,142,641</u>	<u>843,560</u>	<u>371,452</u>
<b>Stockholders' equity (deficit):</b>			
Common stock; \$0.01 par value; 10,000 shares authorized; 1,000, 1,000, and 1,020 shares issued and outstanding as of December 31, 2025, 2024, and 2023, respectively.	10	10	10
Additional paid-in capital	51,555	51,555	207,276
Retained deficit	(497,734)	(519,211)	(152,432)
Total stockholders' equity (deficit)	<u>(446,169)</u>	<u>(467,646)</u>	<u>54,854</u>
Total liabilities and stockholders' equity (deficit)	<u>\$696,472</u>	<u>\$375,914</u>	<u>\$426,306</u>

The accompanying notes are an integral part of these financial statements.

**TOUCHING HEARTS, INC.**

## STATEMENTS OF INCOME

For The Years Ended December 31, 2025, 2024, and 2023

**Statement 2**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Revenues:			
Royalty income	\$3,411,176	\$2,983,735	\$2,729,519
Franchise fee income	275,994	50,406	92,968
Other income	44,194	9,294	8,929
Total revenue	<u>3,731,364</u>	<u>3,043,435</u>	<u>2,831,416</u>
Operating expenses:			
Personnel salaries and benefits	1,350,632	1,144,804	889,743
Franchisee training and seminars	348,097	251,252	259,169
Advertising and promotion	368,998	333,942	368,408
General and administrative expenses	793,675	816,895	390,906
Rent expense	67,626	66,543	67,248
Depreciation and amortization	18,140	43,254	43,254
Total operating expenses	<u>2,947,168</u>	<u>2,656,690</u>	<u>2,018,728</u>
Income from operations	<u>784,196</u>	<u>386,745</u>	<u>812,688</u>
Other income (expense):			
Other expense	(4,767)	(4,664)	-
Interest expense	(27,220)	(21,537)	(12,444)
Total other income (expense), net	<u>(31,987)</u>	<u>(26,201)</u>	<u>(12,444)</u>
Net income	<u>\$752,209</u>	<u>\$360,544</u>	<u>\$800,244</u>

The accompanying notes are an integral part of these financial statements.

**TOUCHING HEARTS, INC.****STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**

For The Years Ended December 31, 2025, 2024, and 2023

**Statement 3**

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance - December 31, 2022	1,000	\$10	\$87,276	(\$161,591)	(\$74,305)
Stock based compensation	20	-	120,000	-	120,000
Net income	-	-	-	800,244	800,244
Distributions	-	-	-	(791,085)	(791,085)
Balance - December 31, 2023	1,020	10	207,276	(152,432)	54,854
Repurchase of stock	(20)	-	(155,721)	-	(155,721)
Net income	-	-	-	360,544	360,544
Distributions	-	-	-	(727,323)	(727,323)
Balance - December 31, 2024	1,000	10	51,555	(519,211)	(467,646)
Net income	-	-	-	752,209	752,209
Distributions	-	-	-	(730,732)	(730,732)
Balance - December 31, 2025	<u>1,000</u>	<u>\$10</u>	<u>\$51,555</u>	<u>(\$497,734)</u>	<u>(\$446,169)</u>

The accompanying notes are an integral part of these financial statements.

**TOUCHING HEARTS, INC.****STATEMENTS OF CASH FLOWS**

For The Years Ended December 31, 2025, 2024, and 2023

**Statement 4**

	2025	2024	2023
Cash flows from operating activities:			
Net income	\$752,209	\$360,544	\$800,244
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	18,140	43,254	43,254
Non-cash compensation and expenses	-	390,633	-
Stock based compensation	-	-	60,000
Operating lease right-of-use assets and operating lease liabilities, net	(11,365)	(4,486)	(3,426)
Changes in operating assets and liabilities:			
Accounts receivable	(31,645)	(34,958)	(12,755)
Inventory	2,327	3,626	1,373
Prepaid expenses	998	16,954	(26,707)
Accounts payable	(40,297)	(2,501)	29,892
Accrued expenses	126,906	13,966	(26,537)
Deferred revenue	419,081	78,194	19,800
Net cash flows provided by operating activities	<u>1,236,354</u>	<u>865,226</u>	<u>885,138</u>
Cash flows from investing activities:			
Purchase of property and equipment	(1,174)	-	-
Payments on notes receivable	1,800	1,617	7,400
Net cash flows provided by (used in) investing activities	<u>626</u>	<u>1,617</u>	<u>7,400</u>
Cash flow from financing activities:			
Borrowings from line of credit	-	63,243	88,000
Payments on line of credit	(29,364)	(69,449)	(52,430)
Principal payments on notes payable	(237,006)	(57,332)	(17,859)
Payments on stockholder advance	-	(31,000)	(69,000)
Repurchase of stock	-	(35,000)	-
Distributions	(730,732)	(727,323)	(791,085)
Net cash flows used in financing activities	<u>(997,102)</u>	<u>(856,861)</u>	<u>(842,374)</u>
Net increase in cash	239,878	9,982	50,164
Cash - beginning of year	<u>97,273</u>	<u>87,291</u>	<u>37,127</u>
Cash - end of year	<u><u>\$337,151</u></u>	<u><u>\$97,273</u></u>	<u><u>\$87,291</u></u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	<u>\$27,220</u>	<u>\$21,537</u>	<u>\$12,444</u>
Cash paid for amounts included in the measurement of operating lease liabilities	<u>\$37,211</u>	<u>\$36,133</u>	<u>\$35,072</u>
Supplemental schedule of noncash investing and financing activities:			
Repurchase of stock financed through notes payable	<u>\$ -</u>	<u>\$120,721</u>	<u>\$ -</u>
Expenses financed through notes payable	<u>\$ -</u>	<u>\$390,633</u>	<u>\$ -</u>
Issuance of notes receivable in exchange for deferred franchise revenue	<u>\$96,275</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

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**Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF OPERATIONS

Touching Hearts, Inc. (the Company) is a franchisor, selling franchises to provide non-medical home care services to seniors and people with disabilities. The Company filed a Uniform Franchise Offering Circular with the state of Minnesota and was authorized to sell franchises as of December 31, 2006.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH

The Company maintains its cash in financial institutions which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant cash credit risk.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at their outstanding principal balances, net of an allowance for expected credit losses. Payment terms on invoiced amounts are generally 30 days, and financing arrangements are normally not offered. The Company estimates the allowance for credit losses on trade accounts receivables on a collective basis when receivables share similar risk characteristics. The estimate is based primarily on historical loss experience, adjusted as necessary for current economic conditions and other relevant qualitative factors. Receivables with known collectability issues or that do not share similar risk characteristics are evaluated on an individual basis.

Notes receivable represent amounts from customer obligations due under extended payment terms exceeding one year. The notes carry interest rates of 0%, with payments applied entirely to the principal balance. The Company evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for credit losses being provided if necessary. At December 31, 2025, 2024, and 2023, notes receivable were deemed to be fully collectable.

In addition, the Company has made a policy election to consider subsequent cash collections on accounts receivable through the date the financial statements are available to be issued when evaluating the adequacy of the allowance for expected credit losses. Based on this assessment, management has concluded that expected credit losses are immaterial to the financial statements taken as a whole as no allowance for credit losses was recorded for years presented.

INVENTORY

Inventory consists of promotional items for sale to franchisees. It is stated at the lower of cost or net realizable value. Cost is determined on an average cost basis.

#### PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from five to seven years.

#### INTANGIBLE ASSETS

Intangible assets consist of franchising costs that are carried at cost and amortized using the straight-line method over estimated lives of 15 years.

The Company capitalizes website development costs related to software in the application development stage. All other costs related to website development are expensed as incurred. These costs are amortized using the straight-line method over an estimated life of three years.

#### IMPAIRMENT OF LONG-LIVED ASSETS

The Company follows authoritative guidance issued by FASB regarding *Accounting for the Impairment or Disposal of Long-Lived Assets*. This guidance requires that long-lived assets and certain identifiable assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of any asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of their carrying amount with their future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. The Company did not recognize any impairment of its long-lived assets for the years ended December 31, 2025, 2024, and 2023.

#### LEASES

The Company leases a certain building. For any lease with an initial term in excess of 12 months, the related leased asset and liability are recognized on the balance sheets as either operating or financing leases at the inception of an agreement where it is determined that a lease exists. The Company has elected to exclude short-term leases for all classes of underlying assets from balance sheets recognition. A lease is considered to be short-term if it contains a lease term of 12 months or less. Lease expense related to short-term leases is recognized on a straight-line basis over the term of the lease. The Company may enter into leases that contain both lease and non-lease components. The Company may enter into leases with entities under common control. The Company has elected to use written terms and conditions to determine if a lease exists, and if so, the classification and accounting for those leases.

**TOUCHING HEARTS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025, 2024, and 2023

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Operating lease assets are included in operating right-of-use (ROU) assets. ROU assets represent the right to use an underlying asset for the lease term and operating lease liability represents the obligation to make lease payments arising from the related operating lease. Finance lease are included in property and equipment and finance lease liability. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. The Company has elected to use the risk-free rate as the discount factor in lieu of determining the incremental borrowing rate for all classes of underlying assets when the implicit rate is not readily determinable.

#### REVENUE RECOGNITION

Revenue recognition is governed by Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which requires entities to recognize revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled. The Company derives its revenues primarily from initial franchise fees and ongoing royalty fees collected from franchisees. Revenues are recognized based on the nature and timing of satisfaction of the Company's performance obligations under franchise agreements.

Franchise agreements require franchisees to pay a nonrefundable initial franchise fee upon execution of the agreement and to remit ongoing royalty fees based on a percentage of gross revenues, as defined in the franchise agreement. Sales taxes and other similar taxes collected concurrently with revenue-producing activities are excluded from revenue.

The Company's obligations related to the initial franchise fee include providing required pre-opening services and granting the franchisee the right to operate under the Company's trademarks and proprietary system. Management concluded that the franchise license does not provide standalone value to the franchisee prior to completion of required pre-opening activities and cannot be utilized independently of those services. Accordingly, the license and required pre-opening services are accounted for as a single combined performance obligation in accordance with ASC 606 and the practical expedient under ASU 2021-02, *Franchisors — Revenue from Contracts with Customers*.

The combined performance obligation related to the initial franchise fee is satisfied at a point in time, specifically when all required pre-opening activities have been completed and the franchise is authorized to open for business. Initial franchise fees collected prior to opening are recorded as deferred revenue and recognized when the franchise is authorized to open.

Ongoing royalty fees represent consideration for continued access to the Company's franchise system, brand support, and ongoing services provided after the franchise opens and are recognized over time as the related franchisee revenues occur.

Revenue from inventory sales is recognized when control of the inventory transfers to the customer, which generally occurs upon shipment, and is recorded as other income in the statements of income.

#### ADVERTISING COSTS

Advertising costs associated with solicitation of new franchisees are expensed as incurred. Advertising costs totaled \$368,998, \$333,942, and \$368,408 for the years ended December 31, 2025, 2024, and 2023, respectively.

#### INCOME TAXES

The Company, with the consent of its stockholders, has elected to be taxed under sections of federal and state income tax law that provide that, in lieu of corporation income taxes, the stockholders will separately account for their pro rata shares of the Company's income, deductions, losses and credits. The Company intends to make distributions in amounts that would allow the stockholders to fund their personal income tax liabilities associated with the taxable income of the Company. The company pays certain minimum filing fees and state income taxes related to the states in which it does business. The Company follows guidance on accounting for uncertainty in income taxes. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

#### STOCK BASED COMPENSATION

Stock based compensation expense reflects the fair value of stock based awards measured at the grant date. The Company estimates the fair value of each stock based award on the measurement date using a methodology which encompasses prior stock transactions and adjusts for current operations.

#### RECLASSIFICATIONS

Certain amounts reported in the Company's 2024 and 2023 financial statements have been reclassified to conform to the 2025 financial statement presentation. These classifications had no effect on previously reported net income or changes in stockholders' equity.

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management for recognition or disclosure through April 29, 2026, which is the date the financial statements were available to be issued.

Subsequent to year end \$95,275 of notes receivable for deferred franchise revenue was collected.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

The Company has elected the practical expedient available under ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This expedient allows the Company to assume that current conditions as of the balance sheet date will remain unchanged for the remaining life of the assets. ASU 2025-05 also provides for a policy election available to privately-held companies that elect the practical expedient. This accounting policy election permits the Company to consider collection activity after the balance sheet date when estimating expected credit losses. ASU 2025-05 is effective for annual periods beginning after December 15, 2025, with early adoption permitted.

The Company has elected to adopt both the practical expedient and the accounting policy election under this guidance during the year ended December 31, 2025. These elections were applied prospectively to current accounts receivable and current contract assets arising from transactions accounted for under ASC 606.

**TOUCHING HEARTS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025, 2024, and 2023

**Note 2 REVENUE**

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time	\$320,188	\$48,794	\$101,897
Performance obligations satisfied over time	3,411,176	2,994,641	2,729,519
	<u>\$3,731,364</u>	<u>\$3,043,435</u>	<u>\$2,831,416</u>

Revenue from performance obligations satisfied at a point in time consists of franchise fees allocated to pre-opening services provided to new franchisees, and inventory sales.

Revenue from performance obligations satisfied over time consist of royalty revenue.

Accounts receivable, contract assets, and contract liabilities on the balance sheets as of December 31, 2025, 2024, and 2023, consisted of accounts and notes receivable, and deferred revenue. Accounts receivable at January 1, 2023 was \$120,795, notes receivable at January 1, 2023, was \$26,417, and deferred revenue at January 1, 2023, was \$0.

**Note 3 INTANGIBLE ASSETS**

Intangible assets consisted of the following:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Franchising costs	\$27,177	\$27,177	\$27,177
Website development costs	123,580	123,580	123,580
Total intangible assets	150,757	150,757	150,757
Less: Accumulated amortization	(150,757)	(133,593)	(92,400)
Intangible assets, net	<u>\$0</u>	<u>\$17,164</u>	<u>\$58,357</u>

Amortization expense was \$17,164, \$41,193, and \$24,265 for the years ended December 31, 2025, 2024, and 2023, respectively.

**Note 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$14,895	\$14,895	\$14,895
Office equipment	6,006	4,832	4,832
Total property and equipment	20,901	19,727	19,727
Less: Accumulated depreciation	(18,327)	(17,351)	(15,290)
Property and equipment, net	<u>\$2,574</u>	<u>\$2,376</u>	<u>\$4,437</u>

Depreciation expense was \$976, \$2,061, and \$2,061 for the years ended December 31, 2025, 2024, and 2023, respectively.

**TOUCHING HEARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025, 2024, and 2023

**Note 5 NOTES RECEIVABLE**

The Company occasionally executes notes receivable with franchisees for the payment of a portion of the initial franchise fee. These notes typically span a period of twelve to thirty-six months and are interest free. The Company routinely assesses the financial ability of the franchisee to pay the note prior to execution of the franchise agreement, and therefore, believes note receivable credit risk is limited. No allowance for credit losses was deemed necessary at December 31, 2025, 2024, and 2023.

**Note 6 LINE OF CREDIT AGREEMENT**

In March of 2022, the Company entered into a revolving line of credit with its primary bank that provides for borrowings up to \$100,000. The agreement has no maturity date but may be canceled by either the borrower or lender with a 30-day written notice. Borrowings under the line of credit bear interest at the Prime Rate plus 4.50% with a minimum floor of 6.00% (effective rate of 11.25% at December 31, 2025). All borrowings are collateralized by certain assets of the Company and guaranteed by shareholders. Amounts outstanding on the line totaled \$0, \$29,364, and \$35,570 as of December 31, 2025, 2024, and 2023, respectively.

**Note 7 LONG-TERM DEBT**

Long-term debt consisted of the following:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Term note payable with financial institution, payable in monthly installments of \$1,933, including interest of 5.99% due October 2027, secured by substantially all assets of the Company and guaranteed by stockholders.	\$40,172	\$60,299	\$79,257
Stock redemption note payable with former stockholder, payable in monthly installments of \$2,333, including interest of 5.99% due November 2029.	97,536	118,962	-
Note payable with former stockholder, payable in bi-monthly installments of \$6,550, including interest of 5.99% due January 2027.	158,565	301,768	-
Note payable with former stockholder, payable in monthly installments of \$4,354, including interest of 0.00% due December 2025. Paid in full in 2025.	-	52,250	-
Total notes payable	296,273	533,279	79,257
Less: Current portion of notes payable	(196,173)	(236,948)	(18,958)
Notes payable, net of current portion	<u>\$100,100</u>	<u>\$296,331</u>	<u>\$60,299</u>

**TOUCHING HEARTS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025, 2024, and 2023

Current portion of long-term debt are as follows:

Years Ended December 31,	
2026	\$196,173
2027	49,518
2028	25,667
2029	24,915
	<u>\$296,273</u>

**Note 8 RELATED-PARTY TRANSACTIONS**

During 2022, a stockholder loaned the Company \$100,000 for short term liquidity needs. There is no formal agreement and repayment terms have not been established. At December 31, 2025, 2024, and 2023, the outstanding balance due was \$0, \$0, and \$31,000, respectively, and is recorded as due to stockholder on the balance sheets.

During 2022, the Company hired an employee who also is a franchisee. The Company recognized \$25,446, \$36,217, and \$51,412 of royalty revenue from this franchise for the years ended December 31, 2025, 2024, and 2023, respectively.

Payments made under related party note agreements totaled \$20,127 for the year ended December 31, 2025, resulting in interest expense of \$4,127 in 2025.

**Note 9 OPERATING LEASES**

The Company leases an office under a long-term, non-cancellable operating lease. The lease expires February 2026. The office lease provides for increases in future minimum annual rent payments. The office lease requires the Company to pay a proportionate share of real estate taxes and operating expenses.

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term:			
Operating leases	0.16 years	1.16 years	2.16 years
Weighted Average Discount Rate:			
Operating leases	2.96%	2.96%	2.96%

The maturities of lease liabilities are as follows:

<u>Years Ending December 31,</u>	<u>Operating</u>
2026	<u>\$6,308</u>
Total lease payments	6,308
Less: Present value discount	<u>(8)</u>
Present value of lease liability	<u>\$6,300</u>

**TOUCHING HEARTS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025, 2024, and 2023

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The following summarizes the line item on the statement of income which include the components of rent expense for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Rent expense:			
Operating lease expense	\$31,646	\$31,646	\$31,646
Short-term lease expense	4,261	3,467	4,798
Non-lease component expense	31,719	31,430	30,804
Total rent expense	<u>\$67,626</u>	<u>\$66,543</u>	<u>\$67,248</u>

**Note 10 STOCKHOLDERS' EQUITY**

ACTIVITY

During 2025, a stockholder sold 33% of their shares; 16.5% each to two existing stockholders. The transaction occurred outside of the Company and, therefore, had no effect on total stockholders' equity.

BUY-SELL AGREEMENT

In conjunction with the sale of stock, the stockholders subsequently agreed to restrict the transfer of shares whether voluntarily, involuntarily, or upon death. Generally, before stock can be sold to any outside party, the Company has the right to repurchase the shares first, then the remaining stockholders have the right to purchase the shares second. The agreement also addresses the purchase price and payment methodology.

STOCK BONUS PLAN

A key employee was granted the right to common shares upon the attainment of certain performance goals tied to revenues; a total of 1% per year for the next five years for a maximum 5% of outstanding common shares. At December 31, 2022, the first annual performance goal for 2022 was determined to have been met. Accordingly, a \$60,000 accrued bonus was recorded based on the estimated fair value of the Company as determined by management.

At December 31, 2023, the second annual performance goal for 2023 was determined to have been met. Accordingly, a \$60,000 bonus was recorded based on the estimated fair value of the Company as determined by management.

In December 2023, 20.2 shares of common stock, valued at \$120,000, were issued to the key employee to satisfy both the 2022 and 2023 obligations.

In 2024, the Company repurchased the 20.2 shares of stock for \$35,000 cash and \$140,000 note payable (for a total discounted value of \$155,721). The Stock Bonus Plan was effectively terminated.

**TOUCHING HEARTS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025, 2024, and 2023

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**Note 11 CONCENTRATIONS OF CREDIT RISK**

As of December 31, 2025, one franchisee comprised approximately 14% of the Company's outstanding accounts receivable. As of December 31, 2024, two franchisees comprised approximately 44% of the Company's outstanding accounts receivable. As of December 31, 2023, there were no concentrations of the Company's outstanding accounts receivable.

For the year ended December 31, 2025, there were no revenue concentrations. For the year ended December 31, 2024, one franchisee comprised approximately 11% of revenue. For the year ended December 31, 2023, there were no revenue concentrations.

**EXHIBIT F**

**LIST OF FRANCHISEES AND FORMER FRANCHISEES  
EXISTING FRANCHISES  
AS OF APRIL 1, 2026**

<b>Owners</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone</b>
Tremaine Davis	3004 Clairmont Ave S.	Birmingham	AL	35205	205.413.6354
Jan Pickering	2990 N Litchfield Rd	Goodyear	AZ	85395	623.207.9391
Pancham Parikh	2347 Sunny Vista Drive	San Jose	CA	95128	858-335-4024
Stacey Strouse & Franny Schmidt	2851 South Parker Rd. Suite 114	Aurora	CO	80014	303.632.8786
Michael Mascarenas	8285 Long Leaf Lave	Colorado Springs	CO	80927	719.289.2316
Ryan Fensler	3333 South Bannock St. #210	Englewood	CO	80110	303.962.1276
Rosie Masterson	406 Depee Street	Kit Carson	CO	80825	719.962.3203
Chris Greene	1331 West 121 <sup>st</sup> Avenue	Westminster	CO	80234	303.255.4071
Brian Casebolt	27137 Serrano Way	Bonita Springs	FL	34135	817-929-2949
Brian Casebolt	27137 Serrano Way	Bonita Springs	FL	34135	817-929-2949
Brian Casebolt	27137 Serrano Way	Bonita Springs	FL	34135	817-929-2949
Brian Casebolt	27137 Serrano Way	Bonita Springs	FL	34135	817-929-2949
Matt Shockley	631 SW UNITY CT	Ft White	FL	32038	616-724-6898
Ruben Ramos	5109 N.W. 39 <sup>th</sup> Ave Suite F	Gainesville	FL	32606	352.225.3727
Terri White & Sonya Weathers	120 Broadway Suite 101	Kissimmee	FL	34741	407.483.7815
Terri White & Sonya Weathers	120 Broadway Suite 101	Kissimmee	FL	34741	407.483.7815
Fougasse Azarre	5201 Babcock St. Suite 8 NE	Palm Bay	FL	32905	321.345.4000
Flavio Vivas	11125 Park Blvd Suite 104-156	Seminole	FL	33772	727.262.1212
Flavio Vivas	11125 Park Blvd Suite 104-156	Seminole	FL	33772	727.262.1212
Flavio Vivas	11125 Park Blvd Suite 104-156	Seminole	FL	33772	727.262.1212
Flavio Vivas	11125 Park Blvd Suite 104-156	Seminole	FL	33772	727.262.1212
Flavio Vivas	11125 Park Blvd Suite 104-156	Seminole	FL	33624	727.262.1212
David Ayad & Mina Dawoud	425 Commercial Ct, Suite J	Venice	FL	34292	941.422.7717
David Ayad & Mina Dawoud	425 Commercial Ct, Suite J	Venice	FL	34292	941.422.7717
David Ayad & Mina Dawoud	425 Commercial Ct, Suite J	Venice	FL	34292	941.422.7717
Jeri & Roy Pleticha	2005 Ironwood Pkwy Ste 224	Coeur D'Alene	ID	83814	208.601.8300
Matthew Ibalio	864 Marina Terr E	Bartlett	IL	60103	331-806-9702
Jeffrey Bryk	110 Schiller St. Suite 230	Elmhurst	IL	60126	630.359.3040
Jeffrey Bryk	110 Schiller St. Suite 230	Elmhurst	IL	60126	630.359.3040
Alex & Sydne Raiyn	5 Brookdale Court	Pittsburg	IL	94565	734-395-5707
David & Anita Settle	820 E. Ave South	Lyons	KS	67554	785.656.0010
Justin McDermott	345 Neponset St. Suite 3	Canton	MA	02081	781.619.8644
Justin McDermott	345 Neponset St. Suite 3	Canton	MA	02021	781.619.8644
Angelo Grant	18088 Northlawn St	Detroit	MI	48221	313.415.8644
Brandon Briesath	21430 W Greenfield Ave	Grand Rapids	MI	53045	616.302.3536
Cindy Huseby	318 Minneapolis Avenue	Duluth	MN	55803	218.724.4743
Aaron & Breanne Stromley	4895 Woods Court	Eagan	MN	55122	651.452.7900
Aaron & Breanne Stromley	4895 Woods Court	Eagan	MN	55122	651.452.7900
Aaron & Breanne Stromley	4895 Woods Court	Eagan	MN	55122	651.452.7900
Aaron & Breanne Stromley	4895 Woods Court	Eagan	MN	55122	651.452.7900
Aaron & Breanne Stromley	4895 Woods Court	Eagan	MN	55122	651.452.7900
Jarrod Peterson	14 4 <sup>th</sup> Avenue SE	New London	MN	56273	320.354.4663
Jarrod Peterson	1612 Randolph Ave. Suite 2	Saint Paul	MN	55105	651.452.6825
Jarrod Peterson	1612 Randolph Ave. Suite 2	Saint Paul	MN	55105	651.452.6825
Josh & Carol Savitz	933 Louise Ave #101	Charlotte	NC	28204	704.831.9030
Josh & Carol Savitz	933 Louise Ave #101	Charlotte	NC	28204	704.831.9030

<b>Owners</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone</b>
Josh & Carol Savitz	933 Louise Ave #101	Charlotte	NC	28204	704.831.9030
Shannon Vargas	10730 Pacific Street Suite 25	Omaha	NE	68114	402.934.3303
Voula Liacopulos	450 Tilton Road Suite 201	Northfield	NJ	08225	609.241.0899
Mary Lindewirth & Lorraine Frankel	PO Box 115	Stirling	NJ	07980	908.607.1945
Thomas & Simon Leeds	2470 St. Rose Pkwy	Henderson	NV	89074	702.586.3854
Justin McDermott	251 New Karner Road	Albany	NY	12205	518.250.6867
Justin McDermott	6311 Fly Road Suite 106	East Syracuse	NY	13057	315.503.4896
Scott Smith	2 Maplewood Ave	Farmingdale	NY	11735	516.737.1618
Craig Sendach	733 3 <sup>rd</sup> Avenue, Floor 16	New York	NY	10017	212.201.6139
Craig Sendach	733 3 <sup>rd</sup> Avenue, Floor 16	New York	NY	10017	212.201.6139
Craig Sendach	733 3 <sup>rd</sup> Avenue, Floor 16	New York	NY	10017	212.201.6139
Mark McDermott	50 Prince Street Suite 317	Rochester	NY	14607	585.271.7390
Mark McDermott	50 Prince Street Suite 317	Rochester	NY	14607	585.271.7390
Mark McDermott	50 Prince Street Suite 317	Rochester	NY	14607	585.271.7390
Mark McDermott	2813 Wehrle Drive Suite 8	Williamsville	NY	14221	716.898.8566
Andy McDermott & Chris Lawrence	2000 Auburn Dr., Suite 200, Office 208	Beachwood	OH	44122	585.770.3263
Scott Taylor	9128 Tansing Dr	Cincinnati	OH	45231	513.324.7770
Scott Taylor	9128 Tansing Dr	Cincinnati	OH	45231	513.324.7770
Kelly George	305 E. Stroop Rd.	Kettering	OH	45429	937.558.9394
Kelly George	305 E. Stroop Rd.	Kettering	OH	45429	937.558.9394
Jenni Blake	342 Columbus Ave	Lebanon	OH	45036	513.433.3737
Dan Wilson	257 West Uwchlan Ave. Office 229	Downingtown	PA	19335	610.557.0270
Dave Wollman	1130 Agnew Drive	Drexel Hill	PA	19026	610.853.8145
Kira Rudolph	501 Valleybrook Rd Suite 106	McMurray	PA	15317	724.941.8860
Dave Wollman	1669 Edgewood Rd, Suite 206	Yardley	PA	19067	215.741.1030
Haley & Bryan Johnson	783 Old Hickory Blvd Suite 360	Brentwood	TN	37027	629.203.7925
Haley & Bryan Johnson	783 Old Hickory Blvd Suite 360	Brentwood	TN	37027	629.203.7925
Eric Masterson	515 Airport Rd, Suite 106	Chattanooga	TN	37421	423.591.7531
Steve & Donna Smith	1043A E. Van Hook St.	Milan	TN	38358	731.613.2526
Steve & Shanie Cunningham	4601 Buffalo Gap Road, B-3	Abilene	TX	79602	325.704.4474
Mohamed Ghanem	620 N Coppell RD	Dallas	TX	75019	726-400-8789
Holly Hill	2201 Long Prairie Rd Suite 107-842	Flower Mound	TX	75022	972.900.3635
Deb Aransiola	55 Prestwick St	Hamilton	TX	L8J0K6	647-767-5287
Allan Hunt	4606 FM 1960 Rd W Suite 698	Houston	TX	77069	281.781.8077
Allan Hunt	4606 FM 1960 Rd W Suite 698	Houston	TX	77069	281.781.8077
Tammie Henderson	8101 Juliette Dr	McKinney	TX	75071	469.916.5203
Terri & Keith Van Stavern	5900 Lake Forest Drive Suite 300	McKinney	TX	75070	469.342.8750
Don & Debbie Heath	104 Industrial Blvd, Suite 210	Sugar Land	TX	77478	281.235.4075
Lance Rodgers	1601 Granite Way	Waxahachie	TX	75165	972-977-0741
Jessica Waller	PO Box 1573	Louisa	VA	23093	540.603.2626
John DePalma	11900 Ne 1 <sup>st</sup> St. Suite 300	Bellevue	WA	98005	425.818.0040
Brandon Briesath	245 Regency Court #L105	Brookfield	WI	53045	262.787.1803
Brandon Briesath	245 Regency Court #L105	Brookfield	WI	53045	262.787.1803
Brandon Briesath	245 Regency Court #L105	Brookfield	WI	53045	262.787.1803
Chad & April Sutkay	PO Box 70	Burlington	WI	53105	262.212.3596
Skip Ballard	808 Heggen St. #245	Hudson	WI	54016	715.245.1944

**LIST OF FORMER FRANCHISEES WHO TRANSFERRED, TERMINATED, NOT  
RENEWED OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED DOING  
BUSINESS**

**AS OF APRIL 1, 2026**

**TRANSFERS – NO LONGER FRANCHISEES**

Stacey Strouse & Franny Schmidt	1125 Kelly Johnson Blvd #340	Colorado Springs	CO	80920	719.888.6535
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**TRANSFERS – STILL FRANCHISEES**

None

**TERMINATIONS\***

None

**NOT RENEWED**

None

**VOLUNTARILY OR INVOLUNTARILY CEASED DOING BUSINESS**

None

**EXHIBIT G**  
**STATE ADDENDA**

## **CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

### Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

### Item 5, Additional Disclosure:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

### Item 17, Additional Disclosure:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur at in the city in which our corporate headquarters is located at the time the arbitration is commenced with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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.

Item 19, Additional Disclosure:

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

## **CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT**

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur at in the city in which our corporate headquarters is located at the time the arbitration is commenced with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

4. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

The undersigned have executed this Addendum as of the date Franchisor signs below.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**HAWAII ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF 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 FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

**HAWAII ADDENDUM TO  
FRANCHISE AGREEMENT**

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

4. 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.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

## **ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

This Addendum relates to franchises sold in the state of Illinois and is intended to comply with Illinois statutes and regulations.

All initial fees payable by you shall be deferred until we have satisfied our pre-opening obligations to you and you have commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

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, arbitration may take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

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.

**ILLINOIS ADDENDUM TO  
FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in Illinois and is intended to comply with Illinois statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

Payment of the Initial Franchise Fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

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, arbitration may take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

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.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**MINNESOTA ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

**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.**

This Addendum relates to franchises sold in the state of Minnesota and is intended to comply with Minnesota statutes and regulations.

1. Item 5. Payment of the Initial Franchise Fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

2. Item 13. Item 13 of the disclosure document is amended to include the following language:

We will indemnify you for damages for which you are held liable in any proceeding arising out of the use of the "Touching Hearts" mark, provided you have used the Marks properly and have notified us of any claim against you within 10 days of your knowledge of the claim. We will have sole control of any litigation involving the Marks. Our indemnification obligation will not apply to any franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

3. Item 17. Item 17 of the disclosure document is amended to include the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor 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 Statutes, Chapter 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 franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases)

(1) 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 (2) that consent to the transfer of the franchise will not be unreasonably withheld.

3. Exhibit H. Exhibit H of the disclosure document is amended to include the following:

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.

## MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

**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.**

This Addendum relates to franchises sold in Minnesota and is intended to comply with Minnesota statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Marks – Indemnification. Section 7 of the Franchise Agreement is amended to include the following language:

We will indemnify you (if you are a Minnesota franchisee) for damages for which such you are held liable in any proceeding arising out of the use of the “Touching Hearts” mark, provided that you have used the mark properly and have notified us of any claim against you within ten (10) days of your knowledge of such claim. We will have sole control of any litigation involving the Marks. Our indemnification obligation will not apply to any franchisee residing outside the state of Minnesota who purchases a franchise to be located outside of Minnesota.

2. Application of Minnesota Law.

A. Sections 3(B) and 15 of the Franchise Agreement are amended by adding the following sentences at the end of each Section: “Minnesota law provides franchisees with certain termination and nonrenewal rights. Minnesota Statutes, Section 80C.14, Subds. 3, 4 and 5 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 nonrenewal of the Franchise Agreement.”

B. Section 18 of the Franchise Agreement is amended by adding the following sentences at the end of each Section: “Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor 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 Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

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

4. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

5. Payment of the Initial Franchise Fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

## NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

### Cover Page, Additional Disclosure.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B OR YOUR PUBLIC LIBRARY FOR SERVICES 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 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 CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

With the exception of what is stated above, 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 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 10-year 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.

## Item 5, Additional Disclosures.

The Initial Franchise Fee constitutes part of our general operating funds and will be used as such in our discretion.

2. 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 that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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

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

4. 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 the franchisee by Article 33 of the General Business Law of the State of New York

5. 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.

6. 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 earlier 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.

**NEW YORK ADDENDUM TO  
FRANCHISE AGREEMENT**

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

## **MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

### Item 17, Additional Disclosures:

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

### Franchisee Acknowledgment / Compliance Certification:

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

**MARYLAND ADDENDUM TO  
FRANCHISE AGREEMENT**

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

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.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**RHODE ISLAND ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure. The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**RHODE ISLAND ADDENDUM TO  
FRANCHISE AGREEMENT**

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

## **VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

### Item 5, Initial Franchise Fees:

Payment of the Initial Franchise Fee is deferred until such time as we complete our initial obligations and you open for business.

### Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

“According to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

### The following two sections apply to any Franchise Agreement entered into after June 30, 2026:

Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.

Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act (“Act”), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

### Exhibit H, Additional Disclosure:

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.

**VIRGINIA ADDENDUM TO  
FRANCHISE AGREEMENT**

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

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.

In lieu of an impound of franchise fees, we will not require or accept the payment of any Initial Franchise Fees until you have (a) received all pre-opening and initial training obligations that you are entitled to under the franchise agreement or FDD, and (b) are open for business.

The following two sections apply to any Franchise Agreement entered into after June 30, 2026:

a. Section 9(C) of the Franchise Agreement is modified to provide that the post-termination non-compete will not apply to Franchisee upon termination or expiration of the Franchise Agreement.

b. Section 18(D) of the Franchise Agreement is amended to provide that the Franchise Agreement will be governed by the laws of the Commonwealth of Virginia.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

The undersigned have executed this Addendum as of the date Franchisor signs below.

<b>WE:</b>  <b>TOUCHING HEARTS, INC.</b>  By _____ Its _____	<b>YOU:</b>  _____  By _____ Its _____
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## 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. Deferral of Initial Fees.** Item 5 is amended to provide that, in lieu of an impound of franchise fees, we (the Franchisor) will not require or accept the payment of any initial franchise fees until you (the franchisee) has (a) received all pre-opening and initial training obligations that you are entitled to under the franchise agreement or offering circular, and (b) is open for business.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

**WE:**

**YOU:**

**TOUCHING HEARTS, INC.**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT H**

**DISCLOSURE ACKNOWLEDGMENT AGREEMENT**

Applicant \_\_\_\_\_ (If corporation) State of Incorporation \_\_\_\_\_ Address of Applicant \_\_\_\_\_ Location (Territory) Applied For \_\_\_\_\_.

1. I have received all appropriate disclosure documents for the State(s) of \_\_\_\_\_ at least fourteen (14) calendar days, exclusive of the day I received them and the day I signed them, before signing the Franchise Agreement and/or payment of any monies.

2. I have signed and returned to Touching Hearts, Inc. (you) the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Franchise Agreement thoroughly and understand all of your covenants and obligations and my obligations as a franchisee of the TH system. I understand that the Franchise Agreement contains all obligations of the parties and that you do not grant to me under the Franchise Agreement any right of first refusal.

4. I understand that this franchised business, as in all business ventures, involves risk. Despite assistance and support programs I may receive from you, the success of my business will depend largely upon me, my ability and the economic, political, competitive and social environment in which I operate the franchised business.

5. Except for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement or related agreement was signed.

6. I understand that you have or may establish a national marketing and promotional program which is not directed towards any specific franchise territory but is intended to benefit the entire TH system nationwide. I further understand that amounts from the national marketing and promotional fund (if established) will be used to offset any in-house expenses you incur in providing marketing services, media planning, and network marketing support.

7. I have had no promises, guarantees or assurances made to me and no information provided to me relative to earnings, revenues, profits, expenses or projected revenues for this franchise, except as disclosed in the disclosure document. If I believe that I have received any such promises, guarantees, assurances or information, I agree to describe it below (otherwise write "None").

Washington franchisees should not sign this Disclosure Acknowledgment Agreement.

**DO NOT SIGN THIS DISCLOSURE ACKNOWLEDGMENT AGREEMENT IF YOU ARE A RESIDENT OF OR INTEND TO OPERATE THE FRANCHISED BUSINESS IN CALIFORNIA.**

**Applicants' Acknowledgment:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## **EXHIBIT I**

### **STATE EFFECTIVE DATES AND RECEIPT**

#### **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 franchise 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:

<b>State</b>	<b>Effective Date</b>
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.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do 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 those state administrators listed on Exhibit B.

The franchisor is Touching Hearts, Inc. located at 11100 Wayzata Boulevard, Suite 390, Minnetonka, MN 55350. Our telephone number is (877) 870-8750.

Issuance Date: April 30, 2026

Our franchise sellers involved in offering and selling the franchise to you are Todd Trembl and Andrew Lungstrom, 11100 Wayzata Boulevard, Suite 390, Minnetonka, MN 55350, (877) 870-8750, or are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:

---

We authorize the respective state agencies identified on Exhibit C to receive service of process for us in the particular state.

I have received a franchise disclosure document dated April 30, 2026, that included the following Exhibits:

- A. Franchise Agreement
- B. State Franchise Administrators
- C. Agents for Service of Process
- D. Confidential Operations Manual Table of Contents
- E. Financial Statements
- F. Existing Franchises and Former Franchises
- G. State Specific Addenda
- H. Disclosure Acknowledgement Agreement
- I. State Effective Dates and Receipt

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

**Copy for Franchisee**

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do 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 those state administrators listed on Exhibit B.

The franchisor is Touching Hearts, Inc. located at 11100 Wayzata Boulevard, Suite 390, Minnetonka, MN 55350.

Issuance Date: April 30, 2026

Our franchise sellers involved in offering and selling the franchise to you are Todd Tremel and Andrew Lungstrom, 11100 Wayzata Boulevard, Suite 390, Minnetonka, MN 55350, (877) 870-8750, or are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:

We authorize the respective state agencies identified on Exhibit C to receive service of process for us in the particular state.

I have received a franchise disclosure document dated April 30, 2026, that included the following Exhibits:

- A. Franchise Agreement
- B. State Franchise Administrators
- C. Agents for Service of Process
- D. Confidential Operations Manual Table of Contents
- E. Financial Statements
- F. Existing Franchises and Former Franchises
- G. State Specific Addenda
- H. Disclosure Acknowledgement Agreement
- I. State Effective Dates and Receipt

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

### Copy for Touching Hearts, Inc.

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Todd Tremel by email to [ttremel@touchinghearts.com](mailto:ttremel@touchinghearts.com).