

FRANCHISE DISCLOSURE DOCUMENT

1HCS FRANCHISING LLC
DBA 1HEART CAREGIVER SERVICES

A California Limited Liability Company
16530 Ventura Blvd., Suite 500
Encino, CA 91436

(844) 814-3278
info@1Heartcares.com
www.1Heartcares.com



The franchise offered is for the establishment of a non-medical homecare agency specializing in caregiving services to the elderly and other adults who do not need nursing home care but do require some assistance in meeting their healthcare needs (the “1Heart Caregiver Services Home Care Business,” or “Franchised Business”).

The total investment necessary to begin operations of a 1Heart Caregiver Services Franchised Business is ~~\$125,650~~\$126,735 to ~~\$153,260~~\$155,623. This includes \$61,500 that must be paid to us or our affiliate.

We may, in our discretion, also offer qualified individuals the right to open and operate a Franchised Business in multiple designated territories. The total investment necessary to commence operations in multiple territories will vary based on the number of territories in which we grant you the right to operate. By way of example, the total initial investment necessary to operate in three (3) territories ranges from ~~\$200,650~~\$201,735 to ~~\$228,260~~\$230,623. This includes \$136,500 that must be paid to us or our affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact us at 16530 Ventura Blvd., Suite 500, Encino CA 91436, (844) 814-3278.

The terms of your contract will govern your franchise relationship. Don't rely on this Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, such as a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April ~~15, 2025, as amended October 24, 2025~~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
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G and Exhibit H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only 1Heart business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a 1Heart franchisee?	Item 20 or Exhibit G and H list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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 California. 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 California than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls 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.

Michigan Disclosure Addendum

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

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.**
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN 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 PROVISIONS 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 FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.**
- (E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.**
- (F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.***

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

- i. THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.**
- ii. THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.**
- iii. THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.**
- iv. THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.**

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

*** * ***

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

*** * ***

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY,

TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

*** * ***

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: DEPT. OF ENERGY, LABOR, & ECONOMIC GROWTH, CORPORATIONS DIVISION, P.O. BOX 30054, LANSING, MICHIGAN 48909; 7150 HARRIS DRIVE, LANSING, MICHIGAN 48909.

*** * ***

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE

CONSUMER PROTECTION DIVISION

ATTN: FRANCHISE

670 G. MENNEN WILLIAMS BUILDING

LANSING, MICHIGAN 48913 (571) 373-7117

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Exhibits

- A. List of State Administrators
- B. List of State Agents for Service of Process
- C. Franchise Agreement
- D. Table of Contents of Confidential Operations Manual
- E. Financial Statements
- F. List of Franchisees
- G. List of Terminated Franchisees
- H. Franchisee Disclosure Questionnaire
- I. Multi-State Addenda
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ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, the words “we,” “our,” “us” and “1Heart Caregiver Services” refer to 1HCS Franchising LLC, the franchisor of this business. “You” and “your” refer to the person who buys the franchise, whether you are a corporation, Limited Liability Company or other business entity. If you are a corporation, Limited Liability Company or other business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted.

The Franchisor

The Franchisor, 1HCS Franchising LLC, was organized in California on February 7, 2014, to offer 1Heart Caregiver Services Franchised Businesses. We operated as 1Heart Caregiver Services LLC until March 5, 2023, when we changed our name to 1HCS Franchising LLC dba 1Heart Caregiver Services. Our principal business address is 16530 Ventura Blvd., Suite 500, Encino, CA 91436. We began offering franchises of the type disclosed in this disclosure document in September 2014.

We conduct business under our corporate name, 1HCS Franchising LLC and the trademarks 1Heart Caregiver Services, 1Heart Caregiver University, and our other related trade names, trademarks and logos (our “Marks”).

We offer franchises for the right to operate an agency that provides the following services: in-home supportive non-medical services to the elderly and disabled individuals, and staffing services (non-medical/caregivers, CNA services to SNF, Transitional Care services, in-home respite care for people with developmental disabilities and dementia) to senior living facilities and Residential Care Facilities for the Elderly (RCFE) and persons with disabilities. Other sources of revenue for the agency may include a) referral income derived from providing clients to Senior Living Facilities and RCFE as well as other home healthcare agencies and b) training fees collected through the 1Heart Caregiver University. The business will include experienced caregivers who are trained to address the individual needs of the clients and ~~of~~ their families. The franchise operates using our standards, methods, procedures and specifications, called our “System.”

We do not operate a business of the type being franchised, nor have we offered franchises in any other line of business. Our agent for service of process in California is Kevin Tagarao. For information on the agent for service of process in other states where we may be registered, refer to Exhibit B to this Disclosure Document.

Our Parents, Predecessors, and Affiliates

We do not have any parent companies. We do not have any predecessors.

Our affiliate, Caregiver Services & Homecare, Inc., was incorporated in California on September 30, 2008. Our affiliate has a principal place of business at 16530 Ventura Blvd., Suite 500, Encino, CA 91436. Another affiliate, Beacon Care Solutions, Inc. was incorporated in California on May 13, 2020. Beacon Care Solutions, Inc. has a principal business address of 1050 Lakes Drive, Suite 225, West Covina, California 91790.

The predecessor to our affiliate is California Medical Resources, Inc., which was incorporated in California on October 23, 2003. This company was dissolved in December 2008.

While we do not operate a business of the type being franchised, our affiliate, Caregiver Services & Homecare, Inc., has operated a business of the type being franchised since September 30, 2008, and our affiliate Beacon Care Solutions, Inc. ~~has previously~~ operated a business of the type being franchised since 2020. As of March 2026, Beacon Care Solutions, Inc. has been dissolved, and the business that it previously operated is now operated by Caregiver Services & Homecare, Inc.

The Franchise Offered

We may offer you the opportunity to enter into a franchise agreement (“Franchise Agreement”) with us. We refer to the individuals, corporations, limited liability companies, or general or limited partnerships who will be the franchisee as “you” in this Disclosure Document. Under the Franchise Agreement we will grant you the right and license (the “Franchise”) to operate a 1Heart Caregiver Services Home Care Business (the “Franchised Business”) at a location identified in the Franchise Agreement (the “Approved Location”). The Approved Location will be in an area identified in the Franchise Agreement (the “Territory”). The Franchise Agreement will be for a term beginning on the Effective Date of the Franchise Agreement and expiring 10 years from the opening date of the Franchised Business (the “Initial Term”). You must operate the Franchised Business in the Territory. You must use the System in operating your Franchised Business. You must at all times perform your obligations under the Franchise Agreement faithfully, honestly, and diligently, and use your best efforts to promote the Franchised Business and grow the 1Heart Brand in all accounts in your Local Marketing Program (LMP) and the entire senior community in your Territory.

You must operate the Franchised Business from an approved office, and not from a residence. If you have not identified the Approved Location and received our approval of the location before you sign the Franchise Agreement, the Approved Location will be identified as part of our site selection and approval process.

Multi-Territory Operation

We may, as we deem appropriate in our discretion, offer qualified parties the right to operate the Franchised Business in multiple Territories.

If you operate in multiple contiguous Territories, then you are only required to obtain one approved location. If you operate in multiple Territories that are noncontiguous, then we may require you to secure additional approved locations. However, our standard offering assumes that if you purchase multiple Territories, such Territories will be contiguous with one another.

Market and Competition

The in-home care market that you will be participating in is considered well developed, with significant growth and expansion happening due to factors like an aging population. You can expect to compete with other businesses, including franchised operations, national chains and independently owned companies offering home care and similar services and will be responsible for gathering a Market Information System (MIS) that you will report to us for a competitor’s analysis, and this MIS will help you implement appropriate local marketing programs relative to your knowledge of your local market.

Industry-Specific Laws

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and the other licenses applicable to the caregivers and other

employees. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files. You must comply with all state and local laws and regulations regarding the staffing and management of an in-home personal care business. In addition to complying with all employment, labor, and wage and hour laws, there may be wage and hour laws or regulations in your state that apply to home care workers. There may also be other laws and regulations specific to in-home care, personal care assistance services, and companion care services. For instance, California franchisees are required to obtain a license as a home care organization with the Home Care Services Bureau (HCSB). In order to obtain the license, you will need to file an application with the California Department of Social Services and pay a non-refundable application fee. All employed California Home Care Aides (HCA) will need to be registered with the Department of Social Service. If a state or jurisdiction has specific laws related to companionship or caregiving services, these laws and regulations are likely to vary from state to state, and these may change from time to time.

In addition, you must operate the Franchised Business in full compliance with all applicable federal, state and local laws, rules, ordinances and regulations, including, without limitation, government regulations relating to occupational hazards, health, EEOC, OSHA, discrimination, employment, sexual harassment, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You should consult with your attorney concerning those and other local laws, labor laws and ordinances that may affect the operation of your Franchised Business.

ITEM 2. BUSINESS EXPERIENCE

Belina Calderon-Nernberg

Employer	Title	Start Date (Month/Year)	End Date (Month/Year)	City, State
1Heart Caregiver Services	CEO	02/07/2014	Present	Encino, CA
Caregiver Services & Homecare, Inc.	CEO	09/30/2008	Present	Encino, CA
LA Jobs Employment Agency	CEO	08/01/2002	Present	Encino, CA
Summit Medical Billing Solutions Inc.	CEO	03/01/2011	Present	Encino, CA

Randolph Clarito

Employer	Title	Start Date (Month/Year)	End Date (Month/Year)	City, State
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<u>1Heart Caregiver Services</u>	<u>Chief Growth Officer</u>	<u>02/01/2026</u>	Present	<u>Encino, CA</u>
1Heart Caregiver Services	Senior Vice President of Franchise Growth & Strategy	01/01/2020	<u>01/31/2026</u>	Encino, CA
1Heart Caregiver Services	Director of Franchise Sales & Development	01/01/2014	12/31/2019	Tarzana, CA
Caregiver Services & Homecare, Inc.	Director – Business Development & Caregiver University Founder	01/01/2010	12/31/2013	Beverly Hills, CA

Kevin Tagarao

Employer	Title	Start Date (Month/Year)	End Date (Month/Year)	City, State
1Heart Caregiver Services	Chief Operating Officer	07/2016	Present	Encino, CA
Caregiver Services & Homecare, Inc.	Chief Operations Officer	12/2014	Present	Encino, CA

Cecilia Mumar

Employer	Title	Start Date (Month/Year)	End Date (Month/Year)	City, State
1Heart Caregiver Services	Franchise Business Operations Coach	07/2025	Present	Encino, CA
1Heart Caregiver Services – Burbank	Managing Director	02/2021	05/2025	Burbank, CA

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

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ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

Initial Franchise Fee

Upon execution of your Franchise Agreement, you must pay us an initial franchise fee (the “Initial Franchise Fee”). Your Initial Franchise Fee will depend on how many Territories we grant you the right to operate in, and is calculated as follows:

Territories	Initial Franchise Fee
1	\$60,000
2	\$100,000
3	\$135,000
4	\$165,000
5	\$185,000
Each Additional Territory Beyond 5 Territories	An additional \$20,000

The initial franchise fee is fully earned by us, uniformly applied, and is non-refundable.

Initial Marketing Package Fee.

Prior to opening, you must purchase from us or our affiliate your initial inventory of marketing materials, including brochures, business cards, ~~exhibiting tablecloth, a Homecare Banner, a Recruitment Banner, presentation folders~~banners and inserts, recruitment flyers, pens and assorted additional marketing inventory (the “Initial Marketing Package”). The exact composition of the Initial Marketing Package, including the types and quantities of materials provided are subject to

change at our discretion. The Initial Marketing Package Fee is \$1,500, is due upon signing the Franchise Agreement, and is not refundable.

Conversions

For an existing home care company that chooses to rebrand itself under the 1Heart brand the initial franchise fee is \$30,000 (for a single Territory) if such home care company meets our then current standards for rebranding. The standards for rebranding require that the existing home care company has been opened for business for at least eighteen (18) consecutive months immediately prior to signing the Franchise Agreement, is not located in the Territory of any other current 1Heart franchisee, and has billable hours that can be migrated into the 1Heart system within the first month of operations. It is exclusively within our discretion to determine whether or not an existing home care company is eligible to rebrand.

ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee ¹	The greater of (a) 5% of Gross Revenue, or (b) the Minimum Royalty, if applicable.	Payable monthly. Due on the 10th of each month	You must pay your royalty fee directly to us from Gross Revenue generated through your business. This will be automatically paid via EFT or ACH. See Note 1 for the definition of “Gross Revenue,” and for additional information about the Minimum Royalty.
Local Marketing Program (LMP)	See Note 2.	Payable monthly	Every month, you must spend a designated minimum amount on advertising, promotions and public relations within your Territories, the exact amount of which will depend upon the number of Territories in which you operate, as well as the total Gross Revenue of the Franchised Business. A certain portion of such advertising spend must be paid to us to implement online and/or pay per click (“PPC”) advertising on your behalf. See Note 2 for additional information.

Brand Fund Contribution	2% of Gross Revenue	Payable monthly. Due every 10 th of the month.	This will be automatically paid via EFT or ACH. Further details about the Brand Fund can be found in Item 11, under the subheading “Advertising and Promotion”.
Audit Expenses ²	All costs and expenses associated with audit, Approximately \$1,500 to \$5,000	Upon demand	Audit costs payable to us only if the audit shows you have not spent 2% of your monthly Gross Revenue on local advertising or if you underreported Gross Revenue by 2% or more.
Late Fees ³	1.5% per month or the highest rate allowed by the state where you are located (whichever is lower)	Upon demand	Applies to all overdue fees you owe us. Also applies to any understatement in amounts due revealed by an audit.
Approval of Products or Suppliers ⁴	\$500 to \$1,000	Time of evaluation	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase.
Insurance Policies	Approximately \$350	Monthly	Payable to us as a reimbursement only if you fail to maintain required insurance coverage and we elect, in our discretion, to obtain coverage for you.
Technology Fee	\$6 to \$15 per email account	Monthly	Payable to us on a monthly basis. Amount charged is dependent on the quantity and type of email account you are loaned.
Required Software Fees	The then-current fee charged by our approved supplier for our required (i) CRM and timekeeping software and (ii) accounting software. Currently, these fees are as follows: (i) \$120 per month for up to ten (10) clients, and an	As invoiced	We have the right to designate various software for use in connection with your computer system and Franchised Business via the Manual or otherwise in writing (each a “Required Software”), which we expect will typically be licensed from the approved suppliers we designate (third-party or otherwise). These costs may

	additional \$12 per additional client over ten (10). Costs depend upon the number of active clients of your Franchised Business. (ii) Approximately \$2,000 for our required accounting software, per year.		be subject to increase by our approved third-party vendors.
Transfer Fee	\$20,000	At the time of transfer	Payable to us at time of transfer. Does not apply to an assignment under Section 18.3 of the Franchise Agreement.
Relocation Assistance	Not applicable	Time of assistance	If you need our assistance to relocate, and we agree, you must reimburse our costs to assist you.
Additional Training Fee	Currently, \$500 per day plus our trainers' expenses	As invoiced	We provide assistance at and near the beginning of your operations and during the term of the franchise. If you request additional assistance beyond what we already provide, you may be charged an additional training fee, plus our expenses if we need to travel to accommodate your request. We may also charge the Additional Training Fee in connection with (i) the attendance of additional individual(s) at the Initial Training Program, (ii) the training of any replacement manager(s) of your Franchised business, and/or (iii) any training that we may require you to undertake to cure default(s) under your franchise agreement.
Cost of Enforcement	All costs including reasonable attorney's fees	Upon demand	You must reimburse us for all costs incurred in enforcing your obligations to us if we prevail.

Temporary Management Fee	8% of Gross Revenue during the period in which we or our affiliate temporarily manage the Franchised Business (minimum 30 days), plus our costs and expenses.	Each month that it applies	You pay us at the stated rate if you breach the Franchise Agreement or following the death or incapacity of an owner of the franchise, and if we decide to temporarily manage your franchised business.
Annual Franchise Convention Registration Fee	\$750 per attendee	Upon demand	Payable when we establish and host a Franchise Convention, which you must attend. If you do not attend a required Franchise Convention, you must pay us a non-attendance fee of \$750 per Territory.
Renewal Fee	\$0	As requested	Not currently assessed.
Territory Infringement Policy Fee	\$5,000 for first infringement; \$10,000 for second and any subsequent infringement, plus forfeit of one hundred percent (100%) of the Gross Revenue generated from the provision of the infringing services.	Varies	These amounts are paid to us and remitted to the franchisee(s) in whose Territory you serviced a Client.
Out-of-Territory Additional Royalty Fee	An additional five percent (5%) of Gross Revenue derived from the out-of-Territory Client service.	As incurred	If you perform services outside of your Territory, you must pay an additional Royalty on the work performed.

We may require that all fees payable to us be paid through an electronic depository transfer account.

All of the fees noted above are uniform. No other fees or payments are to be paid to us or our affiliate, nor do we impose or collect any other fees or payments for any other third party. All fees are generally non-refundable.

NOTES:

¹ “Gross Revenue” means all revenue that you bill/invoice (whether or not collected), plus all other amounts you derive, from operating the Franchised Business, including all services and products sold, all referral commissions received from RCFE and Home Healthcare companies like a Home Health Agency or Hospice company, all amounts that you charge, invoice, or receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding (a) any revenue franchisee remits to a customer that franchisee is contractually obligated to remit, (b) any chargeback fees franchisee pays to a collection agency, (c) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, and (d) any rebate received by Franchisee from a manufacturer or supplier.

You must pay a Royalty equal to the greater of (i) 5% of the Gross Revenue of the Franchised Business for each month or (ii) the minimum Royalty (described below). You ~~must also will~~ pay ~~an additional five percent (5%)~~% of the Gross Revenue ~~for the previous month generated from clients located outside of as~~ your Territory (the “Extraterritorial Royalty”). ~~The Extraterritorial Royalty is in addition to the Royalty Fee and Minimum Royalty during the first six (6) months of operation.~~

You must also pay an additional five percent (5%) of the Gross Revenue for the previous month generated from clients located outside of your Territory (the “Extraterritorial Royalty”). The Extraterritorial Royalty is in addition to the Royalty Fee and Minimum Royalty.

Minimum Royalty

Beginning in the seventh (7th) month after the Franchised Business has been opened and commenced operating, you must pay per Territory a Minimum Royalty as set forth below (in the event that the applicable amounts below exceed five percent (5%) of the Gross Revenue of your Franchised Business during the periods of operations indicated):

Year of Operation	Minimum Royalty (per Territory)
First Six Months of Operation	No Minimum Royalty
Month 7 to Month 12	\$500/month
2	\$1,000/month
3	\$1,500/month
4	\$2,000/month
5	\$2,500/month
6	\$3,000/month
7	\$3,500/month
8 and subsequent years	\$4,000/month

By way of illustration, if you have acquired the right to operate the Franchised Business in two (2) Territories, the Minimum Royalty for the Franchised Business in Year 2 will be \$2,000 per month.

² Currently, our Local Marketing Program required expenditures are as follows:

No. of Territories	Monthly Gross Revenue < \$100,000	Monthly Gross Revenue > \$100,000
1	A minimum of \$1,000/month (including a minimum of \$500 for online ads/PPC campaign payable to us)	A minimum of \$2,000/month (including a minimum of \$500 for online ads/PPC campaign payable to us)
2	A minimum of \$1,500/month (including a minimum of \$500 for online ads/PPC campaign payable to us)	A minimum of \$2,500/month (including a minimum of \$500 for online ads/PPC campaign payable to us)
3 +	A minimum of \$2,000/month (including a minimum of \$500 for online ads/PPC campaign payable to us)	A minimum of \$3,000/month (including a minimum of \$500 for online ads/PPC campaign payable to us)

See Item 11 for additional information on required local marketing expenditures.

³ We assume costs vary depending on factors, including prevailing auditor’s rates in your area, the business activity being audited and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.

³ Late fees begin from the date payment was due, but not received, or date of underpayment.

⁴ Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.

⁵ We provide training programs to an individual you select to be the designated manager of the franchise. Your designated manager's attendance is required. We do not charge fees for these programs, but if you replace your designated manager and your manager changes are excessive or due to poor hiring practices, we may charge you a fee.

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ITEM 7. ESTIMATED INITIAL INVESTMENT

A. Estimated Initial Investment - Single Territory

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee ¹	\$60,000	Wire, ACH, or Cashier's Check	At Signing of Franchise Agreement	Us
Real Estate / Rent (3 Months) ²	\$2,250 to \$4,500	As Arranged	Before Beginning Operations	Lessor
Utility Deposits ³	\$0 to \$225	As Arranged	Before Beginning Operations	Utilities
Leasehold Improvements ⁴	\$0 to \$1,500	As Arranged	Before Beginning Operations	Contractor, Suppliers
Insurance ⁵	\$2,500 to \$3,500	As Arranged	Before Beginning Operations	Insurance Company
Office Supplies ⁶	\$500 to \$1,125	As Arranged	Before Beginning Operations	Suppliers
Training ⁷	\$500 to \$3,000	As Arranged	During Training	Airlines, Hotels, Restaurants

Signage ⁸	\$500 to \$2,500	As Arranged	Before Beginning Operations	Suppliers
Furniture, Fixtures & Office Equipment ⁹	\$200 to \$2,700	As Arranged	Before Beginning Operations	Suppliers
Initial Marketing Package Fee ¹⁰	\$1,500	N/A	Before Beginning Operations	Us
Computer Equipment Services & Software ¹¹	~~\$1,125~~ 2,210 to ~~\$3,000~~ 5,363	As Arranged	Before Beginning Operations	Suppliers
Dues & Subscriptions ¹²	\$475 to \$925	As Arranged	Before Beginning Operations	Associations & Suppliers
Licenses & Permits ¹³	\$100 to \$6,285	As Arranged	Before Beginning Operations	Licensing Authorities
Legal & Accounting ¹⁴	\$1,000 to \$7,500	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds – 3 months of Operations ¹⁵	\$55,000	As Incurred	As Incurred	Suppliers
Total¹⁶	~~\$125,650~~ 126,735 to ~~\$153,260~~ 155,623			

NOTES

¹ **Franchise Fee:** The franchise fee is described in greater detail in ITEM 5. We do not finance any fee.

² **Real Estate/Rent:** The Franchised Business requires approximately 400 to 1000 sq. ft. for a 1Heart Caregiver Services Franchised Business facility. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. The low estimate assumes that you will lease a facility and will have to pay a security deposit equal to one month's rent. The high estimate is based on an assumption that you will have to pay a security deposit equal to 2 months' rent to lease the facility. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises, but the amounts you pay are typically non-refundable. The estimated range of costs in this category only includes your costs to enter into a lease agreement for the facility. Estimated rental costs for 3 months are included with the category "Additional Funds," (see Note 15 below).

³ **Utility Deposits:** If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services, including electric, telephone, high speed internet service, gas, trash and water. The amount of the deposit and whether the deposit is refundable will vary depending on the local utilities. You should contact your local utilities for more information.

⁴ **Leasehold Improvements:** You may need to make improvements to adapt your facility for operation of the Franchised Business. The cost of the leasehold improvements will vary depending on factors, including the size, condition and location of the facility, local wage rates and the cost of materials. The amounts you pay for leasehold improvements are typically non-refundable. You should inquire about the refund policy of the contractor at or before the time of hiring.

⁵ **Insurance:** You must purchase the types and amounts of insurance we specify (as disclosed in Item 8). Factors that may affect your cost of insurance include the size and location of the Franchised Business, value of the leasehold improvements, equipment, supplies, vehicle model and make, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

⁶ **Office Supplies:** You must purchase general office supplies including stationery, business cards, etc. Factors that may affect your cost of supplies include local market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for supplies are refundable. Factors determining whether supplies are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the supplier at or before the time of purchase.

⁷ **Training:** The cost of initial training of up to 3 people is included in the franchise fee, but you are responsible for transportation and expenses for meals and lodging and your employees' wages and workers' compensation insurance while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodation you choose. These expenses are typically non-refundable. Before making airline tickets, hotel, rental car or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation. The low estimate assumes that you live within driving distance of our headquarters or the designated training facility; the high estimate assumes that you will incur costs for lodging, food and travel for the training period.

⁸ **Signage:** This range includes the cost of signage used in the start-up of the Franchised Business. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

⁹ **Furniture, Fixtures & Office Equipment:** You must purchase and/or lease and install furniture, fixtures and office equipment necessary to operate your Franchised Business. The cost of the furniture, fixtures and office equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. We do not know if the amounts you pay for furniture, fixtures or office equipment are refundable. Factors determining whether furniture, fixtures and office equipment are refundable typically include the condition of the items, level of use, length of time of possession and other variables. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing or leasing.

¹⁰ **Initial Marketing Package Fee:** Initial inventory of brochures and other marketing materials will be provided which as of the date of the issuance of this Franchise Disclosure Document ~~included~~includes 1,000~~500~~ brochures, 500 Care Express inserts, 1,000 business cards, 1 ~~Exhibit tablecloth~~Care Values plaque, 500 Heart Pens, 1 ~~Homecare Banner~~name plate, 1 ~~Recruitment Banner~~, 120 presentation folders, 120 sets of presentation folder inserts, 1,000 Recruitment Flyers, 500 pens~~messenger bag~~, and 500 assorted giveaways (stress hearts, notepads, etc.)~~25 tote bags~~, however, the types of materials provided and quantities of such are subject to change at our discretion. You must purchase additional inventory as needed for use in the operation of the Franchised Business. Costs may vary based upon the size and location of the Franchised Business, suppliers and other related factors. The Initial Marketing Package Fee is not refundable.

¹¹ **Computer Equipment & Software:** You must purchase the computer hardware and software that is specified in ITEM 11. You must have an automatic backup service for your computer equipment and software. The low estimate is based on an assumption that you already own a computer system that you can use in the operation of the Franchised Business and you only need to purchase the software that we require. We do not know if the amounts you pay for the computer equipment and software are refundable. The amounts you pay for computer equipment and software are typically non-refundable, or if refundable, you may be subject to a "re-stocking" fee. You should inquire about the return and refund policy of the supplier at or before the time of purchasing. Typically, the amounts you pay for an automatic backup service are non-refundable. You should inquire about the refund policy of the supplier at or before the time of purchasing.

¹² **Dues & Subscriptions:** We encourage you to join at least one state or nationally recognized Homecare Association such as CAHSAH or American Board of Home Care. Membership fees vary from area to area. These fees are typically not refundable. You may choose to join various business associations like a reputable local chamber of commerce. These expenses are typically non-refundable. You should inquire about the cancellation and refund policy of the organizations at or before the time of purchase.

¹³ **Licenses & Permits:** State and local government agencies typically charge fees for occupancy permits, operating licenses and construction permits. Your actual costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment. Some states also require in-home nonmedical care agencies, such as the Franchised Business, to obtain licenses before operating. The State of California, for example, requires a home care organization license application be filed and approved prior to operating in California. The current 2-year license fee in California is \$5,603. If your Franchised Business will not be located in California, you will need to find out the applicable license fee for the state where you will operate your Franchised Business.

¹⁴ **Legal & Accounting:** These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants. These fees are typically non-refundable. You should inquire about the refund policy of any attorney, accountant or consultant at or before the time of hiring.

¹⁵ **Additional Funds:** We recommend that you have a minimum amount of money available to cover operating expenses, including rent (if applicable), utilities, and employees' salaries for the first 3 months that the Franchised Business is open. This is an estimate only for the additional operating capital needed to operate your Franchised Business during the initial 3 months after you open for business. These expenses include staff payroll costs but do not include salaries for the owner. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required. These expenses are typically non-refundable.

¹⁶ **Total:** In compiling this chart, we relied on our and our affiliate's industry knowledge and experience. The amounts shown are estimates only and may vary for many reasons, including the size and condition of your facility, the capabilities of your management team, where you locate your Franchised Business and your business experience and acumen. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the franchised business. Unless otherwise noted above, none of the above fees are refundable to you.

¹⁷ **No Financing:** We nor any affiliate finances any fee or any portion of the initial investment.

B. Estimated Initial Investment – Multiple Territories

Type of Expenditure	# of Territories	Amount	Method of Payment	Time of Payment	To Whom Payment is To Be Made
Initial Franchise Fee (Note 1)	2	\$100,000	Lump Sum	Upon execution of the Franchise Agreements	Us
	3	\$135,000			
	4	\$165,000			
	5	\$185,000			
Initial Investment to Open Franchised Business		~~\$65,650~~ ~~\$93,260~~ <u>\$66,735</u> <u>- \$95,623</u>	See Item 7, Chart A		

(Note 2)				
Total	2		~~\$165,650~~ — ~~\$193,260~~ <u>\$166,735</u> - <u>\$195,623</u>	This is the total estimated initial investment to enter into a Franchise Agreement for the right to develop a Franchised Business in multiple Territories, as indicated.
	3		~~\$200,650~~ — ~~\$228,260~~ <u>\$201,735</u> - <u>\$230,623</u>	
	4		~~\$230,650~~ — ~~\$258,231~~ <u>\$231,735</u> - <u>\$260,623</u>	
	5		~~\$250,650~~ — ~~\$278,260~~ <u>\$251,735</u> - <u>\$280,623</u>	

NOTES

1. The estimates set forth in this Chart 7(B) assume that you will be operating the Franchised Business in multiple Territories. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.
2. The Initial Franchise Fee will vary based on the number of Territories in which we grant you the right to operate as described more fully in Item 5 of this Disclosure Document.
3. This figure represents the total estimated initial investment required to open your Franchised Business under the Franchise Agreement. This range includes all the estimated fees set forth in Chart 7(A), except for the Initial Franchise Fee, which will vary depending upon the number of Territories in which your Franchised Business will operate.
4. **Total.** This total estimate set forth in Chart 7(B) above encompasses the investment you might incur in connection with signing a Franchise Agreement to operate the Franchised Business in multiple Territories, as well as the total investment to open and commence operations of your Franchised Business in such Territories.

ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

We have developed standards and specifications for the services that will be provided by your Franchised Business which are included as aspects of our System. You must operate your Franchised Business according to these standards and according to our System. Our methods, standards, and specifications will be communicated to you during training, before you conduct your initial marketing activities, during opening assistance or visits to your Franchised Business, and through periodic bulletins and in our confidential Operations Manual (the “Manual”) and other writings that we prepare for your use in connection with the Franchised Business and System.

Approved Suppliers and Services

You must equip and operate your Franchised Business according to our System standards and specifications. All signs, equipment, and other items used in the operation of the Franchised Business must comply with our specifications and quality standards and, if we require, must only be purchased from Approved Suppliers that we designate. We or one of our Affiliates may be an Approved Supplier. We will provide you, in the Operations Manual or other written or electronic

form, a list of specifications for equipment, supplies, and other materials and, if required, a list of designated or Approved Suppliers for some or all of these items, which may include us or our Affiliates. This list may be modified from time to time.

You must purchase your fixtures and equipment under standards and specifications for appearance, quality, price, performance and functionality found in the Confidential Operations Manual. Additionally, we, as the franchisor, are currently a required supplier for marketing materials and our affiliate may be in the future.

Our specification of a supplier may be conditioned on requirements relating to, among other things, their quality and consistency of products and/or services, frequency of delivery, standards of services, including prompt attention to complaints, as well as payments, contributions or other consideration given to us or our affiliates, whether now or in the future, and our approval may be temporary, in each case in our reasonable discretion. We have imposed these requirements in order to assure quality and uniformity of System businesses and services and products provided to our System customers. We may, from time-to-time withhold, condition and/or revoke our approval of particular items or suppliers in our sole discretion.

Currently, other than us or our affiliates, no officer of the franchisor owns an interest in any supplier to the franchise System.

You must offer and sell only those services and products that are approved by us, all of which must strictly conform to the requirements and specifications set out in our Manual. All products and services approved by us must be offered for sale on a continuous basis at your Franchised Business at the time and in the manner required by us. No sale of any product or service may be solicited, accepted or made at or from your Franchised Business except those products or services approved by us. If requested by us on at least 30 days' notice, the marketing of a particular product or service must be discontinued.

Alternative Supplier Approval

If you would like to use any goods or services in establishing and operating the Franchised Business that we have not approved (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications, or the supplier meets our approved supplier criteria. You must pay our expenses to evaluate goods, services or suppliers. This fee will be between \$500 to \$1,000 dollars depending on the scope of the evaluation. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services from the supplier. Our criteria for approving or revoking approval of suppliers includes: the supplier's ability to provide sufficient quantity of goods; quality of goods or services at competitive prices; production and delivery capability; and dependability and general reputation. We will notify you in writing if we revoke our approval of goods, services or suppliers, and you must immediately stop purchasing disapproved goods or services or must immediately stop purchasing from a disapproved supplier.

Required Purchases and Right to Derive Revenue

We estimate that approximately 45% to 60% of your expenditures for leases and purchases in establishing your franchised business will be for goods and services that must be purchased

according to our standards and specifications. We estimate that approximately 15% to 20% of your expenditures on an ongoing basis will be for goods and services that must be purchased according to our standards and specifications.

We or our affiliates may receive rebates, commissions and other benefits from suppliers in relation to items purchased by you and other franchisees. We have the right to condition or revoke your right to participate in any supplier programs if you are in default of the Franchise Agreement.

We may negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our suppliers. Presently, there are no purchase or supply agreements in effect and no purchasing or distribution cooperatives that you must join.

We may derive revenue or other material consideration based on the required purchases or leases made in accordance with the franchisor's specifications. During our fiscal year ended December 31, ~~2024~~2025, we received \$~~149,363~~117,537.89 in revenue from required purchases, or ~~6.543.68~~% of our total revenues of \$~~2,285,4873,187,395.50~~. During the fiscal year ended December 31, ~~2025~~2024, no Affiliate received revenue, rebates, or other material consideration from sales to franchisees based on required purchases or leases.

Insurance

You must purchase the following types and amounts of insurance: (1) "All risk" property insurance coverage for assets of the Franchised Business; (2) Workers' compensation insurance and employer liability coverage with a minimum limit of \$100,000 or higher if your state law requires; (3) Comprehensive general and professional liability insurance with a minimum liability coverage of \$1,000,000 per occurrence, or higher if your state law requires; (4) Business interruption insurance; (5) Automobile liability insurance of at least \$1,000,000 or higher if your state law requires; (6) Insurance coverage for contractual indemnity; and (7) Bond as required by law. Factors that may affect your cost of insurance include the size and location of the Franchised Business, value of the leasehold improvements, equipment, supplies, vehicle model and make, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

Regardless of the minimum policy coverage amounts described above, it is your responsibility to maintain adequate insurance coverage at all times during the term of and after the expiration of the term of the Franchise Agreement. These are minimum requirements only. You should consult with your own insurance advisor to determine whether they are appropriate and sufficient for your business and sufficient to protect your assets. Your landlord (if any) may require more coverage or different types of coverage. Upon 30 days' prior notice to you, we may increase the minimum insurance requirements and require different or additional kinds of insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances.

All insurance policies must be issued by one or more insurance carriers with an A.M. Best rating of A- VII or higher. All insurance policies we designate must name us, and our designated affiliates, as additional insureds and provide a waiver of subrogation in favor of us, and must provide that we receive ten (10) days' prior written notice of termination, expiration or cancellation.

You must submit to us a copy of the certificate of or other evidence of each insurance policy and continue to do so annually upon obtaining any insurance policy or each extension or renewal of any insurance policy. If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence of insurance, we, at our option without any obligation to do so and in addition to our other rights and remedies under the Franchise Agreement, may obtain insurance coverage on your behalf, and you must promptly execute any applications or other forms or instruments required by us to obtain any insurance and pay to us, on demand, any costs and premiums incurred by us.

Franchisee Compliance

We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether you purchase through the sources we designate or approve.

ITEM 9. FRANCHISEE’S OBLIGATIONS

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

Obligation		Section in the Franchise Agreement	Disclosure Document ITEM
a.	Site selection and acquisition/lease	Section 2 and 5	ITEMS 11 and 12
b.	Pre-opening purchases/leases	Sections 5, 12 and 15	ITEMS 7 and 8
c.	Site development and other preopening requirements	Sections 5 and 8	ITEMS 7, 8 and 11
d.	Initial and ongoing training	Section 8	ITEMS 6, 7 and 11
e.	Opening	Sections 5 and 8	ITEM 11
f.	Fees	Sections 3, 5, 8, 10, 11, 13, 15, 18 and 22	ITEMS 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 6, 7, 9, 10 and 13	ITEMS 8, 14 and 16
h.	Trademarks and proprietary information	Sections 6, 7 and 9	ITEMS 13 and 14
i.	Restrictions on products/services offered	Sections 5, 6 and 13	ITEMS 8 and 16

j.	Warranty and customer service requirements	Section 13	ITEM 16
k.	Territorial development and sales quotas	Not Applicable	ITEM 12
l.	Ongoing product/service purchases	Section 13	ITEMS 8 and 11
m.	Maintenance, appearance, and remodeling requirements	Sections 5, 10 and 13	ITEM 6
n.	Insurance	Section 15	ITEMS 6, 7 and 8
o.	Advertising	Section 11	ITEMS 6, 7 and 11
p.	Indemnification	Section 21	Not Applicable
q.	Owner's participation/management/staffing	Section 13	ITEM 15
r.	Records and reports	Section 12	ITEM 11
s.	Inspections and audits	Sections 6 and 12	ITEMS 6, 11 and 13
t.	Transfer	Section 18 and Exhibits 1 and 5	ITEMS 6 and 17
u.	Renewal	Section 4 and Exhibits 1 and 5	ITEMS 6 and 17
v.	Post-termination obligations	Section 17 and Exhibits 2 and 5	ITEM 17
w.	Non-competition covenants	Sections 7 and 17 and Exhibits 2 and 5	ITEM 17
x.	Dispute resolution	Section 23 and Exhibit 5	ITEM 17
y.	Other	Not Applicable	Not Applicable

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your lease or other obligations.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

A. Pre-Opening Obligations

Before the opening of the Franchised Business, we will:

1. Assist you in locating a site for your 1Heart Caregiver Services Franchised Business:
 - a. We will designate your exclusive Territory. (Section 2.4) Unless prohibited by local ordinance or zoning rules, you may establish the site for the Franchised Business within a location, approved by us in writing. When you have a potential site for the facility/office, you may propose the location for our consideration. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will furnish you with our general site selection criteria. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us and accessible to caregivers. (Sections 2.3 and 5.2)
 - b. We will provide you with general guidelines to assist you in selecting a site suitable for the Approved Location. The general site selection and evaluation criteria or factors that we consider in approving your site includes the condition of the premises, demographics of the surrounding area, proximity to other 1Heart Caregiver Services Franchised Businesses, proximity to competitive businesses and lease requirements. If you must lease a facility/office to operate the Franchised Business, we will provide you with written notice of our approval or disapproval of any proposed site within a reasonable time (usually 30 days) after receiving all requested information. If we cannot agree with you on a suitable site for the Franchised Business within 90 days after you sign the Franchise Agreement, we may terminate the Franchise Agreement and your initial franchise fee will be forfeited. (Sections 5.1 and 5.2). We will provide you with our criteria for site selection and approve a site you have selected for the location of the facility for the Franchised Business. (Section 2.3 and 5.1)
 - c. We will evaluate the site and notify you of ~~our~~our approval or disapproval of the site within a reasonable time (usually 30 days) of receiving notice of the site. (Section 5.1). Our recommendation indicates only that we believe that the site meets our then acceptable criteria.
 - d. We do not generally own the site that you will lease for your Franchised Business.
2. Provide you with specifications for improving the Approved Location. (Section 5.4)
3. Provide an initial training program. This training is described in detail later in this Item. (Section 8.1)
4. Provide you with written specifications for equipping the Approved Location, along with a list of required supplies, equipment, inventory, fixtures, and signage that you must purchase and install. (Section 5.3) We will provide you with a list of approved suppliers. All signage must be designed or approved by us.

B. Time to Open

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is between four (4) to six (6) months. Factors that may affect your beginning operations include ability to secure home care licensing, business permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures. You must open your Franchised Business and be operational within 180 days after signing the Franchise Agreement. (Sections 5.3 and 5.5)

We are not obligated to provide assistance with conforming the premises to local ordinances, building codes, or obtaining any required permits, or constructing, remodeling, or decorating the premises.

We are not obligated to provide assistance with the hiring or training of your employees.

C. Post Opening Obligations

After the opening of the Franchised Business, we will:

1. Periodically advise you and offer general guidance to you by telephone, e-mail, newsletters, and other methods. Our guidance is based on our and our affiliate's knowledge and experience. We offer you advice and guidance on a variety of business matters, including operational methods, accounting procedures, authorized services or products and marketing and sales strategies. We will provide you recommendations regarding determining pricing structure, however we do not determine the prices you set. (Section 14.1)
2. During the first 180 days of your operations, we will spend at least one day at your office to review, advise, and provide assistance in your operations. We will also conduct ongoing training and webinar conferences as we think necessary (Section 8.5) to help you establish and develop your business and your attendance and participation will be required.
3. At your request and for an additional fee, we may provide to you on-site assistance and guidance to assist you with any questions you may have in operating the Franchised Business. (Section 8.2) We may prepare written reports suggesting changes or improvements in the operations of the Franchised Business and detailing deficiencies that become evident as a result of a visit. If we prepare a report, we may provide you with a copy. (Section 14.2) We will also provide you with modifications to the Confidential Operations Manual as they are made available to franchisees. (Section 9.2)

D. Advertising and Promotion

1. We are not obligated to conduct advertising or spend any specific amount on advertising in your area or territory.
2. We will approve the forms of advertising materials you will use for local advertising, grand opening advertising, and cooperative advertising. At your option, we will supply you with

1 Heart Caregiver Services promotional items and materials. (Section 11.1) We will permit you to use your own advertising material once it is submitted to and approved by us.

3. You must continuously promote the Franchised Business. Every month, you must spend a specified amount on a per-Territory basis on advertising, promotions and public relations within the immediate locality surrounding the Franchised Business, depending upon the Gross Revenue level of your Franchised Business ("Local Marketing Program," or "LMP"). A portion of such funds must be spent on online and/or pay-per-click ("PPC") advertising. Currently, the required Local Marketing Program expenditures are as follows:

No. of Territories	Monthly Gross Revenue < \$100,000	Monthly Gross Revenue > \$100,000
1	A minimum of \$1,000/month (including a minimum of \$500 for online ads/PPC campaign)	A minimum of \$2,000/month (including a minimum of \$500 for online ads/PPC campaign)
2	A minimum of \$1,500/month (including a minimum of \$500 for online ads/PPC campaign)	A minimum of \$2,500/month (including a minimum of \$500 for online ads/PPC campaign)
3 +	A minimum of \$2,000/month (including a minimum of \$500 for online ads/PPC campaign)	A minimum of \$3,000/month (including a minimum of \$500 for online ads/PPC campaign)

Such local advertising expenditures must be made directly by you, subject to the prior approval and direction from us. We will provide general guidelines to you for conducting local advertising. Within thirty (30) days after the end of each month, you must furnish to us an accurate accounting of the expenditures on local advertising for the preceding month.

You must submit to us, for its prior approval, all advertising and promotional materials to be used by you including, but not limited to, television ads, radio ads, ad copy, coupons, flyers, scripts and direct mail. We will use reasonable efforts to provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by you. If we do not approve submitted materials by the end of such twenty (20) day period, such materials shall be deemed to have received the required approval. You must not use any marketing or promotional material prior to our approval. The submission of advertising materials to us for approval will not affect your right to determine the prices at which you sell products or provides services.

4. We do not have an advertising council, although we reserve the right create one in the future.
5. Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all 1Heart Caregiver Services Franchised Businesses located in a particular region. (Section 11.3) If we create such a council, we will either administer the Cooperative Advertising Program or establish an advertising council of franchisees to self-administer the Cooperative Advertising program.

6. We have established a Brand Fund ("Brand Fund") for the enhancement and protection of the 1Heart Caregiver Services brand and Marks. We will have sole discretion to use the Brand Fund, and monies in the Brand Fund, for any purpose that we designate that we believe will enhance and protect the 1Heart Caregiver Services brand and Marks, will improve and increase public recognition and perception of the 1Heart Caregiver Services brand and Marks and 1Heart Caregiver Services Businesses, and will improve and enhance the perception of 1Heart Caregiver Services Businesses held by franchisees, managers, and other employees of 1Heart Caregiver Services Businesses. Among the programs, concepts, and expenditures for which we may utilize the Brand Fund monies are: creative development and production of print ads, commercials, radio spots, direct mail pieces, door hangers, and other advertising and promotional materials; creative development of, and preparing, producing, and placing video, audio, and written materials and electronic media; media placement and buying, including all associated expenses and fees; implementation of digitally identifiable marketing phone numbers; deployment and execution of marketing technology; selection and support of sponsorships; administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys, including the use of "secret 'shoppers' or clients;" lead sharing or lead generating services or vendors; the creative development of, and actual production associated with, promotions, public relation events, and charitable or nonprofit events; creative development of signage and posters; employee recognition and awards events and programs; periodic national and regional conventions and meetings; website, Online-site, extranet and/or intranet development, implementation, and maintenance; retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; and public relations and community involvement activities and programs. We will direct all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. We may use the fund to provide you with promotional materials and marketing campaign samples. The costs of producing or acquiring these materials will be reimbursed to us from the Fund. All Brand Fund advertising is conducted in-house. Except as disclosed above, we are not obligated to conduct any advertising or marketing on behalf of your Franchised Business.
7. You must contribute monthly to the Brand Fund an amount equal to two percent (2%) of your Gross Revenue ("Brand Fund Contribution"). Brand Fund Contributions must be made at the time and in the manner provided for Royalty Fees payments. We will notify you at least thirty (30) days before changing Brand Fund Contribution requirements, although we do not intend to increase the required Brand Fund Contribution at this time. We will administer the fund. All affiliates and franchisees will be required to contribute the same amount to the fund, and we will endeavor to spend all of the funds received within the applicable year.
8. In ~~2025~~2024, the Brand Fund ~~spent 30%~~expended 22% of its contributions on ~~production,~~8% Online Advertising, 2% on Marketing Programs and Campaigns, 2% of its funds on ~~a public relations program,~~32% Quality Control, 51% on media placement~~out-of-home (OOH) advertising,~~ and ~~30~~23% on administrative expenses and reserves for future marketing programs.

9. An unaudited statement of the operations of the Brand Fund will be prepared annually by us. If you submit a written request to us requesting to review the statement on or before March 31, we will provide you with a copy of the statement after its preparation for the most recently completed fiscal year. We may require that the annual statement be reviewed or audited and reported on by an independent certified public accountant at the expense of the Fund but are under no obligation to do so.
10. If we do not use all Brand Fund contributions in a particular fiscal year, remaining funds will be carried over to the next fiscal year. We will be entitled to reimbursement from the Fund to cover our administrative and overhead expenses associated with operating the Fund, such as reasonable salaries, administrative costs, travel expenses, overhead, and similar expenses and costs we incur when administering the Fund and the advertising and promotional programs we may develop or have developed. Fund monies do not constitute our assets. The Fund is not a trust. We will have a contractual obligation to hold all Fund contributions for the benefit of the contributors and to use the contributions only for the purposes described in the Franchise Agreement or summarized above. We will administer the Fund. We will have no fiduciary obligation to you for administering the Fund. Businesses owned by us or our affiliates may, but are not currently required to, contribute to the Fund in the amount required of System franchisees

E. Computer System

1. You must purchase and use any hardware and software programs we designate. (Section 12.5) Presently, we require you to purchase the following hardware and software:

HARDWARE
Two Microsoft Windows based computers
SOFTWARE
QuickBooks Accounting Pro Software Package – Then-Current Edition
Most recent Microsoft Office Suite/Office 365 Subscription. (including Word, Excel and Outlook)
Windows 10 Operating System or newer version
Well Sky Software/Subscription
Qvinci Financial Reporting Software

The approximate cost of the hardware and software is \$1,000 - \$2,000. ~~(Section 10.2)~~ Anticipated annual costs for the hardware computer systems will be nominal and based purely on your desire to upgrade the computer systems or to fix any issues with the physical computer systems. We do not require support contracts for the computer systems.

SOFTWARE. Currently, we require all new franchisees to use the WellSky Personal Care scheduling software. The current cost of this software is the greater of \$12.00 per active client per month or \$120 per month.

You will pay the vendor, WellSky Personal Care, the greater of \$120 per month or \$12.00 per active client per month. Monthly fees are calculated based on the highest number of clients listed as “active” in your Franchised Business for the previous month. You must pre-pay WellSky Personal Care the first month’s fees based on the initial number of active clients of your Franchised Business when you contract for WellSky Personal Care’s services. All subsequent monthly fees are calculated based on the preceding month’s highest number of active clients in your Franchised Business.

The software fee and/or provider is subject to change in our sole discretion. In addition, we may assess a technology fee for licensing and related maintenance and upgrade costs. There may also be additional maintenance and upgrade fees related to this software.

We, our affiliates or certain third parties license software to our franchise owners. By signing a Franchise Agreement, you will be acknowledging that as a user of this software you are responsible for compliance with all local, state and federal laws and the accuracy of all information inputted into, contained in, generated by or accessible from this software. We do not give any warranties relating to software, including, but not limited to, warranties of merchantability or fitness for a particular purpose.

Your right to any software license or the use of any technology may be conditioned upon your signing a license agreement or other similar document that regulates your use, and limits your rights, with respect to that software or technology. In addition to the costs set forth above, you may be required to pay additional fees for your use of proprietary software or technology. For instance, if you choose to use our proprietary software, we may charge licensing, support and ongoing maintenance fees for that use that are subject to annual increases. As a user of this software, you will be responsible for complying with all applicable laws and for verifying all information is accurate. We do not provide any warranty relating to our software, including but not limited, warranties of merchantability or fitness for a particular purpose.

Internet and E-mail Access. You must have a reliable, high speed Internet connection as well as a functioning e-mail address so that we can send you notices and otherwise communicate with you by this method.

You will be loaned one or more e-mail accounts (ex. “@1heartcares.com”) as part of the Technology Fee you will be charged. Each email account remains our sole property and reverts to us in the event of any termination. You may not have other e-mail accounts for the Franchise, nor may you use or establish or identify any website other than our website: www.1HeartCares.com and other websites or social media sites as specifically designated/approved by us. You may not use the Marks or any trade names or trademarks confusingly similar to the Marks as part of any e-mail address, website identification, social media site naming/identification, or on any third-party website without our prior written consent.

You do not have to enter into any ongoing maintenance or support agreements for the maintenance of a computer system, but you may find it advantageous to do so. You are required to have an automatic computer backup service to avoid any loss of information and files that could occur with a computer crash. You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. If you would like to purchase optional maintenance for your personal computer, you should investigate the cost.

We do not have any information about the cost of optional maintenance. We may introduce new requirements for computer and point-of-sale systems or modify our specifications and requirements. There are no limits on our rights to do so, except as disclosed in ITEM 16.

We have the right to independently access all information you collect or compile at any time without first notifying you. (Section 12.6)

During the term of your Franchise Agreement, 1Heart Caregiver Services and you will jointly own all information generated by or stored that you use to operate the Franchised Business. We have the right to access all information related to the Franchised Business at any time during the term of your Franchise Agreement and periodically may establish further policies respecting the use or access to such information. Sole ownership of that information will revert to us if your Franchise Agreement is terminated, and you must immediately transfer such information to us upon termination.

F. Operations Manual

We will loan you one copy of the 1Heart Caregiver Services Confidential Operations Manual or provide you with access to an electronic copy of the Confidential Operations Manual. You must keep your copy of the Operations Manual current and in a secure location at the Franchised Business. If there is a dispute over its contents, our master copy of the Operations Manual controls. The Operations Manual's contents are confidential, and you may not disclose the Operations Manual to any person other than Franchised Business employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. The approximate total number of pages in the Confidential Operations Manual as of the date of this Disclosure Document is ~~250~~300. The Table of Contents of the Confidential Operations Manual, ~~along with number of pages devoted to each section,~~ is included as Exhibit E to this Disclosure Document. (Section 9.1)

G. Training

Training Program

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Office Procedure	8	0	Head Office
Advertising/Marketing	4	0	Head Office

Lead Handling	4	0	Head Office
Sales/Selling System	8	4	Head Office, Senior Living Facility, Senior Client and Hospital
Case Management	4	0	Head Office
Industry/Market Overview	4	0	Head Office
Business Concepts/Process	8	0	Head Office
Total	40	4	

1. Both the Initial and Ongoing Training will be held as often as necessary on an appointment basis at our primary business location or another determined location. We offer our initial training program whenever a new franchise location is projected to be opening. The initial training program is conducted at our headquarters in Encino, California, or another location we designate. We do not require that you participate in Ongoing Training after the initial training.
2. We provide you an initial training program that covers material aspects of the operation of the franchised business including the following instructional materials: 1Heart Caregiver Services training manuals for each of the training classes, the Confidential Operations Manual and the subjects listed in the chart above.

Our Training Program is supervised by Kevin Tagarao, our Chief Operations Officer, who has 78 years of experience managing and overseeing business operations with 1Heart Caregiver Services and our affiliate. We may substitute trainers depending upon schedule and availability, but all of our instructors have at least one year of experience in the subjects taught.

3. We do not charge for initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees, including, but not limited to employee compensation and workers' compensation insurance premiums.
4. The initial training program is mandatory for the owner and/or designated manager and he or she must attend and complete the initial training program to our satisfaction. The initial training program will be conducted approximately one (1) month before the opening of the Franchised Business. Up to 2 assistants of your choosing may also attend at your option (for a total of 3 people). After a replacement of the designated manager, he or she has 30 days to complete initial training. You are not charged any fee to have a new designated manager attend our training program, unless your manager changes are excessive or caused by poor hiring practices. You must pay all travel costs and living expenses for a new designated manager's attendance. (Section 8) We expect that your attendees will advance

through the training program at different levels depending on a variety of factors, including background, character and experience. The time frames provided in the chart are an estimate of the time it will take to complete training. Periodically, you, your managers or employees must attend refresher-training programs to be conducted at our headquarters or another location we designate. Attendance at these programs will be at your expense. (Section 8.5) Your designated manager may also re-attend a regularly scheduled initial training program on one other occasion as a refresher course for no additional fee, however, you agree to pay for all travel and living expenses incurred for the training. Such refresher training may occur only if we have space available in a regularly scheduled training class.

ITEM 12. TERRITORY

You will operate from one site located in your Territory or Territories and you may not relocate the Franchised Business without our prior written consent, which we will not unreasonably withhold, provided: (i) you secure an alternate location for the Franchised Business within the Territory(ies); and (ii) you reimburse us for the reasonable costs and expenses that we incur in connection with evaluating and approving the proposed relocation. If you can no longer use the location due to circumstances beyond your control, including unreasonable lease terms (if applicable) or destruction of the premises, we will not unreasonably withhold our written consent to relocate. Our standard franchise offering does not permit you to operate a Franchised Business within your Territory(ies) unless you have secured a location we approve that is within your Territory(ies) and properly staffed to meet our System standards.

Franchise Agreement: Territory

You will receive an exclusive Territory designated by specific zip codes, with a typical minimum population of 35,000 seniors (70 years old or older). We determine the boundaries of the area based on a variety of factors, including population, median population age, number of senior living facilities and hospitals, market potential, proximity to competitors, proximity to other franchisees and natural, physical or political boundaries. We may designate your Territory(ies) by reference to the most recently published data from the U.S. Census Bureau, a data mapping software service we engage and/or any other source we determine to use.

Your territorial protection is not dependent on the achievement of any performance requirement; however, upon an uncured material default of the franchise agreement (or upon a material default of the franchise agreement that is incapable of cure), we may terminate your franchise agreement and the territorial protection granted in your Territory.

Your area of primary responsibility will be your Territory. All media advertising and direct mail marketing that you undertake must be focused on media distributed in, or to prospective clients located in, your Territory. You may not conduct any in-home evaluation, or provide any services to clients located, in a territory or area assigned to another franchisee, us, or our affiliate(s). If you receive leads from or for clients located in another territory or area, you must refer those leads to the franchisee (or us or an affiliate) who is assigned to operate in and service that territory or area.

You may not solicit clients, or market your products, services, or your Franchised Business to clients, located outside of your Territory. In the event you receive referrals to provide services to clients who are in a then-unassigned (to a franchisee or us or an affiliate) territory or area, you may

service those clients only with our written approval and continue to service such clients when the un-assigned territory is sold or assigned. However, when an un-assigned territory is sold or assigned, and a franchised, company-owned, or affiliate-owned Business opens, you may not accept any new clients from that territory. If a client outside of your Territory resides in a senior living facility in a then un-assigned Territory and that un-assigned Territory is sold/assigned and opened then you must transfer the client to the new 1Heart Caregiver Services Home Care business.

Reserved Rights

As specified in the Franchise Agreement, we will not establish or license others to establish another Franchised Business in the Territory during the term of the Franchise Agreement so long as you are in compliance with the Franchise Agreement. We will not solicit or service clients in your Territory. However, we and our affiliates retain all rights with respect to 1Heart Caregiver Services Home Care Businesses, the System, the Marks, the sale of similar or dissimilar services, and any other activities we deem appropriate, with no compensation to you, whenever and wherever we desire, including:

- a. the right to operate, and to grant others the right to operate, 1Heart Caregiver Services Home Care Businesses and similar home care businesses under different names or marks located anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to the Approved Location or the Territory, and subject to our cross-territorial policies, discussed above and in the Operations Manual;
- b. the right to establish and operate (and to grant to others the right to establish and operate) any other businesses offering products and services that are not the same as or similar to the products or services offered at 1Heart Caregiver Services Home Care Businesses, through similar or dissimilar channels of distribution, at any locations inside or outside the Territory under trademarks or service marks other than the Marks (including other trademarks or service marks owned by us and any of our affiliates) and on any terms and conditions we deem appropriate;
- c. the right to acquire the assets or ownership interests of one or more businesses that operates, and/or has granted franchises, licenses, or similar rights to one or more third parties to operate, businesses similar to and/or competing with 1Heart Caregiver Services Home Care Businesses, and/or the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a competing non-medical home-care business or agency, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory; provided, however, that if we or one of our affiliates acquire such a competing business or chain, we or our affiliates will not establish or grant franchises or licenses to establish new or additional competing businesses under the Marks or the acquired chain's marks in your Territory (but we may rebrand existing businesses within the Territory to use the Marks and the System). Any business operations of the same or similar business that existed or operated at the time of such acquisition or transaction will not constitute a breach of the Franchise Agreement; and

- d. the right to create, place, and/or distribute any advertising and promotional materials related to the System, the Marks, 1Heart Caregiver Services Home Care Businesses, and the services and products offered, and authorize others to do so, and those materials may appear in media, including, without limitation, the Internet or similar electronic media, or be received by prospective customers located anywhere, including within the Territory.

Rights Within Territory; Territory Infringement Policy

You have the right and obligation to diligently and actively solicit and service clients in your Territory. Also, the efficient operation of the System is dependent upon franchisees and other operators of 1Heart Caregiver Services Home Care Businesses, including us and our affiliates, complying with our policies regarding intra- and inter-territorial sales and servicing efforts. We have established policies concerning soliciting and/or servicing clients within and outside of a designated territory, or within the territory or area assigned to another franchisee or us or our affiliates (the "**Territory Infringement Policy**"). You must comply with the Territory Infringement Policy. We may modify the Territory Infringement Policy, on a system-wide basis, from time to time, and you must comply with the changed policies. Violation of the Territory Infringement Policy on two (2) or more occasions in any 12-month period constitutes a material default under the Franchise Agreement. The current Territory Infringement Policy provides, among other things, that:

Any lead from outside of your Territory may only be serviced by you upon 1Heart Caregiver Service's written consent. Once that Territory is sold to another franchisee, you may continue to service clients obtained from that Territory prior to the Territory opening. Once the Territory is sold and opened by another franchisee or by us or an affiliate of ours, you will not be able to provide services to any new clients in that Territory.

A franchisee who services a client in a facility such as a hospital, assisted living facility, or other care facility, that at the time the franchisee began servicing the client was in an unassigned Territory, will have the option to continue the service with the client or pass the client, once discharged, on to the franchisee/corporate office whose Territory they reside in. If the franchisee passes on the client to another franchisee, the transferring franchisee will be paid a referral fee that will be agreed upon between both parties.

Marketing outside of your designated Territory is prohibited, especially in another franchisee's Territory. Marketing directly to facilities located within an area covered by 1Heart Caregiver Services or its affiliates will only be allowed if 1Heart Caregiver Services grants its written consent/approval for such marketing.

Additional Disclosures

The Franchise Agreement does not provide you with any right or option to open and operate additional Franchised Businesses. You must meet our then-current qualifications for new franchises, as set forth in our then-current Franchise Agreement, to qualify to operate in any additional Territories not acquired under your Franchise Agreement. Except as set forth above, and unless otherwise agreed to by you and us, franchisees do not have options, rights of first refusal, or similar rights to acquire additional franchises within the Territory(ies) or in any contiguous territories.

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. Neither we nor our affiliates have established, or presently intend to establish, any other franchised or company-owned businesses that sell our approved services and approved products under a different trade name or trademark, but we reserve the right to do so in the future.

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ITEM 13. TRADEMARKS

We or our affiliate are the owner(s) of the following Marks on the U.S. Patent and Trademark Office (“USPTO”) Principal Register:

Mark	Registration Number	Registration Date
	7244157	12/12/2023
1Heart Cares	4813915	09/15/2015
	5011492	08/02/2016

We know of no effective material determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, or any state trademark administrator; nor any pending infringement, opposition or cancellation proceedings related to any of the Marks.

We have timely filed, or intend to timely file, with the USPTO all required affidavits of use and an affidavit of incontestability, when due, for the above Marks and registrations. We know of no federal or state court pending material litigation regarding the user or ownership rights in the Marks.

We have a license agreement with Caregiver Services & Home Care, Inc., the owner of the registered trademark “1Heart Business Academy”, to use and sublicense the use of the trademark. The license is perpetual. We will license to you the right to operate your business under the trademark, 1Heart Caregiver Services, which is the principal trademark used to identify our System. You do not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Franchised Business.

While we are not required to defend you against a claim arising from your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your Franchised Business for the new or modified Marks. You do not have to spend more than \$25,000 during the initial term of the Franchise Agreement to conform your Franchised Business to changes to the Marks and other System modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We know of no infringing or prior superior uses that could materially affect the use of the Marks in the State of California or any other state in which the Franchised Business is to be located.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the franchise. We have no pending patent applications that are material to the franchise.

Copyrights

We own copyrights in the Confidential Operations Manual, our website, our marketing materials, our IHeart QoL program and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials.

Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

Proprietary / Confidential Information

All ideas, concepts, techniques or materials concerning the Franchised Business and/or the System, 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 our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “**Confidential Information**”), concerning developing and operating the Franchised Business, including: site selection and territorial criteria; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating the Franchised Business and providing in-home care to clients; marketing and advertising programs; employee and caregiver recruitment, training, retention programs; knowledge of specifications for and suppliers of operating assets, and other products; any computer software or similar technology which is proprietary to us or the Franchise System, including, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of IHeart Caregiver Services Franchised Businesses other than the Franchised Business; and graphic designs and related intellectual property.

You will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the Franchised Business during the Franchise Agreement’s term, and that Confidential Information is proprietary and is disclosed to you only on the condition that you: (1) will not use Confidential Information in any other business or capacity; (2) will keep each item deemed to be part of Confidential Information absolutely confidential, both during the Franchise

Agreement's term and after the term for as long as the item is not generally known in the in-home care industry; (3) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and (4) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Franchised Business personnel and others and using non-disclosure and non-competition agreements, as allowed by applicable law, with those having access to Confidential Information.

We have the right to regulate the form of agreements that you use and to be a third-party beneficiary of those agreements with independent enforcement rights. You are obligated to maintain in your files those executed confidentiality agreements we specify and make them available to us upon request.

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the in-home care industry through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the in-home care industry through publication or communication by others (without violating an obligation to us). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

We will loan you during the term of the Franchise Agreement one copy of our Operations Manual, which could include audiotapes, videotapes, compact disks, computer software, other electronic media, information distributed electronically or via the Internet or our extranet (if one is developed) and/or written materials. You must keep your copy of the Operations Manual current and in a secure location at the Franchised Business. If there is a dispute over its contents, our master copy of the Operations Manual controls. The Operations Manual's contents are confidential, and you may not disclose the Operations Manual to any person other than Franchised Business' authorized employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, you must obtain a replacement copy from us. We may assess you our then applicable printing or copying charge. This charge is for our direct costs and is not related to any value that we place on the Confidential Information.

At our option, we may post some or all the Operations Manual on a restricted online site or extranet to which you will have access. If we do so, you must monitor and access the online site for any updates to the Operations Manual. Any passwords or other digital identifications necessary to access the Operations Manual on an online site will be deemed to be part of Confidential Information.

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

~~A.~~—The Franchised Business must at all times be under the direct, day-to-day, full time supervision of you the Franchisee (or one of your Principals) or an operating manager who, in the case of either a Principal or an operating manager, has been approved by us and has satisfactorily completed an applicable training program as required by us. If an operating manager supervises

the Franchised Business, Franchisee (or the Principal approved by you) must remain active in overseeing the operations of the Franchised Business conducted under the supervision of the manager.

B.——If you are an individual, we may require you to be the designated manager of the franchise. If you are a corporation or other business entity, you will select a designated manager for the franchise, and we may require that the individual you select is an owner of at least 15% of the franchise. The designated manager must attend and satisfactorily complete our initial training program before opening the Franchised Business. If you must replace the designated manager, your replacement must attend and satisfactorily complete our initial training program within 30 days of designation. You or the designated manager shall always keep the Franchised Business open a minimum of 5 days a week 9:00 a.m. to 5:00 p.m. and with an assigned office staff performing human resource functions, staffing, billing and payroll and a front-line field manager performing required sales, field marketing and case management.

C.——As described in ~~ITEM~~Item 14, certain individuals associated with your Franchised Business, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees and staff, and where allowed by law, may be required to sign nondisclosure and non-competition agreements the same as or like the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. All these individuals should not be engaged in a Competitive Business as per the terms of the Nondisclosure and Non-Competition Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements. If you are a corporation or other business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement.

D.——If at any time the Franchised Business is not being managed by you or your designated manager, we are authorized, but not required, to immediately appoint a manager to maintain the operations of the Franchised Business for and on your behalf. Our appointment of a manager of the Franchised Business does not relieve your obligations or constitute a waiver of our right to terminate the Franchise Agreement. We shall not be liable for any debts, losses, costs, or expenses incurred in the operations of your Franchised Business or to any of your creditors for any products, materials, supplies or services purchased by the Franchised Business while it is managed by our appointed manager. We have the right to charge a reasonable fee for management services and to cease to provide management services at any time.

E.——Depending on your designated manager's involvement in the Franchised Business and the scope and amount of activity of the Franchised Business, we may require you to hire a Client Care Manager and/or Staffing Coordinator. The Client Care Manager will be responsible for client assessments, creating plans of care, onboarding clients, and outreach with client referral community. The Staffing Coordinator would be responsible for caregiver recruiting, scheduling, new hire orientation, and training.

F.——You must at all times faithfully, honestly and diligently perform your obligations and continuously exert your best efforts to promote and enhance the operation of IHeart Caregiver Services. The person who is responsible for the day-to-day supervision of the Franchised Business must assume responsibilities for the Franchised Business 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.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the services and products we specify. You may not sell any services or products that we have not authorized, and you must discontinue offering any services or products that we may disapprove. We may act, including terminating your franchise if you purchase or sell unapproved products or make purchases from unapproved suppliers. Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

We may periodically change required or authorized services or products. There are no limits on our right to do so.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The Franchise Relationship

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreement attached to this Disclosure Document. You should refer to your state's-specific addendum attached to this Disclosure Document for exceptions to this ITEM 17.

Provision	Section in Franchise or Other Agreement	Summary
a. Length of franchise term	Section 4.1	The initial term is 10 years.
b. Renewal or extension of the term	Section 4.2	You may renew for a renewal term of 10 years. If you fail to meet any one of the conditions in (c) below, we may refuse to renew or extend the terms of your Franchise Agreement.
c. Requirements for franchisee to renew or extend	Section 4.2, Exhibit 1, Exhibit 5	You may renew the then-current Franchise Agreement if you: have fully complied with the provisions of the Franchise Agreement; have the right to maintain possession of the approved location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; are not in

		default of any provision of the Franchise Agreement or any other agreement with us; have given timely written notice of your intent to renew; sign a current Franchise Agreement, which may at that time have materially different terms and conditions than your original Franchise Agreement; comply with current training requirements; and sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement.
d. Termination by franchisee	Section 16.1	Not Applicable
e. Termination by franchisor without cause	None	Not Applicable
f. Termination by franchisor with cause	Section 16.2	We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
g. "Cause" defined-curable defaults	Section 16.2, Exhibit 5	If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Confidential Operations Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults below that require cure in a shorter time and non-curable defaults in (h) below. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.

h. “Cause” defined- non-curable defaults	Section 16.2, Exhibit 5	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely select an approved site for or establish, equip and begin operations of the Franchised Business; fail to have your designated manager satisfactorily complete training; made a material misrepresentation or omission in the application for the franchise; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect the reputation of either party or the Franchised Business; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Franchised Business; use the Confidential Operations Manual, Caregiver Services Training Manuals, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the Franchised Business for 5 or more consecutive days; surrender or transfer control of the Franchised Business in an unauthorized manner; fail to maintain the Franchised Business under the supervision of a designated manager following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate on 2 or more occasions any health, safety or other laws or operate the
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		Franchised Business in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; breach the Franchise Agreement or fail to comply with specifications on 2 or more occasions within any 12 months; or default under any other agreement with us (or an affiliate) so that we (or the affiliate) have the right to terminate the agreement.
i. Franchisee's obligations on termination/nonrenewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, you must: stop operating the Franchised Business; stop using any trade secrets, Confidential Information, the System and the Marks; if requested, assign your interest in the franchise location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Confidential Operations Manual, trade secrets and all other Confidential Information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of contract by franchisor	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by franchisee-definition	Section 18.2	"Transfer" includes transfer of an interest in the franchise, the Franchise Agreement, the franchise location or the Franchised Business's assets.
l. Franchisor's approval of transfer by franchisee	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.

m. Conditions for franchisor approval of transfer	Section 18.2, Exhibit 1, Exhibit 5	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee of \$20,000; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; you have agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in a form the same as or similar to the Nondisclosure and Non-Competition attached to the Franchise Agreement; the transferee has agreed that its designated manager will complete the initial training program before assuming management of the Franchised Business; and the transferee has obtained all necessary types of insurance.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 19	We may match an offer for your Franchised Business or an ownership interest you propose to sell.
o. Franchisor's option to purchase franchisee's Franchised Business	Section 17.4	Except as described in (n) above, we do not have the right to purchase your Franchised Business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Franchised Business for fair market value.

p. Death or disability of franchisee	Section 18.6	Following the death or incapacity of an owner of the Franchised Business or the death or incapacity of any holder of a legal or beneficial interest in the Franchised Business, you or his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the Franchised Business within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Section 7.3	You, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff and employees are prohibited from: attempting to divert any business or customer of the Franchised Business to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.2, Exhibit 5	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 25 miles of the franchise location or within the area of primary responsibility (whichever is greater), or within 25 miles of any other 1Heart Caregiver Services Franchised Business; or soliciting or influencing any of our customers, employees or business associates to compete with us or terminate their relationship with us.
s. Modification of the agreement	Sections 9.2, 22.7 and 22.8	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Confidential Operations Manual without your consent if the modification does not materially alter your fundamental rights.

t. Integration/merger clause	Section 22.7, Exhibit 5	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. 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.
u. Dispute resolution by arbitration or mediation	Section 23.6, Exhibit 5	Except for claims relating to the Marks, confidential information, trade secrets and covenants not to compete, and subject to state law, all disputes must be arbitrated in Los Angeles, California.
v. Choice of forum	Section 23.2, Exhibit 5	Subject to state law, any litigation must be pursued in courts located in Los Angeles, California.
w. Choice of law	Section 23.1, Exhibit 5	Subject to state law, California law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.

ITEM 18. PUBLIC FIGURES

We do not presently use any public figures to promote our franchise.

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ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

Historical Financial Performance Representation

This Item 19 presents certain ~~historical~~ historic financial performance information about (i) one (1) of our affiliate-owned businesses during the 2024 and 2025 calendar ~~year~~ years, and (ii) certain of our Franchised Businesses during the calendar years 2021 through ~~2026~~ 2024 (each such time period above the "Applicable Measurement Period").

~~As of~~ From May 2020 until April 2025, our ~~affiliates operated~~ 2024 fiscal year end, we had two (2) ~~affiliate-owned~~ 1Heart Caregiver Services businesses ~~open and in operation~~, one of which ~~operates~~ operated primarily in Los Angeles County, California (the "LAC Affiliate-Owned Business"), and one of which ~~operates~~ operated primarily in Orange County, California (the "OC Affiliate-Owned Business"). In May 2025, our affiliate owner of the OC Affiliate-Owned Business was dissolved, and its clients and business operations were transferred to the LAC Affiliate-Owned Business, which continues to service such clients. Accordingly, as of the fiscal year ended December 31, 2025, we have one (1) affiliate-owned business that operates in both Los Angeles County and in parts of Orange County, California. For purposes of this Item 19, our one (1) remaining affiliate-owned business is referred to as the "Reporting Affiliate-Owned Business."

Part I of this Item 19 discloses the total gross revenue and certain disclosed expenses for the ~~LAC~~ Reporting Affiliate-Owned Business during the 2024 and 2025 calendar ~~year~~ years. In Part I of this Item 19, we have excluded the financial performance of the OC Affiliate-Owned Business because it ~~is not representative of a typical System business. Since it first opened, the OC Affiliate-Owned Business has sold portions of its geographic operating territory to System franchisees; accordingly, it currently operates in a smaller geographic footprint than a typical franchised business. For purposes of this Item 19, the LAC Affiliate-Owned Business is referred to as the "Reporting Affiliate-Owned Business."~~ ceased operating as of April 2025.

~~The~~ As disclosed above, the Reporting Affiliate-Owned Business now operates ~~primarily in both~~ Los Angeles County, California, and in ~~parts of~~ parts of Orange County, California, in a geographic area that ~~comprises~~ would comprise approximately ~~two (2)~~ three (3) Territories of a size typically awarded to System franchisees, and. The Reporting Affiliate-Owned Business offers all approved

services and products that our franchisees are authorized to offer at and from a Franchised Business; however, please note that the Affiliate-Owned Business is a mature business that first opened and commenced operating in September 2008, and therefore the Affiliate-Owned Business (i) has more employees and personnel than would a Franchised Business during its initial period of operations, and (ii) has more operational history as of the commencement of the Applicable Measurement Period than would a newly operational Franchised Business.

As of our ~~2025~~2024 fiscal year end, we also ~~have had~~ a total of ~~21~~27 franchise owners that operate within a collective ~~twenty-four (24)~~thirty-three (33) territories ~~throughout California and Nevada~~ (each such territory a “Franchised Business,” and collectively, the “Franchised Businesses”).

Part II of this Item 19 discloses the average gross revenue and associated data for certain of these Franchised Businesses during the calendar years 2021 through ~~2024~~2025. In Part II of this Item 19, we have excluded the financial performance data of the following Franchised Businesses: (i) in calendar year 2021, four (4) Franchised Businesses, because (a) one (1) Franchised Business was reacquired by the franchisor before the end of that year and (b) three (3) Franchised Businesses had not been operating for twelve (12) months as of December 31, 2021; (ii) ~~four~~ in calendar year 2022, four (4) Franchised Businesses, because these businesses had not been operating for twelve (12) months as of December 31, 2022; (iii) in calendar year 2023, eight (8) Franchised Businesses, because (c) six (6) Franchised Businesses had not been operating for twelve (12) months as of December 31, 2023, and (d) an additional two (2) Franchised Businesses were resold and transferred to another System franchisee, and consequently changed ownership during the Measurement Period; ~~and~~ (iv) in calendar year 2024, four (4) Franchised Businesses, because they had not been operating for twelve (12) months as of December 31, 2024; and (v) in calendar year 2025, ten (10) Franchised Businesses, because they had not been operating for twelve (12) months as of December 31, 2025. The remaining Franchised Businesses for which the financial performance data is reported below are referred to in this Item 19 as the “Reporting Franchised Businesses.”

From the period of January 1, 2020, to December 31, ~~2024~~2025, no 1Heart Caregiver Services Businesses closed after being open less than twelve (12) months.

The information in this Item 19 was reported to us by the owners of the Reporting Affiliate-Owned Business and Reporting Franchised Businesses, respectively. We have not audited this information. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

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PART I – Disclosed Financial Performance of Reporting Affiliate-Owned Business

(1/1/2024 – 12/31/~~2024~~2025)

	<u>2025</u>		<u>2024</u>	
	<u>Total</u>	<u>% of Gross Revenue</u>	<u>Total</u>	<u>% of Gross Revenue</u>
GROSS REVENUE	\$3,421,801.40***	100%	\$2,028,315.89	100%
<i>Caregiver Payroll</i>	\$1,694,032.30	49.51%	\$1,074,485.36	52.97%
TOTAL GROSS ~~SALES~~REVENUE LESS CAREGIVER PAYROLL	\$1,727,769.10	50.49%	\$953,830.53	47.03%
ADDITIONAL DISCLOSED EXPENSES				
<i>Employee Payroll, Payroll Taxes, and Workers' Comp</i>	\$577,062.40	16.86%	\$372,746.11	18.38%
<i>Caregiver Training</i>	\$5,206.07	0.15%	\$3,976.46	0.20%
<i>Rent & Occupancy</i>	\$21,165.35	0.62%	\$34,285	1.69%
<i>Recruitment Expenses</i>	\$7,960.00	0.23%	\$8,847.03	0.44%
<i>Retention</i>	\$859.33	0.03%	\$4,781.64	0.24%
<i>Promotional and Client Relation Expenses</i>	\$11,251.22	0.33%	\$15,173.79	0.75%
<i>Marketing and Advertising Expenses</i>	\$36,078.36	1.05%	\$45,585.33	2.25%
<i>Insurance</i>	\$21,836.15	0.64%	\$8,589.00	0.42%
<i>Accounting Expenses</i>	\$1,650.00	0.05%	\$2,885.00	0.14%
<i>Vehicle and Auto Insurance Expenses</i>	\$3,607.46	0.11%	\$5,981.41	0.29%

<i>Telephone and Internet Expenses</i>	\$7,934.23	0.23%	\$5,554.00	0.27%
<i>Dues and Software Subscriptions</i>	\$16,013.29	0.47%	\$9,804.00	0.48%
<i>Office Expenses</i>	\$7,325.77	0.21%	\$5,684.10	0.28%
<i>Licenses & Permits</i>	\$5,252.75	0.15%	\$5,603.00	0.28%
<i>Bank Service Charges</i>	\$1,770.30	0.05%	\$778.04	0.04%
TOTAL ADDITIONAL DISCLOSED EXPENSES	\$724,972.68	21.19%	\$495,988.91	24.45%
GROSS REVENUE LESS CAREGIVER PAYROLL & ADDITIONAL DISCLOSED EXPENSES	\$1,002,796.42	29.31%	\$457,841.62	22.57%
IMPUTED FEES (FRANCHISE)				
<i>Royalty (Imputed)</i>	\$171,090.07	5%	\$101,415.79	5%
<i>Brand Fund Contribution (Imputed)</i>	\$68,436.03	2%	\$40,566.32	2%
GROSS REVENUE LESS CAREGIVER PAYROLL, DISCLOSED EXPENSES & IMPUTED FEES	\$763,270.32	22.31%	\$315,859.51	15.57%

***Of the Gross Revenue reported by the Affiliate-Owned Business in 2025, a total of \$758,473 is attributable to the dissolution of the OC Affiliate-Owned Business in May 2025 and the subsequent transfer of such business's assets and clients to the LAC Affiliate-Owned Business.

**PART II – Average Gross Revenue and Associated Data of Reporting Franchised Businesses
During Applicable Measurement Periods
(Calendar Years 2021, 2022, 2023, 2024, and ~~2024~~2025)**

Reporting Franchised Businesses: 2021 Gross Revenue	
Number of Reporting Franchised Businesses	6
Highest Gross Revenue	\$2,050,191
Lowest Gross Revenue	\$258,928
Average Annual Gross Revenue	\$1,106,648
Median Annual Gross Revenue	\$1,066,986
Number of Reporting Franchised Businesses Greater Than Average	3

Reporting Franchised Businesses: 2022 Gross Revenue	
Number of Reporting Franchised Businesses	10
Highest Gross Revenue	\$2,706,737
Lowest Gross Revenue	\$208,927
Average Annual Gross Revenue	\$1,047,523
Median Annual Gross Revenue	\$556,901
Number of Reporting Franchised Businesses Greater Than Average	4

Reporting Franchised Businesses: 2023 Gross Revenue	
Number of Reporting Franchised Businesses	13
Highest Gross Revenue	\$3,167,558
Lowest Gross Revenue	\$221,239
Average Annual Gross Revenue	\$1,177,629
Median Annual Gross Revenue	\$602,639
Number of Reporting Franchised Businesses Greater Than Average	4

Reporting Franchised Businesses: 2024 Gross Revenue	
Number of Reporting Franchised Businesses	20
Highest Gross Revenue	\$5,193,119
Lowest Gross Revenue	\$155,089
Average Annual Gross Revenue	\$1,268,227
Median Annual Gross Revenue	\$662,526
Number of Reporting Franchised Businesses Greater Than Average	8

<u>Reporting Franchised Businesses: 2025 Gross Revenue</u>	
<u>Number of Reporting Franchised Businesses</u>	<u>23</u>
<u>Highest Gross Revenue</u>	<u>\$4,972,597.36</u>
<u>Lowest Gross Revenue</u>	<u>\$210,688</u>
<u>Average Annual Gross Revenue</u>	<u>\$1,539,383.35</u>
<u>Median Annual Gross Revenue</u>	<u>\$1,259,517.61</u>
<u>Number of Reporting Franchised Businesses Greater Than Average</u>	<u>11</u>

NOTES TO ITEM 19:

A. **Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

B. In Part II of this Item 19, all figures are rounded to the nearest dollar.

C. Defined Terms

(1) "Caregiver Payroll," in Part I, means the total wages paid to caregivers as independent contractors during the Measurement Period, as reported by the Reporting Affiliate-Owned Business.

(2) "Employee Payroll, Payroll Taxes, and Workers' Comp," in Part I, means the total amount of (i) salaries and other wages paid to employees of the Reporting Affiliate-Owned Business during the Measurement Period, (ii) the total payroll taxes incurred by the Reporting Affiliate-Owned Business during the Measurement Period, and (iii) the total amount of workers' compensation insurance expenses incurred by the Reporting Affiliate-Owned Business during the Measurement Period. This amount does not include the value of any employee benefits, bonuses or additional compensation, additional employee insurance expenses, or any other employment-related expenses incurred during the Measurement Period.

(3) "Caregiver Training," in Part I, means the total expenses incurred by the Reporting Affiliate-Owned Business in connection with providing in-house job-related training to caregivers during the Measurement Period. It does not include any expenses incurred by the Reporting Affiliate-Owned Business on additional outside training resources during the Measurement Period.

(4) "Rent & Occupancy," in Part I, means the total rent-related expenses incurred by the Reporting Affiliate-Owned Business during the Measurement Period. The Reporting Affiliate-Owned Business currently operates in the Los Angeles area from a premises substantially larger than that recommended for a typical franchised business.

(5) "Recruitment Expenses," in Part I, means expenses incurred by the Reporting Affiliate-Owned Business in connection with the recruitment of caregivers during the Measurement Period,

including but not limited to the preparation of promotional materials and nominal caregiver referral fees.

(6) “Retention,” in Part I, means expenses incurred by the Reporting Affiliate-Owned Business in connection with caregiver incentive programs, as well as uniform expenses, during the Measurement Period.

(7) “Insurance,” in Part I, means the total costs incurred by the Reporting Affiliate-Owned Business during the Measurement Period for the business’s general liability policy and bond. It does not include the business’s auto insurance (separately accounted for under “Vehicle and Auto Insurance Expenses” above), nor the costs of other policies the Reporting Affiliate-Owned Business may carry. You must comply with our System insurance requirements and the policies for your Franchised Business may differ from those carried by the Reporting Affiliate-Owned Business. See Item 8 for our current minimum insurance requirements.

(8) “Royalty (Imputed),” in Part I, means the total amount of Royalty fees the Reporting Affiliate-Owned Business would have been required to pay during the Measurement Period if the business had entered into our current form of franchise agreement. The Reporting Affiliate-Owned Business is not required to pay a Royalty, and this amount is included for illustrative purposes only.

(9) “Brand Fund Contribution (Imputed),” in Part I, means the total amount in Brand Fund monies the Reporting Affiliate-Owned Business would have been required to contribute to the Brand Fund during the Measurement Period if the business had entered into our current form of franchise agreement. The Reporting Affiliate-Owned Business may (but is not required to) contribute to our Brand Fund, and this amount is included for illustrative purposes only.

C. You should develop your own business plan for your franchise, including capital budgets, financial statements, projections, pro forma financial statements, and other elements appropriate to your circumstances. We encourage you to consult with your own accounting, business and legal advisors to assist you in preparing your business plan.

D. The information presented in this Item 19 does not include or reflect certain operating expenses, including bonuses and additional employee compensation, employee health insurance costs, meals and entertainment expenses, depreciation expenses, and certain other operating costs and expenses that you will incur in connection with the operation of your Franchised Business. Franchisees or former franchisees listed in Exhibit F to this Disclosure Document may be one source of this information.

E. Other than the payroll and workmen’s compensation tax information disclosed above, the information presented in this Item 19 excludes tax liabilities, including sales tax, property tax and local taxes. You will be responsible for all taxes incurred in connection with the operation of your Franchised Business. You are strongly advised to consult with a tax professional before investing in this franchise opportunity.

Other than the preceding financial performance representation, we do not make any financial performance representation. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting our CEO, Belina Calderon-Nernberg, at 16530 Ventura Blvd., Suite 500, Encino, California 91436, Telephone (844) 814-3278, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS ~~2022~~ 2023 TO 2024 ~~2025~~				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	~~2023~~ 2022	~~10~~ 15	~~15~~ 22	~~5~~ 7
	~~2023~~ 2024	~~15~~ 22	~~22~~ 26	~~7~~ 4
	~~2024~~ 2025	~~22~~ 26	~~24~~ 33	~~2~~ 7
Company Owned	~~2023~~ 2022	~~3~~ 2	2	~~-1~~ 0
	~~2024~~ 2023	2	2	0
	~~2024~~ 2025	2	~~2~~ 1	~~0~~ -1
TOTAL OUTLETS	~~2023~~ 2022	~~13~~ 17	~~17~~ 24	~~4~~ 7
	~~2024~~ 2023	~~17~~ 24	~~23~~ 28	~~6~~ 4
	~~2024~~ 2025	~~24~~ 28	~~26~~ 34	~~2~~ 6

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS ~~2022~~ 2023 TO 2024 ~~2025~~		
State	Year	Number of Transfers
California	~~2022~~ 2023	~~0~~ 2
	~~2024~~ 2023	~~2~~ 0
	~~2024~~ 2025	0
Total*	~~2022~~ 2023	~~0~~ 2
	~~2023~~ 2024	0
	~~2024~~ 2025	0

Table No. 3

Note: * Please see Exhibit H of this FDD for

STATUS OF FRANCHISE OUTLETS FOR YEARS 2023 TO 2025
--

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Terminations</u>	<u>Non-Renewals</u>	<u>Reacquired by Franchisor</u>	<u>Ceased Operations – Other Reasons</u>	<u>Outlets at End of the Year</u>
<u>California</u>	<u>2023</u>	<u>14</u>	<u>7</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20</u>
	<u>2024</u>	<u>20</u>	<u>5</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24</u>
	<u>2025</u>	<u>24</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28</u>
<u>Nevada</u>	<u>2023</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2025</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Florida</u>	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2025</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>Texas</u>	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2025</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Maryland</u>	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2025</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Total*</u>	<u>2023</u>	<u>15</u>	<u>8</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22</u>
	<u>2024</u>	<u>22</u>	<u>5</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26</u>
	<u>2025</u>	<u>26</u>	<u>8</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33</u>

Table No. 4

<u>STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2023 TO 2025</u>							
<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Outlets Reacquired From Franchisee</u>	<u>Outlets Closed</u>	<u>Outlets Sold to Franchisee</u>	<u>Outlets at End of the Year</u>
<u>California</u>	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2025</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
<u>Total</u>	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2025</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>

Table No. 5

<u>PROJECTED OPENINGS AS OF DECEMBER 31, 2025</u>			
<u>State</u>	<u>Franchise Agreements Signed But Outlet Not Yet Opened</u>	<u>Projected New Franchised Outlets In The Next Fiscal Year</u>	<u>Projected New Company-Owned Outlets in the Next Fiscal Year</u>
<u>California</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>Nevada</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>Florida</u>	<u>2</u>	<u>2</u>	<u>0</u>
<u>New Jersey</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>Georgia</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>Michigan</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>Arizona</u>	<u>1</u>	<u>2</u>	<u>0</u>
<u>Texas</u>	<u>0</u>	<u>2</u>	<u>0</u>
<u>Total</u>	<u>8</u>	<u>11</u>	<u>0</u>

Attached as Exhibit H to this FDD are lists of (a) our current franchisees, (b) franchisees who have signed a franchise agreement but the outlet was not yet open as of December 31, 2025, and (c) franchisees who had an outlet terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the Disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise System.

issuance date of this disclosure document.

Table No. 3

<u>STATUS OF FRANCHISE OUTLETS FOR YEARS 2022 TO 2024</u>								
<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Terminations</u>	<u>Non-Renewals</u>	<u>Reacquired by Franchisor</u>	<u>Ceased Operations —Other Reasons</u>	<u>Outlets at End of the Year</u>
<u>California</u>	<u>2022</u>	<u>9</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14</u>
	<u>2023</u>	<u>14</u>	<u>7</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20</u>
	<u>2024</u>	<u>20</u>	<u>5</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24</u>
<u>Nevada</u>	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>

	2024	2	0	0	0	0	0	2
Total*	2022	10	5	0	0	0	0	15
	2023	15	8	1	0	0	0	22
	2024	22	2	0	0	0	0	24

* Please see Exhibit H of this FDD for franchisees who had an outlet terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the Disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise System.

Table No. 4

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2022 TO 2024							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2022	3	0	0	0	1	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Total	2022	3	0	0	0	1	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2

Table No. 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2025			
State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	4	0
Total*	0	4	0

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with a 1Heart Caregiver Services Franchised Business. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

Currently, we have no trademark-specific franchise organization associated with the franchise system being offered.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit F are our ~~(i)-audited financial statements for the period January 1, 2023 through fiscal years ended December 31, 2025,~~ December 31, 2024, and ~~(ii)-our unaudited interim financial statements dated September 30, 2025~~December 31, 2023.

Our fiscal year end is December 31.

ITEM 22. CONTRACTS

The 1Heart Caregiver Services Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

The 1Heart Caregiver Services General Release is attached to the Franchise Agreement as Exhibit 1.

The 1Heart Caregiver Services Nondisclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit 2.

The 1Heart Caregiver Services Unlimited Guaranty and Assumption of Obligations is attached to the Franchise Agreement as Exhibit 3.

The Multi-State Addenda is attached to the Franchise Agreement as Exhibit 5.

The Franchise Disclosure Questionnaire is attached to this Disclosure Document as Exhibit I.

We provide no other contracts or agreements for your signature.

ITEM 23. RECEIPTS

Our copy and your copy of the Disclosure Document Receipts are located on the last 2 pages of this Disclosure Document.

EXHIBIT A

LIST OF ADMINISTRATORS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677 (toll free)	MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MICHIGAN Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron G. Mennen Williams Building, 7th Floor 525 W. Ottawa St. P.O. Box 30212 Lansing, MI 48909 (517) 373-7117
ILLINOIS Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	MINNESOTA Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296-4026
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	NEW YORK NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10271-0332 (212) 416-8222 Phone

NORTH DAKOTA North Dakota Securities Department 600 E. Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-2910	VIRGINIA Director, Securities and Retail Franchising Div. State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051
RHODE ISLAND Department of Business Regulation Securities Division Building 69-1, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527	WASHINGTON Department of Financial Institutions General Administration Building Securities Division – 3 rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
SOUTH DAKOTA Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre SD 57501-3185 (605) 773-4823	WISCONSIN Office of the Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” in some or all the following states, in accordance with the applicable state law. If we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677 (toll free)	MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MICHIGAN Dept. of Energy, Labor, & Economic Growth Corporations Division P.O. Box 30054 Lansing, Michigan 48909 7150 Harris Drive Lansing, Michigan 48909 (517) 373-7117
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	MINNESOTA Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296-4026
INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681	NEW YORK Secretary of State 99 Washington Avenue Albany, New York 12231
NORTH DAKOTA North Dakota Securities Commissioner 600 E. Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9733

RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division John O. Pastore Complex – 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527	WASHINGTON Director of Department of Financial Institutions General Administration Building Securities Division – 3 rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
SOUTH DAKOTA Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre SD 57501-3185 (605) 773-4823	WISCONSIN Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555

EXHIBIT C TO THE DISCLOSURE DOCUMENT

1HEART CAREGIVER SERVICES FRANCHISE AGREEMENT

**FRANCHISE AGREEMENT
DATA SHEET**

EFFECTIVE DATE: _____

FRANCHISEE(S): _____

ADDRESS FOR NOTICES: _____

TELEPHONE NUMBER: _____

E-MAIL ADDRESS: _____

APPROVED LOCATION: _____

DESIGNATED AREA (if applicable): _____

OF TERRITORIES: _____

TERRITORY 1: _____

TERRITORY 2: _____

TERRITORY 3: _____

TERRITORY 4: _____

TERRITORY 5: _____

INITIAL FRANCHISE FEE: \$ _____

SCHEDULED EXPIRATION DATE: On the 10 Year Anniversary from the Effective Date.

FRANCHISOR'S ADDRESS FOR NOTICE: 1HCS Franchising LLC dba 1Heart Caregiver Services
16530 Ventura Boulevard, Suite 500
Encino, California 91436
ATTN: Belina Calderon-Nernerg

Franchisor Initial

Franchisee Initial

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1Heart Caregiver Services

FRANCHISE AGREEMENT

This Franchise Agreement made this _____ day in the month of _____, 20____, is by and between 1HCS Franchising LLC dba 1Heart Caregiver Services, a California limited liability company, having its principal place of business at 16530 Ventura Blvd., Suite 500, Encino, CA 91436 (“Franchisor”), and _____, an individual/partnership/corporation/limited liability company established in the State of _____ and whose principal address is _____ (“Franchisee”).

WITNESSETH:

WHEREAS, Franchisor and its Affiliate* have developed, and are in the process of further developing, a System identified by the trademark “1Heart Caregiver Services” and relating to the establishment and operation of a non-medical home care agency, referred to as “1Heart Caregiver Services” and

WHEREAS, in addition to the trademark “1Heart Caregiver Services” and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies, techniques and Trade Secrets and other Confidential Information; and the Confidential Operations Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a 1Heart Caregiver Services Franchised Business using the System and the Marks; and

WHEREAS, Franchisee desires to operate a 1Heart Caregiver Services Franchised Business, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the franchised business in strict conformity with Franchisor’s System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

“1Heart Caregiver Services Franchised Business” means a non-medical homecare agency specializing in caregiving services to the elderly and other adults who do not need nursing home care but do require some assistance in meeting their healthcare needs that operates under the System and the Marks.

“Affiliate” means any business entity that controls, is controlled by, or is under common control with Franchisor;

“Agreement” means this agreement entitled “1Heart Caregiver Services Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

“Approved Location” or **“Franchised Business Facility”** means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

“Approved Supplier(s)” is defined in Section 13.1;

“Competitive Business” means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) in-home care services the same as or similar to those provided by 1Heart Caregiver Services Franchised Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

“Confidential Information” means technical and non-technical information used in or related to 1Heart Caregiver Services Franchised Businesses and not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified or labeled as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

“Confidential Operations Manual” means the 1Heart Caregiver Services Confidential Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

“Cooperative Advertising” means the combined advertising program of two (2) or more franchisees established within a common market that Franchisor may require for 1Heart Caregiver Services Franchised Businesses within a particular region;

“Designated Area” is defined in Section 2.3;

“Designated Manager” means the individual designated by Franchisee as having primary responsibility for managing the daily affairs of the Franchised Business. If Franchisee is a legal business entity, (such as a corporation, partnership, or any other business entity), Franchisor may, in its sole discretion, require that the Designated Manager own at least fifteen percent (15%) of the equity in Franchisee, and if Franchisee is an individual and not a legal business entity, Franchisor may, in its sole discretion, require that the Designated Manager be the Franchisee;

“Effective Date” means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term;

“Electronic Depository Transfer Account” means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

“Franchise” means the right granted to Franchisee by Franchisor to use the System and the Marks;

“Franchise Fee” is defined in Section 3;

“Franchised Business” means the 1Heart Caregiver Services Franchised Business to be established and operated by Franchisee pursuant to this Agreement;

“Franchisee” means the individual or entity defined as “Franchisee” in the introductory paragraph of this Agreement;

“Franchisor” means IHCS Franchising LLC dba 1Heart Caregiver Services;

“Franchisor Indemnities” has the meaning given to such term in Section 21.3;

“Generally Accepted Accounting Principles” or **“GAAP”** means the standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

“Gross Revenue” means all revenue that you bill/invoice (whether or not collected), plus all other amounts you derive, from operating the Franchised Business, including all services and products sold, all amounts that you charge, invoice, or receive at or away from the Approved Location, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding (a) any revenue Franchisee remits to a customer or property owner or collection agency that Franchisee is contractually obligated to remit, (b) any chargeback fees Franchisee pays to a collection agency, (c) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, and (d) any rebate received by Franchisee from a manufacturer or supplier;

“Gross Revenue Reports” has the meaning give to such term in Section 12.2;

“Incapacity” means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

“Internet” means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

“Local Advertising” has the meaning given to such term in Section 11.1;

“Marketing Fund” has the meaning given to such term in Section 11.2;

“Marketing Fund Contribution” has the meaning given to such term in Section 11.2;

“Marks” means the trade name or trademark “1Heart Caregiver Services” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with 1Heart Caregiver Services Franchised Businesses;

“Royalty Fee” has the meaning given to such term in Section 3.2;

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of 1Heart Caregiver Services Franchised Businesses;

“Territory(ies)” has the meaning given to such term in Section 2.4; and

“Trade Secrets” means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in 1Heart Caregiver Services Franchised Businesses that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. GRANT OF FRANCHISE; APPROVED LOCATION

2.1 Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) 1Heart Caregiver Services Franchised Business using the System and Marks. Franchisee is being granted this license on the basis that Franchisee has and will continue to meet all 1Heart Standards.

2.2 Approved Location

The street address (or detailed description of the premises) of the Approved Location for the facility for the operation of the Franchised Business (“Franchised Business Facility”) is as set forth on the Data Sheet attached to this Agreement.

2.3 Approved Location Not Determined

If the Approved Location for the Franchised Business Facility/office is determined as of the Effective Date, then this Section shall be inapplicable. If the Approved Location of the Franchised Business Facility is not determined as of the Effective Date, then the geographic area in which the Franchised Business Facility is to be located shall be within the geographic area described below (“Designated Area”). Franchisee shall select and submit possible sites for Franchisor’s evaluation in accordance with Section 5.1. When the Approved Location is determined, its address shall be inserted into the Data Sheet of this Agreement, shall be initialed and dated by Franchisee and Franchisor and the Designated Area shall lapse. The failure to insert such address into Section 2.2, shall not automatically affect the enforceability of this Agreement. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection.

2.4 Territory(ies)

Franchisee will receive an exclusive territory or territories (the “Territory(ies)”) designated by specific zip codes, as mutually agreed upon by Franchisor and Franchisee and depicted in the map(s) attached to the Data Sheet of this Agreement. Franchisee shall operate the Franchised Business within the designated Territory(ies) and shall limit all direct marketing, advertising, and business activities within such area(s), as stated in Section 2.8. If this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, Franchisor shall not limit or alter the boundaries of Franchisee’s Territory(ies). Franchisee’s rights in the Territory(ies) are subject to Franchisor’s rights articulated in Section 2.7. Franchisee shall be solely responsible for the assigned potential referral source accounts conducting regular field marketing activities and promotions aimed at growing the 1Heart Caregiver Services brand with each potential account.

2.5 Map and Description of Territory(ies)

The Territory(ies) granted Franchisee herein shall be as defined (and if map(s) are attached, as depicted), in the Data Sheet to this Agreement.

2.6 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee’s rights or obligations licensed hereunder.

2.7 Franchisor’s Rights

Franchisee acknowledges that except to the extent provided in Section 2.4 above, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.7.1 establish, own or operate, and license others to establish, own or operate, 1Heart Caregiver Services Franchised Businesses outside of the Territory(ies) as Franchisor deems appropriate;

2.7.2 establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside and outside of the Territory(ies);

2.7.3 purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Territory(ies). If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Territory(ies) which are not franchised or licensed, Franchisor may, in its sole discretion:

2.7.3.1 offer to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a 1Heart Caregiver Services Franchised Business; or

2.7.3.2 offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.7.4 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Territory(ies);

2.7.5 provide the services and sell the products authorized for 1Heart Caregiver Services Franchised Businesses using the Marks or other trademarks, service marks and commercial symbols through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate; and

2.7.6 engage in any activities not expressly forbidden by this Agreement.

2.8 Marketing and Solicitation Restrictions

Franchisee shall not directly market to or solicit customers whose principal business office or property address is located outside of the Territory(ies). Except as part of Cooperative Advertising implemented pursuant to Section 11.3, Franchisee shall not advertise in any media whose primary circulation is within the area of primary responsibility of another franchisee. Franchisor shall make reasonable efforts to enforce these restrictions about Franchisee and any other 1Heart Caregiver Services Franchised Businesses, but under no circumstances shall Franchisor be required to engage in litigation or similar actions regarding these restrictions.

Franchisor has established policies concerning soliciting and/or servicing clients within and outside of a designated territory, or within the territory or area assigned to another franchisee or Franchisor or ~~our~~ affiliates (the "**Territory Infringement Policy**"). Franchisor may modify the Territory Infringement Policy, on a system-wide basis, from time to time, and Franchisee must comply with the changed policies. The current Territory Infringement Policy provides, among other things, that:

Any lead from outside of Franchisee's Territory may only be serviced by Franchisee ~~upon~~ Franchisor's with the prior express written consent of Franchisor. Once that Territory is sold to another franchisee, Franchisee may continue to service clients obtained from that Territory prior to the Territory opening. Once the Territory is sold and opened by another franchisee, Franchisee will not be able to provide services to any new clients in that Territory.

If Franchisee services a client in a facility such as a hospital, assisted living facility, or other care facility, it will have the option, subject to the requirements of our Territory Infringement Policy, to continue the service with the client or pass the client, once discharged, on to the franchisee/corporate office whose Territory they reside in. If the Franchisee passes on the client to another franchisee, the transferring franchisee will be paid a referral fee that will be agreed upon between both parties.

Marketing outside of Franchisee's designated Territory is prohibited, ~~especially in another franchisee's Territory, including but not limited to within the territory of another System franchisee.~~ Marketing directly to facilities located within an area covered by Franchisor or its affiliates will only be allowed if Franchisor grants Franchisee written consent/approval for such marketing.

Franchisor may assess a territory infringement policy fee consisting of: (i) \$5,000 for the first violation of the Territory Infringement Policy, and a fee of \$10,000 for the second and any subsequent violation of the Territory Infringement Policy; and (ii) complete forfeiture of one hundred percent (100%) of Gross Revenue generated by the infringing services. Franchisor may collect such fees and remit them to the franchisee(s) upon whose Territory(ies) were infringed.

For the purposes of this ~~Franchise~~-Agreement, and except as may be modified by ~~us~~Franchisor through changes in policies and/or the Operations Manual, references to "client" will mean the person receiving the services of the Franchised Business.

2.9 Best Efforts

Franchisee must use its best efforts to promote, solicit, and service all potential clients (including growth of potential referral sources) within its Territory(ies).

3. FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay an initial franchise fee to Franchisor in the amount set forth on the Data Sheet to this Agreement (the "Franchise Fee"). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, in consideration of administrative and other expenses Franchisor incurs in granting the franchise and for Franchisor's lost or deferred opportunity to franchise others. The Franchise Fee is calculated as follows: (i) \$60,000 for one Territory; (ii) \$100,000 for two Territories; (iii) \$135,000 for three Territories; (iv) \$165,000 for four Territories; and (v) \$185,000 for five Territories. For Territories in excess of five (5), the Franchise Fee shall be an additional \$20,000 for each such Territory. If Franchisee is an existing home care company that meets Franchisor's then-current conversion criteria, the Franchise Fee is \$30,000.

3.2 Monthly Royalty Fee

On or before the tenth (10th) day of each month, for so long as this Agreement shall be in effect, Franchisor shall be entitled to a fee ("Royalty Fee") equal to the greater of (i) five percent (5%) of the Gross Revenue for the previous month, or (ii) the applicable Minimum Royalty Fee (see Section 3.2.1 below). Franchisee shall pay an additional five percent (5%) of the Gross Revenue for the previous month generated from clients located outside of the Territory(ies) (the "Extraterritorial Royalty"). The Extraterritorial Royalty shall be in addition to the Royalty Fee. Franchisee shall pay monthly Royalty Fees and Extraterritorial Royalty in the following manner:

Each monthly Royalty Fee and Extraterritorial Royalty payment made by Franchisee shall accompany a Gross Revenue Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees and Extraterritorial Royalty through electronic transfer as set forth in Section 3.4, such reports shall instead be submitted to Franchisor via facsimile transmission, e-mail or intranet system. If Franchisee fails to report Gross Revenue, Franchisor may electronically transfer the applicable Minimum Royalty. If the amount that

Franchisor debits is less than the amount that Franchisee owes, Franchisor will debit Franchisee for the balance on the day Franchisor specifies. If the amount that Franchisor debits is greater than the amount Franchisee owes, Franchisor will credit the excess against the amounts it otherwise would debit during the following month.

3.2.1 Minimum Royalty. Beginning in the seventh (7th) month after the Franchised Business has been opened and commenced operating, Franchisee shall pay per Territory a Minimum Royalty as set forth below (in the event that the applicable amounts below exceed five percent (5%) of the Gross Revenue of the Franchised Business during the periods of operations indicated).

Year of Operation	Minimum Royalty (per Territory)
First Six Months of Operation	No Minimum Royalty
Month 7 to Month 12	\$500/month
2	\$1,000/month
3	\$1,500/month
4	\$2,000/month
5	\$2,500/month
6	\$3,000/month
7	\$3,500/month
8 and subsequent years	\$4,000/month

3.2.2 Taxes

Franchisee shall pay to Franchisor an amount equal to all sales taxes, excise taxes, use taxes, withholding taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Franchised Business is located.

3.3 Initial Marketing Package Fee

Upon execution of this Agreement, Franchisee shall pay to Franchisor the amount of \$1,500 (the “Initial Marketing Package Fee”) for Franchisee’s initial inventory of marketing materials, brochures, business cards, and assorted additional marketing inventory (the “Initial Marketing Package”). The Initial Marketing Package Fee is deemed fully earned upon execution of this Agreement and is not refundable.

3.4 Electronic Transfer

Franchisor has the right to require all Royalty Fees, Extraterritorial Royalty, Brand Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Account. At Franchisor’s request, Franchisee shall open and maintain an Electronic Depository Transfer Account and shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Every month, Franchisee shall make monthly deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee

shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's written consent.

3.5 Late Fees

All Royalty Fees, Extraterritorial Royalty, Brand Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor within five (5) days after the due date shall incur late fees at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Extraterritorial Royalty, Brand Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

3.6 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Extraterritorial Royalty, Brand Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor in any proportion or priority.

4. Term and Renewal

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Section 16.

4.2 Renewal Term

Subject to the conditions below, Franchisee has the right to renew Franchisee's franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with Franchisor for a renewal term of ten (10) years. As of the Effective Date of this Agreement, there is no renewal fee. To qualify for a successor franchise, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

Franchisee has access to and, for the duration of the successor franchise, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards;

Franchisee has at its expense, made such capital expenditures as were necessary to maintain uniformity with any

Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

Franchisee has given written notice of its intent to operate a successor franchise to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement;

Franchisee has executed Franchisor's then-current form of franchise agreement (or has executed other documents at Franchisor's election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Brand Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;

Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located.

5. Approved Location

5.1 Selection of Site

Franchisee shall select a facility to lease or purchase for the operation of the Franchised Business. A facility or Approved Location must be established for the management and administration of the Franchised Business, for the maintenance and storage of the books and records, equipment and supplies of the Franchised Business. If an Approved Location for the Franchised Business has not been determined as of the Effective Date, Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (usually thirty [30] days) of receiving notice of the site from Franchisee. If Franchisor approves of such selection, the site shall be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of new sites until Franchisor approves a site for the Franchised Business. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including, without limitation, the condition of the premises, demographics of the surrounding area, proximity to other 1Heart Caregiver Services Franchised Businesses, proximity to Competitive Businesses and lease requirements. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor.

Franchisor does not represent that it, or any of its Affiliates, owners, employees or agents, have special expertise in selecting sites. Neither Franchisor's assistance nor approval

is intended to indicate or indicates that the Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for identifying the Approved Location. It will be for the Franchisee's benefit to have an office with provision of front signage, creating visibility within the local community attracting senior clients and caregiver applicants.

5.2 Failure to Select Site

Should Franchisee fail to select a site for the Franchised Business Facility/Office, which meets with Franchisor's approval within ninety (90) days after the Effective Date, Franchisor has the right to terminate this Agreement.

5.3 Development of Franchised Business Facility/Office

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of the Franchised Business Facility/office, including specifications for improvements, supplies and equipment which are necessary for the development and operation of a 1Heart Caregiver Services Franchised Business. Franchisee shall cause the Franchised Business Facility/office to be developed, equipped and improved in accordance with such specifications within one hundred and eighty (180) days after the Effective Date.

In connection with the development of the Franchised Business Facility/office, Franchisee shall:

- purchase any supplies or inventory necessary for the operation of the Franchised Business, as specified in the Confidential Operations Manual;

- purchase and install all equipment, furniture and fixtures, including any software and computer equipment, required by Franchisor for the operation of the Franchised Business; and

- establish broadband or high-speed Internet access and obtain at least one (1) telephone number and one (1) facsimile number solely dedicated to the Franchised Business.

5.4 Failure to Develop Approved Location

Should Franchisee fail to develop the Approved Location for the Franchised Business Facility/ office within one hundred and eighty (180) days after the Effective Date, Franchisor has the right to terminate this Agreement.

5.5 Opening

Before opening the Franchised Business and commencing business, Franchisee must:

- 5.5.1 fulfill all the obligations of Franchisee pursuant to the other provisions of this Section 5;

- 5.5.2 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease (if any), or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

- 5.5.3 complete initial training to the satisfaction of Franchisor;

- 5.5.4 hire and train the personnel necessary or required for the operation of the Franchised Business;

- 5.5.5 if Franchisee is a business entity, Franchisee has caused each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face

thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

5.5.6 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate;

5.5.7 pay in full all amounts due to Franchisor; and

5.5.8 obtain any required home care agency licenses or other business licenses required to operate the Franchised Business.

Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within one hundred eighty (180) days after the Effective Date.

5.6 Failure to Open

Should Franchisee fail to commence operations of the Franchised Business within one hundred eighty (180) days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.6, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, trade secrets disclosed, proprietary programs shared and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

5.7 Use of Approved Location

Franchisee shall not use the Approved Location for any purpose other than for the operation of a 1Heart Caregiver Services Franchised Business in full compliance with this Agreement and the Confidential Operations Manual, unless approved in writing by Franchisor.

5.8 Relocation

Franchisee shall not relocate the Franchised Business Facility/office without the prior written consent of Franchisor. If the Franchised Business Facility is leased, and the lease expires or terminates through no fault of Franchisee or if the Franchised Business Facility's premises is destroyed, condemned or otherwise rendered unusable, Franchisee may request the right to relocate the Franchised Business Facility either permanently or temporarily as appropriate under the circumstances and Franchisor shall not unreasonably withhold its consent to such relocation. Should Franchisee desire to relocate the Franchised Business Facility for any other reason, Franchisee shall request the right and Franchisor may approve or disapprove such request. Any relocation of the Franchised Business Facility shall be at Franchisee's sole expense and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.7. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in helping Franchisee, including, but not limited to, legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement may terminate as provided in Section 16.2.1.1.

6. Proprietary Marks

6.1 Ownership

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor.

Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated 1Heart Caregiver Services Franchised Business" of Franchisee.

6.3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6.3 and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising

directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 Discontinuance of Use

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove enough products, supplies or other items to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview and survey (whether in person or by mail) customers and employees and to photograph or videotape the operations.

6.7 Franchisor's Sole Right to Domain Name

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "1Heart Caregiver Services" or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of all rights, title and interest in and to such domain names as Franchisor shall designate in the Confidential Operations Manual.

7. Trade Secrets and Other Confidential Information

7.1 Confidentiality of Trade Secrets and Other Confidential Information

Franchisor possesses (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "**Confidential Information**"), concerning developing and operating the Franchised Business, including: site selection and territorial criteria; training and operations materials and manuals; methods, formats,

specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating the Franchised Businesses and providing in-home care to clients; marketing and advertising programs; employee and caregiver recruitment, training, retention programs; knowledge of specifications for and suppliers of operating assets, and other products; any computer software or similar technology which is proprietary to us or the Franchise System, including, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of IHeart Caregiver Services Franchised Businesses other than the Franchised Business; and graphic designs and related intellectual property.

Franchisee will not acquire any interest in Confidential Information, other than the right to use it as Franchisor specifies in operating the Franchised Business during the Franchise Agreement's term, and that Confidential Information is proprietary and is disclosed to Franchisee only on the condition that Franchisee: (1) will not use Confidential Information in any other business or capacity; (2) will keep each item deemed to be part of Confidential Information absolutely confidential, both during the Franchise Agreement's term and after the term for as long as the item is not generally known in the employment and/or health care and/or in-home care industries; (3) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and (4) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Franchised Business personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information.

Franchisor has the right to regulate the form of agreements that Franchisee uses and to be a third-party beneficiary of those agreements with independent enforcement rights. Franchisee is obligated to maintain in its files those executed confidentiality agreements Franchisor specifies and make them available to Franchisor upon request.

Confidential Information does not include information, knowledge, or know-how which Franchisee can demonstrate lawfully came to its attention before Franchisor provided it to Franchisee directly or indirectly; which, at the time disclosed, already had lawfully become generally known in the employment and/or health care and/or in-home care industries through publication or communication by others (without violating an obligation to Franchisor); or which, after its disclosure, lawfully becomes generally known in the employment and/or health care and/or in-home care industries through publication or communication by others (without violating an obligation to Franchisor). However, if Franchisor includes any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

Franchisee hereby agrees that all data that it collects from clients, customers and potential clients and customers in connection with the Franchised Business ("**Customer Data**") is deemed to be owned exclusively by Franchisor, and Franchisee also agrees to provide the Customer Data to Franchisor at any time upon request. Franchisee has the right to use Customer Data while this Agreement or a successor franchise agreement is in effect, but only in connection with operating the Franchised Business and only in accordance with the policies that Franchisor establishes from time to time. Franchisee may not sell, transfer, or use Customer Data for any purpose other than operating the Franchised Business. All data pertaining to, derived from, or displayed at the Franchised Business (including, without limitation, Customer Data) is and shall be Franchisor's

exclusive property, and Franchisor hereby grants Franchisee a revocable non-exclusive license to use that data during the Term of this Agreement for the sole purpose of operating the Franchised Business.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among 1Heart Caregiver Services Franchised Businesses if owners of 1Heart Caregiver Services Franchise Businesses and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 own, maintain, operate, engage in, franchise or license, or have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

7.3.2 be, or perform services as, a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

7.3.3 divert or attempt to divert any actual or potential business or customer of the Franchised Business to a Competitive Business; or

7.3.4 engage in any other activity which might injure the goodwill of the Marks and System.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

8. Training and Assistance

8.1 Initial Training

Franchisor shall make an initial training program available to one (1) Designated Manager and up to two (2) assistants. Approximately thirty (30) days prior to the opening of the Franchised Business, the Designated Manager must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Business including, but not limited to, sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques; record keeping; and reporting procedures and other operational issues. Franchisor shall conduct the initial training program at its headquarters or at another designated location. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

8.2 Opening Assistance

If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 Failure to Complete Initial Training Program

If Franchisor determines that the Designated Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If Franchisee is a business entity and the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction.

8.4 New Designated Manager

After beginning operations, should Franchisee name a new qualified Designated Manager, Franchisee must notify Franchisor of the identity of the new Designated Manager and the new Designated Manager must complete the initial training program to Franchisor's satisfaction within thirty (30) days of being named. The new Designated Manager may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager changes are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's attendance at such training.

8.5 Ongoing Training

From time to time, Franchisor may provide and if it does, has the right to require that the Designated Manager attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall not charge a fee for any mandatory ongoing training. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training. Your Designated Manager may also re-attend a regularly scheduled initial training program on one other occasion as a refresher course for no additional fee, however, you agree to pay for all travel and living expenses incurred for the training. Such refresher training may occur only if we have space available in a regularly scheduled training class.

9. Confidential Operations Manual

9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy of the Confidential Operations Manual or grant Franchisee access to an electronic copy of the Confidential Operations Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Confidential Operations Manual. The Confidential Operations Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Confidential Operations Manual shall, always, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

9.2 Revisions

Franchisor has the right to add to or otherwise modify the Confidential Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon

notice, adopt any such changes and shall ensure that its copy of the Confidential Operations Manual is up to date at all times. If a dispute as to the contents of the Confidential Operations Manual arises, the terms of the master copy of the Confidential Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3 Confidentiality

The Confidential Operations Manual contains Trade Secrets and other Confidential Information of Franchisor, and its contents shall be kept confidential by Franchisee both during the term of the Franchise and after the expiration and non-renewal or termination of this Agreement. Franchisee shall always ensure that its copy of the Confidential Operations Manual is available at the Approved Location in a current and up-to-date manner. If the Confidential Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Confidential Operations Manual in a secure manner at the Approved Location; if the Confidential Operations Manual is in electronic form, Franchisee shall maintain the Confidential Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Confidential Operations Manual, access to the Confidential Operations Manual or any key, combination or passwords needed for access to the Confidential Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Confidential Operations Manual in an unauthorized manner.

10. Franchise System

10.1 Uniformity

Franchisee shall strictly comply and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Confidential Operations Manual or other communications supplied to Franchisee by Franchisor.

10.2 Modification of the System

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, supplies or sales and marketing techniques. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require; provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would exceed ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) in the aggregate during the initial term of this Agreement (which amounts may be increased consistent with increases to the Consumer Price Index, [U.S. City Average, all items, 1982-84=100], as published by the United States Department of Labor, Bureau of Labor Statistics ["CPI-U"]). Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2. Notwithstanding the foregoing, Franchisee shall be required to make all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

10.3 Variance

Franchisor has the right to vary standards or specifications for any franchisee based upon that franchisee's qualifications, the peculiarities of the site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any 1Heart Caregiver Services Franchised Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

11. Advertising and Promotional Activities

11.1 Local Advertising

Franchisee shall continuously promote the Franchised Business. Franchisee shall spend each month during the Term of this Agreement a specified amount on a per-Territory basis on advertising, promotions and public relations within the immediate locality surrounding the Franchised Business, depending upon the Gross Revenue level of the Franchised Business (the "Local Marketing Program," or "LMP"). A portion of such funds must be spent on online and/or pay-per-click ("PPC") advertising. As of the Effective Date of this Agreement, the required Local Marketing Program expenditures are as follows:

No. of Territories	Monthly Gross Revenue < \$100,000	Monthly Gross Revenue > \$100,000
1	A minimum of \$1,000/month (including a minimum of \$500 for online ads/PPC campaign payable to Franchisor)	A minimum of \$2,000/month (including a minimum of \$500 for online ads/PPC campaign payable to Franchisor)
2	A minimum of \$1,500/month (including a minimum of \$500 for online ads/PPC campaign payable to Franchisor)	A minimum of \$2,500/month (including a minimum of \$500 for online ads/PPC campaign payable to Franchisor)
3 +	A minimum of \$2,000/month (including a minimum of \$500 for online ads/PPC campaign payable to Franchisor)	A minimum of \$3,000/month (including a minimum of \$500 for online ads/PPC campaign payable to Franchisor)

Such local advertising expenditures shall be made directly by Franchisee, subject to the prior approval and direction from Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting local advertising. Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on local advertising for the preceding month.

Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, ad copy, coupons, flyers, scripts and direct mail. Franchisor shall use reasonable efforts to

provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials by the end of such twenty (20) day period, such materials shall be deemed to have received the required approval. Franchisee shall not use any marketing or promotional material prior to approval by Franchisor. The submission of advertising materials to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells products or provides services.

11.2 Brand Fund

Franchisor has established a Brand Fund ("Brand Fund") for the enhancement and protection of the IHeart Caregiver Services brand and Marks, and for the advertising, marketing, and public relations programs and materials as Franchisor deems appropriate. Franchisee shall be required to contribute monthly to the Brand Fund an amount equal to up to two percent (2%) of Gross Revenue ("Brand Fund Contribution"). Currently, the required contribution is two percent (2%) of Gross Revenue. Brand Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.2. Franchisor shall notify Franchisee at least thirty (30) days before changing Brand Fund Contribution requirements. The Brand Fund shall be maintained and administered by Franchisor, or its designee as follows:

Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or pro rata from expenditures by the Brand Fund. The program(s) may be local, regional or System-wide. Franchisor does not warrant the success or effectiveness of any marketing program.

We will have sole discretion to use the Brand Fund, and monies in the Brand Fund, for any purpose that we designate that we believe will enhance and protect the IHeart Caregiver Services brand and Marks, will improve and increase public recognition and perception of the brand and Marks and IHeart Caregiver Services Home Care Businesses, and will improve and enhance the perception of IHeart Caregiver Services Home Care Businesses held by franchisees, managers, and other employees of IHeart Caregiver Services Home Care Businesses. Among the programs, concepts, and expenditures for which we may utilize the Marketing Fund monies are: creative development and production of print ads, commercials, radio spots, direct mail pieces, door hangers, and other advertising and promotional materials; creative development of, and preparing, producing, and placing video, audio, and written materials and electronic media; media placement and buying, including all associated expenses and fees; administering regional and multiregional marketing and advertising programs; market research and customer satisfaction surveys, including the use of "secret 'shoppers' or clients"; lead sharing or lead generating services or vendors; the creative development of, and actual production associated with, promotions, public relation events, and charitable or nonprofit events; creative development of signage and posters; employee recognition and awards events and programs; web sites, extranet and/or intranet development, implementation, and maintenance; retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; reimbursement of personnel wages and administrative costs associated with marketing, advertising, market and consumer research and surveys; and public relations and community involvement activities and programs. We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation.

We will account for the Brand Fund separately from our other funds and not use the Brand Fund for any of our general operating expenses. However, we may use the Brand Fund to pay administrative costs of the Brand Fund including managing the advertising, marketing, and promotional programs and payment of outside suppliers utilized by the Brand Fund, and we may use the Brand Fund to pay the reasonable salaries and benefits of personnel (including our personnel and personnel of our affiliates) who manage and administer the Brand Fund. We may use the Brand Fund to pay for other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to Brand Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Brand Fund and its programs.

Franchisor shall endeavor to spend all Brand Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Brand Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Brand Fund, and next out of prior year contributions and then out of current contributions. An unaudited annual report of the expenses incurred from the Fund for the previous year will be made available to Franchisee upon written request.

Although Franchisor intends the Brand Fund to be of perpetual duration, Franchisor has the right to terminate the Brand Fund at any time. The Brand Fund shall not be terminated, however, until all Brand Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a pro rata basis based on total Brand Fund Contributions made in the aggregate by each franchisee.

Each 1Heart Caregiver Services Franchised Business operated by Franchisor or an Affiliate shall make Brand Fund Contributions at the same rate as 1Heart Caregiver Services franchisees.

An accounting of the operation of the Brand Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Brand Fund reviewed or audited and reported on, at the expense of the Brand Fund, by an independent certified public accountant selected by Franchisor.

Franchisee acknowledges that the Brand Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

11.3 Cooperative Advertising

Franchisor has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of 1Heart Caregiver Services Franchised Businesses located within a particular region. Franchisor has the right to collect and designate all or a portion of the Local Advertising to payments or contributions to Franchisor for the funding of a Cooperative Advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to administer the Cooperative Advertising Program or to establish an advertising council of franchisees to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the rules and procedures established by the

council and Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

11.4 Internet Advertising

Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the uniform resource locator www.1Heartcares.com that provides information about the System and the products and services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include at the 1Heart Caregiver Services website an intranet section or an interior page containing information about the Franchised Business. If Franchisor includes such information on the 1Heart Caregiver Services website, Franchisor has the right to require Franchisee to prepare all or a portion of the section or page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to advertise and sell the products and services offered by 1Heart Caregiver Services and to or use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to approve any linking to, or other use of, the 1Heart Caregiver Services website.

11.5 Intentionally Left Blank

11.6 Use of Likeness / Release

Franchisee agrees that Franchisor may develop and administer marketing, advertising, public relations, education and sales promotion programs, digital and/or physical (herein referred to as "Marketing Efforts"). Franchisee may be required to participate in such Marketing Efforts as needed by Franchisor.

Franchisee gives Franchisor the absolute and irrevocable right and permission to photograph, film, video, make voice recordings, interview, and obtain accounts of spoken and written thoughts and biographical information of Franchisees (and its Principals) (collectively "Materials") for Franchisor to use, display and distribute the Materials, in whole or in part, and permit others to do so, via any media, in connection with any Marketing Efforts Franchisor and third parties on behalf of Franchisor may create.

Franchisor shall have the right to use, incorporate, broadcast, distribute, re-use, publish, republish, alter and/or edit the Materials and/or Franchisee's name, likeness, voice and portrayal in whole or in part, severally or in conjunction with other Material for any purpose and in any manner whatsoever as Franchisor so chooses in any and all media, now known or hereafter devised, in any and all versions, throughout the universe and in perpetuity, as well as for promotion,

merchandising, publicity and advertising. Franchisor has no obligation to use the Materials or Franchisee's name, voice or likeness.

Franchisee understands that all rights in and to the Materials shall be Franchisor's sole and absolute property.

Franchisee hereby releases Franchisor from, and covenants not to sue Franchisor for, any claim or cause of action, whether known or unknown, for libel, slander, invasion of right of privacy, publicity or personality, infringement of moral rights, or any other claim or cause of action, based upon or relating to the use of the Materials or the exercise of any of the rights referred to herein.

Franchisee acknowledges and agrees that Franchisor has the sole and absolute discretion in the development of any and all Marketing Efforts and Materials, including, without limitation, the type, quantity, timing, placement and choice of media, market areas, selection of advertising agencies and public relations firms.

12. Accounting, Records and Reporting Obligations

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2 Gross Revenue Reports

Franchisee shall maintain an accurate record of daily Gross Revenue and shall deliver to Franchisor via facsimile transmission, email, or the intranet, a signed and verified statement of monthly Gross Revenue ("Gross Revenue Report") by the tenth (10th) day of each month for the previous month in a form that Franchisor approves or provides in the Confidential Operations Manual. The Gross Revenue Report for the preceding month must be provided to Franchisor by the close of business on the tenth (10th) day of each month as provided in Section 3.2.

12.3 Financial Statements

Franchisee shall supply to Franchisor on or before the tenth (10th) day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within ninety (90) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall be prepared in accordance with GAAP, applied on a consistent basis. As required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Confidential Operations Manual or otherwise in writing.

12.4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Confidential Operations Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 Computer Equipment

Franchisor reserves the right to require Franchisee to purchase, install and use computer and point-of-sale systems consisting of hardware and software in accordance with Franchisor's specifications. Presently, we require you to purchase the following hardware and software:

HARDWARE
Two Microsoft Windows based computers
SOFTWARE
QuickBooks Accounting Pro Software Package – Then-Current Edition
Most recent Microsoft Office Suite /Office 365 Subscription. (including Word, Excel and Outlook)
Windows 10 Operating System or newer version
Well Sky Software/Subscription
Qvinci Financial Reporting Software

Franchisor shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement. During the term of your Franchise Agreement, 1Heart Caregiver Services and you will jointly own all information generated by or stored that you use to operate the Franchised Business. We have the right to access all information related to the Franchised Business at any time during the term of your Franchise Agreement and periodically may establish further policies respecting the use or access to such information. Sole ownership of that information will revert to us if your Franchise Agreement is terminated, and you must immediately transfer such information to us upon termination.

Franchisee shall have no expectation of privacy with respect to any email accounts, other systems and/or records used or maintained by the Franchised Business. Franchisee authorizes Franchisor to access and search such email accounts, other systems and/or records, and their contents and will obtain any necessary consents to allow Franchisor access to the same. In the

event that Franchisor accesses any email account, other systems and/or records, such access shall be for Franchisor's sole benefit and not for the purposes of benefiting Franchisee or assisting Franchisee with its operations.

Similarly to ensure that Franchisee is maintaining Franchisor's quality of service in the operation of the Franchised Business, Franchisor may record, monitor and evaluate telephone calls made to or arising from the Franchised Business. Franchisee consents to such monitoring, recording and evaluation and shall have no expectation of privacy with respect to the phone calls made to or arising from the Franchised Business. State or local law may require the express consent of any party to a call recording. It is Franchisee's responsibility to understand and comply with these requirements that apply to its Franchised Business.

Franchisee hereby consents to Franchisor obtaining, using and disclosing to third parties, (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement.

12.6 Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower). If the audit or any other inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have. Franchisor may conduct client satisfaction surveys and interview care recipients or family members in order to ensure care standard are always met.

12.7 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Revenue, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

13. Standards of Operation

13.1 Authorized Products, Services and Suppliers

Franchisee acknowledges that the reputation and goodwill of the System is based on offering high quality products and services to its customers. Accordingly, Franchisee shall provide

or offer for sale or use at the Franchised Business only those items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or an Affiliate). Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any products or services that Franchisor has not approved.

Franchisor shall provide Franchisee, in the Confidential Operations Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, furniture, fixtures, inventory, equipment and other approved or specified items and services, and Franchisor may from time-to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate. If Franchisee desires to utilize any products or services that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty [30] days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same products or services.

Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

13.2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the Franchised Business, the Franchised Business Facility/office, vehicle, and equipment in “like new” condition, and shall repair or replace equipment, vehicles, fixtures, supplies, and inventory as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee’s lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2.

13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of Franchisee. The Designated Manager shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Business, but not less than thirty-five (35) hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement. Depending on your Designated Manager’s involvement in the Franchised Business and the scope and amount of activity of the Franchised Business, we may require you to hire a Client Care Manager and/or Staffing Coordinator. The Client Care Manager will be responsible for client assessments, creating plans of care, onboarding clients, and outreach with the client referral community. The Staffing Coordinator would be responsible for caregiver recruiting, scheduling, new hire orientation, and training.

13.4 Days of Operation

Franchisee shall keep the Franchised Business open for business during normal business hours on the days specified in the Confidential Operations Manual. Franchisee’s office must be staffed a minimum of 9:00 a.m. to 5:00 p.m. Monday through Friday and shall also utilize an on-call answering service outside of normal business hours during the weekdays and weekends.

13.5 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor’s prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

13.6 Licenses and Permits

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations regarding the operation of the Franchised Business.

13.7 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the receipt of a notice of demand or threatened claim of liability of, or damages against or involving, Franchisee or the Franchised Business not more than five (5) days after Franchisee's receipt of such notice. Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business not more than five (5) days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.8 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall always give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section. Franchisor or its authorized agents may conduct client satisfaction surveys and interview care recipients or family members in order to ensure that care standards are always met.

13.9 Uniforms

Franchisee shall abide by any uniform or dress code requirements stated in the Confidential Operations Manual or otherwise. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.10 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor.

13.11 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales, grow the 1Heart Caregiver Services Brand with all potential referral source accounts within their Territory(ies) and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort

to enhance and improve the System and the sales of all products and services provided as part of the System.

13.12 Employees

Franchisee shall have the sole responsibility and authority concerning employee selection and promotion, employment records, work schedules, discipline, hours worked, rates of pay and other benefits, work assigned, and working conditions. Franchisor may merely recommend or suggest employee qualifications, training, and appearance that are in keeping with brand standards, however, these employment decisions are ultimately Franchisee's sole responsibility and authority to make.

13.13 Privacy Laws

Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**"). Franchisee agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and applicable law, Franchisee will: (i) comply with the requirements of applicable law; (ii) immediately provide Franchisor with written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if possible, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees that it will not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

14. Franchisor's Additional Operations Assistance

14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, newsletters and other methods with respect to planning, opening and operating the Franchised Business. Franchisor shall not charge for this service; however, Franchisor retains the right to refuse or charge a fee for this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating 1Heart Caregiver Services Franchised Businesses and an analysis of costs and prices charged for competitive products and services. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business; provided, however, that Franchisor shall have the sole right to determine the prices to be charged for products sold through the 1Heart Caregiver Services Internet site, including products sold to persons identified as customers of the Franchised Business.

14.2 Periodic Visits

Franchisor or Franchisor's representative may make periodic visits, which may be announced or unannounced, to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or

improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence.

15. Insurance

15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

15.1.1 "All risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

15.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) or, if higher, the statutory minimum limit as required by state law;

15.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

15.1.4 business interruption insurance in amounts and with terms acceptable to Franchisor;

15.1.5 automobile liability insurance for owned, non-owned or hired vehicles, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law; insurance coverage for contractual indemnity;

15.1.6 bond as required by law;

15.1.7 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21.3; and

15.1.8 professional liability insurance with coverage of at least ONE MILLION DOLLARS (\$1,000,000.00) per occurrence.

15.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

15.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an “A” Rating Classification as indicated in the latest issue of A.M. Best’s Key Rating Guide. Although A.M. Best groups “A” and “A-” in the same classification, Franchisor requires an “A” rating.

15.4 Evidence of Coverage

Franchisee’s obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee’s performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Franchisee shall provide, annually, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days’ prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

16. Default and Termination

16.1 [Reserved]

16.2 Termination by Franchisor

Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1 fails to timely select an approved site for or establish, equip and commence operations of the Franchised Business pursuant to Section 5;

16.2.2 fails to have its Designated Manager satisfactorily complete any training program pursuant to Section 8;

16.2.3 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

16.2.4 if Franchisee or any of its owners is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.5 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.6 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Confidential Operations Manual, Trade Secrets or any other Confidential Information;

16.2.7 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and noncompetition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested by Franchisor;

16.2.8 abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Business following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

16.2.9 surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

16.2.10 fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18.6;

16.2.11 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.12 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

16.2.13 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

16.2.14 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Extraterritorial Royalty, Brand Fund Contribution, amounts due for purchases from Franchisor and/or any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.15 violates on two (2) or more occasions any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public;

~~16.2.16~~ 16.2.16 violates on two (2) or more occasions the Territory Infringement Policy, as may be amended by Franchisor, within any twelve (12) month period during the Term of the Franchise Agreement;

~~16.2.16~~ 16.2.17 engages in any activity exclusively reserved to Franchisor;

~~16.2.17~~ 16.2.18 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

~~16.2.18~~ 16.2.19 breaches this Agreement and/or fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Confidential Operations Manual on two (2) or more separate occasions within any period of twelve (12) consecutive months, whether or not previous breaches or failures are cured; or

~~16.2.19~~ 16.2.20 defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates. Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

~~16.2.20~~ 16.2.21 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor;

~~16.2.21~~ 16.2.22 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement; or

~~16.2.22~~ 16.2.23 within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or

operating procedure prescribed in the Confidential Operations Manual or otherwise prescribed in writing.

16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.4 Right of Franchisor to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

16.5 Right of Franchisor to Operate Franchised Business

Following the delivery of a notice of termination, if necessary, in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach, but in no event for a period less than thirty (30) days. Franchisor may charge a management fee as stated in the Confidential Operations Manual from time to time, currently equal to eight percent (8%) of Gross Revenue generated by the Franchised Business during the period of management, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business. Should Franchisor elect to assume the operation of the Franchised Business on a temporary basis, Franchisor shall have no responsibility or liability for the obligations, debts or payments under the lease for the Approved Location (if any) or otherwise.

17. Rights and Duties Upon Expiration or Termination

17.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

cease to use the Trade Secrets or other Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

upon demand by Franchisor, franchisee will immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall

furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "Caregiver Services" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliate;

pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

immediately return to Franchisor the Confidential Operations Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

return to Franchisor all Customer Data, stored or copied in any and all formats, in the manner Franchisor prescribes. Franchisee acknowledges and agrees that Franchisor owns the Customer Data, and Franchisee has no right to use, or to transfer or sell to a third party, the Customer Data upon termination or expiration of this Agreement;

assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

provide to Franchisor all information regarding pending commitments from prospective clients, referral sources or any family that inquired over the previous 6 months and comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1 to protect the Trade Secrets and other Confidential Information of Franchisor;

17.2.2 to induce Franchisor to grant a Franchise to Franchisee; and

17.2.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Designated Managers.

Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.4 own an interest in, manage, operate, engage in, or provide in-home caregiver services to customers through a Competitive Business located or operating (a) within a twenty-five (25) mile radius of the Approved Location or within the Territory(ies) (whichever is greater), or (b) within a twenty-five (25) mile radius of the location of any other 1Heart Caregiver Services Franchised Business in existence at the time of termination or expiration; or

17.2.5 solicit or otherwise attempt to induce or influence any customer of Franchisor or any of Franchisor's 1Heart Caregiver Services Home Care Businesses to terminate or modify his, her or its business relationship with Franchisor or any of Franchisor's 1Heart Caregiver Services Home Care Businesses or to compete against Franchisor.

In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Exhibit 2.

If for whatever reason, either the above area or time frame covered by the Nondisclosure and Non-Competition Agreement is deemed unreasonable by a court of law, then and only in such an event shall such area and/or its time frame be reduced accordingly by the court. The rulings by the court concerning the area or time frame or any other judicial interpretation shall not affect the rest and remainder of such restrictive covenants.

17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks or proprietary programs, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 7, 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the

requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the obligation), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including, but not limited to, leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

17.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

17.6 Post-Termination Client Transition; Records ; Cooperation

(a) Transition of Services. Upon expiration or termination of this Agreement for any reason, Franchisee acknowledges that continuity of care for clients is of paramount importance. Franchisee shall reasonably cooperate with Franchisor (or its designee) to facilitate an orderly transition of services to clients served by the Franchised Business. Notwithstanding anything to the contrary herein, all clients shall retain the unrestricted right to choose their provider of services, and nothing in this Agreement shall be construed to require any client to receive services from Franchisor or its designee.

(b) Client Notification. At Franchisor's request, Franchisee shall, at its sole cost and expense, promptly deliver a written notice (in a form reasonably approved by Franchisor and compliant with applicable law) to all clients of the Franchised Business and their responsible parties informing them of: (i) the termination or expiration of the Franchise Agreement; (ii) the availability of continued services through Franchisor or its designee; and (iii) the client's right to select any provider of their choosing. Franchisee shall not make any false or misleading statements in connection with such transition and shall not interfere with client communications initiated in compliance with this Section.

(c) Transfer of Client Information. To the extent permitted by applicable law, including without limitation the California Confidentiality of Medical Information Act and the Health Insurance Portability and Accountability Act (HIPAA), Franchisee shall cooperate in the transfer of client information to Franchisor or its designee solely for purposes of facilitating continuity of care. Such cooperation shall include (i) obtaining any required client authorizations; (ii) executing appropriate business associate or similar agreements, if applicable; and (iii) limiting any disclosure to the minimum necessary information required for lawful transition of services. In no event shall Franchisee be required to disclose any client's protected health information in violation of applicable law, and any transfer of client information shall be conditioned upon compliance with all legal requirements.

(d) *Non-Interference.* Subject to applicable law, Franchisee shall not take any action for the purpose of improperly diverting clients from Franchisor or its designee following termination, including making disparaging or misleading statements regarding Franchisor or its designees' services. Notwithstanding the foregoing, nothing herein shall prohibit Franchisee from continuing to provide services to any client who independently elects to receive services from Franchisee to the extent permitted by applicable law.

(e) *Survival.* This Section 17.6 shall survive expiration or termination of this Agreement.

17.6 17.7 Liquidated Damages

If termination is the result of Franchisee's default, Franchisee will pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fee payments for: (a) the twenty-four (24) calendar months of operation of Franchisee preceding Franchisee's default; (b) the period of time Franchisee has been in operation preceding the notice, if less than twenty-four (24) calendar months, projected on a twenty-four (24) calendar month basis; or (c) any shorter period as equals the unexpired term at the time of termination. The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee's default is difficult and the parties desire certainty in this matter and agree that the lump sum payment provided under this Section is reasonable in light of the damages for premature termination that Franchisor will incur. This payment is not exclusive of any other remedies that Franchisor may have including recovery of attorneys' fees and costs.

18. Transferability of Interest

18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.2.1 Franchisee has complied with the requirements set forth in Section 19;

18.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

18.2.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Business;

18.2.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

18.2.6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of Twenty Thousand Dollars (\$20,000);

18.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

18.2.10 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

18.2.11 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.2.12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 17;

18.2.13 the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business; and

18.2.14 the transferee has obtained all necessary types of insurance as described in Section 15.1.

18.3 Transfer to a Controlled Entity

If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1 the Controlled Entity is newly organized, and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

18.3.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2;

18.3.4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

18.3.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

18.3.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.3.7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4 Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

18.5 For-Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business, or the rights granted hereunder.

18.6 Transfer by Death or Incapacity

Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred twenty (120) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 18.6. During such one hundred twenty (120) day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

Following such a death or Incapacity of such person as described in this Section 18.6, if necessary, in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in the Confidential Operations Manual from time to time, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

19. Right of First Refusal

19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section 18.6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a bona fide, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal, and indemnification from breach of such representations and warranties.

19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within one hundred eighty (180) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

19.4 Sales or Transfers to Family Excepted

If Franchisee, or any of its owners, proposes to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section 19 shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve Franchisee from full

compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family pursuant to this Section.

20. Beneficial Owners of Franchisee

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 4 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

21. Relationship and Indemnification

21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venture, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone. You further acknowledge and agree that we are not, and nothing in this Agreement or the Operations Manual is intended to make us, the employer or joint employer of your employees.

21.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

21.3 Indemnification

To the fullest extent permitted by law, Franchisee shall, at Franchisee's sole cost and expense, hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnities") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees

and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon (a) any personal injury, bodily injury or property damage whatsoever occurring in or at the location of the Franchised Business; (b) any bodily injury to an employee of Franchisee arising out of and in the course of employment of the employee; (c) Franchisee's ownership or operation of the Franchised Business; (d) Franchisee's breach of the lease for the Approved Location; (e) Franchisee's violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (f) Franchisee's breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (g) Franchisee's defamation of Franchisor or the System; (h) Franchisee's acts, errors or omissions committed or incurred in connection with the Franchised Business and or place of operations, including any negligent or intentional acts; or (i) Franchisee's infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement. Notwithstanding the above, Franchisee shall not be obligated to indemnify Franchisor, and Franchisor shall indemnify Franchisee for any claims by a third party that the website/technology provided by Franchisor are inaccessible, a violation of any anti-discrimination law including the Americans With Disabilities Act, and/or an infringement of such third party's intellectual property rights. The Franchisor's indemnification obligations under this paragraph shall only apply to the extent Franchisor provided the website/technology/material claimed to be inaccessible/discriminatory/infringing and shall not apply to material provided by Franchisee.

21.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnity. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section to take corrective or remedial action, causes any of Franchisee's insurers to refuse to pay a third-party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

22. General Conditions and Provisions

22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any

particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23.6. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

1HCS Franchising LLC
Belina Calderon-Nernberg, CEO
16530 Ventura Blvd., Suite 500
Encino, CA 91436

22.4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

22.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

22.7 Entire Agreement

This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements. There are no representations (other than those within Franchisor's IHCS Franchising LLC Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

22.8 Severability and Modification

Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

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

22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

22.11 Timing

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Third-Party Beneficiaries

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

23. Dispute Resolution

23.1 Choice of Law

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California (without reference to its conflict of laws principles). References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

23.2 Consent to Jurisdiction

Unless provided by this Agreement or applicable law to the contrary, all litigation, hearings, proceedings and other actions initiated by either party against the other party will be held

exclusively in the city/county and state of Franchisor's then-current corporate headquarters, as Franchisor designates, which is currently Los Angeles County, California. Franchisee acknowledges that the Franchisee and its officers, directors, members, partners and employees have had substantial business and personal contacts with Franchisor in the city and state of Franchisor's then-current corporate headquarters. Consequently, Franchisor, the Franchisee, and each of their officers, directors and shareholders, and the personal guarantors do hereby agree and submit to personal jurisdiction in the State of California or any other state where Franchisor's then-current corporate headquarters is located for the purposes of any suit or proceeding brought to enforce or construe the terms of this Agreement or to resolve any dispute or controversy between the parties, including any dispute or controversy arising under, as a result of, or in connection with this Agreement, the Franchised Business and/or the offer or sale of the franchise opportunity, and do hereby agree and stipulate that any such suits, proceedings, hearings or other actions will be exclusively held in the city/county and state of Franchisor's then-current corporate headquarters, as Franchisor designates, which is currently Los Angeles County, California. Franchisor also reserves the right to file any litigation, lawsuits, hearings, proceedings or other action against the Franchisee in the federal or state courts where the Franchised Business is located. The Franchisee waives all rights to challenge personal jurisdiction and venue.

23.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

23.4 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees.

23.5 Waiver of Jury Trial

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM, AND AGREE THAT ANY PROCEEDING, WHETHER AT LAW OR IN EQUITY, WHICH ARISES OUT OF, CONCERNS, OR IS RELATED TO THIS AGREEMENT OR ANY OF THE RELATIONSHIPS OR TRANSACTION CONTEMPLATED BY THIS AGREEMENT, OR FRANCHISEE'S PURCHASE OF THE FRANCHISE OPPORTUNITY SHALL BE TRIED BEFORE A COURT OF COMPETENT JURISDICTION AND NOT A JURY.

23.6 Dispute Resolution

23.6.1 The parties have reached this Agreement in good faith and in belief that it is advantageous to each of them. Franchisee received comprehensive pre-sale disclosures and conducted Franchisee's own due diligence in reaching the business decision to proceed with the investment in the franchise system, and Franchisor made the business decision to enter into this Agreement with Franchisee in reliance on the Franchisee's representations in Franchisee's application for the franchise opportunity and the representations and acknowledgments set forth in this Agreement. In recognition of the enormous strain on time, unnecessary expense and wasted resources potentially associated with litigation and/or arbitration, as applicable, and in the spirit of cooperation, the parties pledge to try to resolve any dispute amicably. In furtherance of this pledge, the parties hereby agree to strictly comply with the dispute resolution procedures set forth in this Section 23.6. The parties hereby agree that the dispute resolution provisions set forth in this Section 23.6 shall survive termination or expiration of this Agreement. For purposes of this Section 23.6, the term: (i) "Franchisee Related Party" means Franchisee and/or any of Franchisee's owners, affiliates, officers, directors, shareholders, members, guarantors, predecessors, successors, assigns, and/or employees; and (ii) "Franchisor Related Party" means Franchisor and/or any of its affiliates, parents, officers, directors, shareholders, members, guarantors, employees, representatives and/or owners.

23.6.2 Internal Dispute Resolution Meeting. Franchisee must first bring any claim or dispute between Franchisee and/or any Franchisee Related Party, on the one hand, and Franchisor, and/or any Franchisor Related Party on the other hand, to Franchisor's management before filing for mediation or commencing any legal action against Franchisor and/or any Franchisor Related Party. Franchisee must submit a written notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute ("Franchisee's Dispute Notice"). Following the issuance of the written notice, Franchisee agrees to schedule an in-person meeting with Franchisor's designated representative to discuss the claim or dispute and opportunities for resolution (the "Internal Dispute Resolution Meeting"). Franchisee and its majority owner must attend and participate in the Internal Dispute Resolution Meeting in good faith.

23.6.3 Mediation. In addition to compliance with the Internal Dispute Resolution Meeting requirement, with the exception of the Excluded Claims (as defined below) that Franchisor does not elect to submit to mediation (in Franchisor's sole discretion), before filing or otherwise commencing any legal action, the parties agree to mediate any dispute, controversy or claim between Franchisee and/or any Franchisee Related Party, on the one hand, and Franchisor and/or any Franchisor Related Party, on the other hand, including, without limitation, in connection with any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) the parties' relationship; (c) the offer and/or sale of the franchise opportunity; (d) the events occurring prior to the entry into this Agreement; (e) the Franchised Business; and/or (f) any System standard, in accordance with the procedures set forth in this Section, inclusive of all subparts. Good faith participation in these procedures to the greatest extent reasonably possible is a material obligation under this Agreement and a precondition to the commencement of any legal action, including any action to interpret or enforce this Agreement. The mediation shall be conducted in accordance with the following provisions:

(a) *Initiation Procedure*. The party seeking mediation (the "Initiating Party") must first send the other party/parties a written notice of its request for mediation (the

“Mediation Demand Notice”). The Mediation Demand Notice must specify the nature of the dispute, the Initiating Party’s version of the facts surrounding the dispute, the amount of damages, and the nature of any injunctive or other relief such party claims and must identify one or more persons with authority to settle the dispute for the Initiating Party. If the Initiating Party is Franchisee and the Franchisee’s Dispute Notice provided in connection with the Internal Dispute Resolution Meeting includes all information required pursuant to this paragraph, Franchisee may attach the Franchisee’s Dispute Notice to the Mediation Demand Notice to satisfy Franchisee’s notice obligations under this paragraph.

(b) Direct Negotiations. Upon receipt of a Mediation Demand Notice, the parties will endeavor, in good faith, to resolve the dispute outlined in the Mediation Demand Notice. If the parties have been unable to resolve any such dispute(s) outlined in a Mediation Demand Notice or a response thereto within twenty (20) days after the Initiating Party issues the Mediation Demand Notice, either party may initiate a mediation procedure with the American Arbitration Association (“AAA”) in accordance with the AAA’s Commercial Mediation Procedures, and unless otherwise agreed by the parties in writing, will take place in-person in the city of Franchisor’s then-current corporate headquarters, as Franchisor designates. In the event any applicable, valid and enforceable state law mandates that the mediation take place at any other location, the mediation shall be held in-person at such other location.

(c) Selection of the Mediator; Time & Place for Mediation. The parties will select the mediator in accordance with the AAA procedures. The fees and expenses of the mediator and costs for mediation must be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved.

(d) Representatives. Franchisee must attend the mediation in-person, and if Franchisee is a legal entity, a person with majority ownership interest (whether direct or indirect) must attend and participate in the mediation in-person. Franchisor’s designated representative must attend and participate in the mediation in-person.

(e) Conduct of Mediation. The mediator shall assist the parties in negotiating a resolution of the matter in dispute, with or without the assistance of counsel. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible.

(f) Termination of Procedure. The parties agree to participate in the mediation procedure to its conclusion, as set forth in this Agreement. The mediation may be concluded (1) by the signing of a settlement agreement by the parties that has been reviewed and approved by counsel if required in order to ensure enforceability of any required general release, or (2) by the mediator’s declaration that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any arbitration or legal action or seek another remedy before the expiration of five (5) days following the termination of the mediation.

(g) *Confidentiality*. The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

(h) *Attorneys' Fees*. Each party shall be responsible for their own attorneys' fees; provided, however, if Franchisee refuses to comply with the mediation procedures in accordance with the terms of this Section 23.6, Franchisee shall be liable to Franchisor for all attorneys' fees incurred by Franchisor in connection with the dispute, including in connection with the mediation through the conclusion of the mediation.

(i) *Excluded Claims*. "Excluded Claims" means any controversy, dispute, or claim by Franchisor against Franchisee or any Franchisee Related Party that Franchisor elects not to submit to mediation or arbitration (in Franchisor's sole and absolute discretion) for: (a) violation of any provision relating to use of the Marks and/or any Confidential Information; (b) violation of Franchisor's and/or its affiliate's federally or state protected intellectual property rights in the Marks, the System, and/or in any Confidential Information; (c) violation of any of the restrictive covenants in this Agreement, including the confidentiality and/or non-competition covenants; and/or (d) any claims for indemnification and/or to collect past due amounts owed to Franchisor and/or a Franchisor Related Party.

(j) *Injunctive Relief*. Notwithstanding anything contained in this Agreement to the contrary, Franchisor may seek injunctive relief in the state or federal courts in any court with personal jurisdiction over Franchisee if Franchisee is violating or threatening to violate any restrictive covenant in this Agreement or if Franchisee is infringing on Franchisor's and/or its affiliate's rights in the Marks. In such an action, Franchisor may, but is not obligated to, assert any other existing claims against Franchisee.

23.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for the Excluded Claims and other claims for injunctive relief as set forth above, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties (except the Non-Compete Agreement attached hereto as Exhibit 2), shall be settled by binding arbitration conducted in Los Angeles, California, in accordance with the Revised Uniform Arbitration Act (G.S. 1-569.1). The proceedings will be held by a single arbitrator agreed upon by the parties or otherwise appointed by the Chief Resident Superior Court Judge for the Judicial District sitting in Los Angeles, California. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

24. Acknowledgements

24.1 Omitted

24.2 Omitted

24.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

24.4 Omitted

24.5 Omitted

24.6 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

24.7 Severability

If a provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect: the validity or enforceability in that jurisdiction of any other provision of this Agreement; or the validity or enforceability in other jurisdictions of that or any other provision of this Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

1HCS FRANCHISING LLC

By: _____

Name printed: _____

Title: _____

FRANCHISEE: _____
(type/print name)

By: _____

Name printed: _____

Title: _____

[or, if an individual]

Signed: _____

Name printed: _____

Exhibit 1 to the Franchise Agreement

GENERAL RELEASE

THIS GENERAL RELEASE is made and given on this ____ day of _____, 20____ by _____, (“RELEASOR”) an individual/corporation/limited liability company/partnership with a principal address of _____, in consideration of:

_____ the execution by IHCS Franchising LLC, a California limited liability company (“RELEASEE”), of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”) granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the “Franchise Agreement”) between RELEASOR and RELEASEE; or

_____ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the Franchise Agreement; or

_____ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the Franchise Agreement; or

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE’S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE’S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, known or unknown, that RELEASOR and RELEASOR’S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Any action brought by either party regarding this Release, shall only be brought in the appropriate state or federal court located in or serving Los Angeles, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

Releasor expressly waives and relinquishes all rights and benefits which they may now have or in the future have under and by virtue of California Civil Code Section 1542. Releasor does so understanding the significance and consequence of such specific waiver. Section 1542 provides that “[a] general release does not extend to claims which the creditor does not know or suspect exist in his or her favor at the time of executing the release, which, if known by him or her, would have materially affected his or her settlement with the debtor or releasing party.” For the purpose of implementing a general release, the Releasor expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all claims described herein which Releasor does not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR: _____
(type/print name)

By: _____

Name printed: _____

Title: _____

[or, if an individual]

Signed: _____

Name printed: _____

Exhibit 2 to the Franchise Agreement

NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This “Agreement” made as of the ____ day of _____, 20____, is by and between _____, (“Franchisee”) (d/b/a 1Heart Caregiver Services”) and _____ (“Individual”).

WITNESSETH:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____, 20____ (“Franchise Agreement”) by and between Franchisee and 1HCS Franchising LLC (“Company”); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) in-home caregiver services the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company’s other franchisees (hereinafter, “Competitive Business”); provided, however, that the term “Competitive Business” shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

Trade Secrets and Confidential Information

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

- a. For the purposes of this Agreement, a “Trade Secret” is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in 1Heart Caregiver Services Franchised Businesses that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic

value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

- b. For the purposes of this Agreement “Confidential Information” means technical and non-technical information used in or related to 1Heart Caregiver Services Franchise Businesses that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.
- c. Any information expressly designated by Company or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

Confidentiality/Non-Disclosure

- a. Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.
- b. Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a 1Heart Caregiver Services Franchised Business.

Non-Competition

- a. During the term of Individual’s relationship with Franchisee and for a period of two (2) years after the expiration or termination of Individual’s relationship with Franchisee,

regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee to any Competitive Business, 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 Company's trademark "1 Heart Caregiver Services" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with 1Heart Caregiver Services Franchised Businesses or the Company's uniform standards, methods, procedures and specifications for the establishment and operation of 1Heart Caregiver Services Franchised Businesses.

- b. During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within a twenty-five (25) mile radius of the Franchisee's Franchised Business or within Franchisee's Territory(ies), whichever is greater without the express written consent of Franchisee.
- c. For a two (2) year period following the term of Individual's relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within a twenty-five (25) mile radius of Franchisee's Franchised Business or within Franchisee's Territory(ies), whichever is greater, or within twenty-five (25) miles of any other 1Heart Caregiver Services Franchised Business without the express written consent of Franchisee.

Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

Miscellaneous

- a. This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.
- b. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the state where Franchisee is located (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.
- c. Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Los Angeles, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Company where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.
- d. Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.
- e. This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

- f. The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.
- g. The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.
- h. In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.
- i. This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.
- j. The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.
- k. Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.

(Signature Page Follows)

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

FRANCHISEE: _____
(type/print name)

By: _____

Name printed: _____

Title: _____

[or, if an individual]

Signed: _____

Name printed: _____

WITNESS: _____

Signed: _____

Exhibit 3 to the Franchise Agreement

UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this day of __, ____, 202__, in connection with that certain Franchise Agreement of even date herewith (which Franchise Agreement, as may have been modified, amended and/or supplemented in writing, is hereunder called the Franchise Agreement by and between IHCS Franchising LLC as “Franchisor” and as “Franchisee”).

For valuable consideration received, and as an inducement to Franchisor to enter into the Franchise Agreement, the undersigned (“Guarantor”) hereby unconditionally guarantees to Franchisor: (a) the full and timely performance by Franchisee of the Franchise Agreement and all terms, conditions and covenants thereof, and (b) the payment by Franchisee of royalties and all other sums payable by Franchisee under the Franchise Agreement.

Guarantor agrees that (1) the obligations shall be enforceable against Guarantor without the necessity for any suit or proceedings whatsoever against Franchisee, and without the necessity of any notice of nonpayment, nonperformance or nonobservance or any notice of acceptance of this Guaranty Agreement or any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives; (2) immediately upon each and every breach or default of the Franchise Agreement by Franchisee, whether before or during the term of the Franchise Agreement or thereafter (e.g., during any renewal term), without any notice to or demand upon Guarantor. Guarantor will (i) pay to Franchisor the sum or sums in arrears, (ii) pay to Franchisor all damages, including but not limited to any expenses, costs and fees incurred by Franchisor, that may be occasioned by Franchisee's nonperformance, and (iii) comply with or perform all terms and conditions of the Franchise Agreement; (3) no extension, forbearance or leniency extended by Franchisor to Franchisee shall wholly or partially discharge Guarantor hereunder, notwithstanding that Guarantor had no notice of any breach or default of the Franchise Agreement or of any such leniency, forbearance or extension; (4) Franchisor and Franchisee, without notice to or consent by Guarantor, may at any time(s) enter into modifications, renewals, extensions, amendments and/or other agreements respecting the Franchise Agreement, and Guarantor shall not be wholly or partially released thereby, it being intended that Guarantor shall continue as guarantor with respect to the Franchise Agreement as so modified, renewed, extended, amended or otherwise affected and notwithstanding any transfer or assignment of the Franchise Agreement.

The obligations of Guarantor herein shall be co-extensive with those of Franchisee under the Franchise Agreement and shall remain in effect as long as Franchisee's obligations under the Franchise Agreement are in effect. This Guaranty Agreement is absolute and unconditioned and shall continue without being affected by any impairment, release or limitation of the liability of Franchisee or its estate in bankruptcy resulting from the operation of any present or future provision of the Bankruptcy Code of the United States or from the decision of any court interpreting the same. Guarantor further agrees to be bound by each and every obligation of Franchisee under the Franchise Agreement, with the same force and effect as if Guarantor were designed in and had executed the Franchise Agreement as Franchisee thereunder.

This Guaranty Agreement is a primary guaranty of payment and performance and shall not be subject to any counterclaim, set-off, deduction or defense. No failure or delay on the part of Franchisor in exercising any right or remedy under the Franchise Agreement and/or this Guaranty Agreement shall operate as a waiver thereof nor shall a single or partial exercise of any right or remedy preclude any other or further exercise thereof, and all rights and remedies of Franchisor hereunder and under the Franchise Agreement shall be cumulative. Until all Franchisee's obligations under the Franchise Agreement are fully performed, Guarantor waives any rights that it may have against Franchisee by reason of Guarantor's compliance with the Guaranty Agreement and subordinates any liability or indebtedness of Franchisee held by Guarantor to the obligations of Franchisee to Franchisor under the Franchise Agreement.

If Guarantor consists of more than one person and/or entity, (a) this Guaranty Agreement shall be binding on all of them jointly and severally, and (b) notice to or from any of them will constitute notice to or from each of them.

Any notice or other communication to Franchisor may be addressed to IHCS Franchising LLC, 16530 Ventura Blvd., Suite 500, Encino, CA 91436, Attention: Belina Calderon-Nernberg or such other address as may be designated by Franchisor by registered or certified mail, return receipt requested, and the time of rendition of such notice or other communication shall be when it is deposited in an official United States Mail receptacle, postage prepaid.

This Guaranty Agreement, which is to be governed by and construed in accordance with the laws of the State of California, shall also bind Guarantor's legal or personal representatives, heirs, successors and assigns (as the case may be) and inure to the benefit of Franchisor's successors and assigns and any other person or entity at any time having the rights of Franchisor under the Franchise Agreement.

Guarantor will forthwith pay to Franchisor all attorney's fees and disbursements incurred by Franchisor in connection with any breach or default by Franchisee under the Franchise Agreement and/or the enforcement of this Guaranty Agreement, in each instance whether or not suit is brought (and if suit is brought, through appeals and collection efforts).

Any sums not paid to Franchisor when due hereunder will bear interest at the rate of 18% per annum, from the due date until full payment is received by Franchisor.

As a further inducement to Franchisor to make and enter into the Franchise Agreement and in consideration thereof, Guarantor agrees that in any action or proceeding brought on, under or by virtue of this Guaranty Agreement, Guarantor shall and does hereby waive trial by jury and the benefit of any statute of limitations defense, and Guarantor agrees that the applicable courts of California may have jurisdiction over Guarantor upon appropriate service on Guarantor anywhere in the United States in a manner in accordance with the laws of California. Without limiting the foregoing, Guarantor hereby irrevocably appoints Franchisee as Guarantor's agent for service of process related to this Guaranty Agreement.

The Guaranty Agreement contains the entire agreement between the parties with respect to the matters covered hereby, and Guarantor acknowledges that no agent, representative, salesman or officer of Franchisor has authority to make or has made any statement, agreement or representation, either oral or written, in connection herewith, modifying, adding to or changing the terms and conditions herein set forth. No customs or dealings between the parties shall be

permitted to contradict or modify the terms hereof. This Guaranty Agreement shall not be construed more strictly against one party merely by reason of such party's preparation hereof. If any provision of this Guaranty Agreement shall be held to be invalid or unenforceable, to the maximum extent possible the remaining provisions hereof shall in no way be affected or impaired and such remaining provisions shall continue in full force and affect. Neither this Guaranty Agreement nor any of its provisions can be waived, modified or terminated orally, but only by a written instrument duly executed by or on behalf of the party against whom enforcement of any waiver, modification or termination is sought.

Guarantor fully and expressly intends that the foregoing requirements as to a writing be strictly adhered to and strictly interpreted and enforced by any court which may be asked to consider the matter. This Guaranty shall be effective for the full Franchise Agreement term, including any extensions or renewals thereof.

GUARANTOR: _____
(type/print name)

By: _____

Exhibit 4 to the Franchise Agreement

HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS; DIRECTORS

Holders of Legal or Beneficial Interest:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Exhibit 5 to the Franchise Agreement

MULTI-STATE ADDENDA

**ADDENDUM TO THE
1HCS FRANCHISING LLC
FRANCHISE AGREEMENT**

FOR THE STATE OF CALIFORNIA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____,
is by and between _____ 1HCS Franchising LLC
and _____.

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for 1Heart Caregiver Services is amended as follows:
 - a. The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 4.2 and 16.
 - b. Section 16.2.1.12, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).
 - c. Section 17.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.
 - d. Section 17.6 contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
 - e. Section 23.5 requires the waiver of a jury trial. This provision is not enforceable under California law.
 - f. Section 23.6 requires binding arbitration. The arbitration will occur at the forum indicated in Section 23.6, with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult 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 the Franchise Agreement restricting venue to a forum outside of the State of California.
2. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

3. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
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.
5. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

1HCS FRANCHISING LLC:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached IHCS Franchising LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 4.2 of the Agreement, under the heading “Renewal Term” shall be supplemented by the addition of the following, which shall be considered an integral part of the Agreement:

If any of the provisions of this Section 4.2 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If we refuse to renew this Agreement, we shall compensate you if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 16.2 of the Agreement, under the heading “Termination by Franchisor” shall be supplemented by the addition of the following, which shall be considered an integral part of the Agreement:

If any of the provisions of this Section 16.2 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Sections 23.1 and 23.2 of the Agreement, under the heading “Dispute Resolution” shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

23.1 Governing Law

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Illinois, without regard to its conflict of laws rules, except that any Illinois law regulating the sale of franchises or business opportunities or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

23.2 Consent to Jurisdiction

You and your owners agree that all actions arising under this Agreement, or arising out of the offer and sale of rights to operate the Franchised Business, or otherwise as a result of the relationship between you and us must be commenced in a state or federal court of competent jurisdiction within such state or judicial district in which we have our principal place of business at the time the action is commenced and you (and each owner) irrevocably submit to the jurisdiction of those courts and waive any objection you (or the owner) might have to either the jurisdiction of or venue in those courts, except with respect to claims arising under the Illinois Franchise Disclosure Act which must be commenced in Illinois courts. Nonetheless, you and your owners agree that we may enforce this Agreement in the courts of the state or states in which you are domiciled or the Franchised Business is located.

4. Section 23 of the Agreement, under the heading “Dispute Resolution” shall be supplemented by the addition of the following, which shall be considered an integral part of the Agreement:

Nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met).

5. The following statement shall be deemed to amend the Agreement:

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. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

1HCS FRANCHISING LLC:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, the parties to the attached IHCS Franchising LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 18.2, under the heading “Transfer by Franchisee to a Third Party”, the paragraphs requiring a General Release is deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

Franchisee (and any transferring owners, if Franchisee is a business entity) and the transferee sign a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its shareholders, officers, directors, managers, members, employees, and agents; excluding only such claims as the Franchisee or transferee may have under the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg. §§ 14-201 through 14-233);

2. The last paragraph of Section 4.2, under the heading “Renewal Term” is deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

If Franchisee satisfies all of the other conditions for a successor franchise agreement, Franchisee and its owners agree to execute the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for 1Heart Caregiver Services Home Care Businesses (modified as necessary to reflect the fact that it is for a successor franchise agreement), which may contain provisions that differ materially from any and all of those contained in this Agreement. Franchisee and its owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, managers, members, employees, agents, successors, and assigns, excluding only such claims as Franchisee may have under the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg. §§ 14-201 through 14-233). Franchisor will consider Franchisee and its owners’ failure to sign these agreements and releases and to deliver them to Franchisor for acceptance and execution within thirty (30) days after their delivery to Franchisee to be an election not to be granted a successor franchise agreement.

3. Section 23.2 “Consent to Jurisdiction” of the Agreement, shall be deleted in its entirety, and shall have no force or effect; and the following shall be substituted in its place:

23.2 Franchisee and its owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between Franchisee and Franchisor must be commenced in a state or federal court of competent jurisdiction within such state or judicial district in which we have our principal place of business at the time the action is commenced, and Franchisee (and each owner) irrevocably submit to the jurisdiction of those courts and waive any objection Franchisee (or the owner) might have to either the jurisdiction of or venue in those courts; except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law.

Nonetheless, Franchisee and its owners agree that Franchisor may enforce this Agreement in the courts of the state or states in which Franchisee is domiciled or the Franchised Business is located.

4. Section 20 of the Agreement, under the heading “Acknowledgments,” shall be supplemented by the following:

24.8 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

24.9 The Franchise Disclosure Questionnaire is not intended to, and shall not act, as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

5. Exhibit I, “Franchisee Disclosure Questionnaire,” shall be amended by the addition of the following paragraph at the conclusion of the Exhibit: 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. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg. §§ 14-201 through 14-233) are met independently without reference to this amendment.
7. Item 5, “Initial Fees” shall be amended as follows: Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

1HCS FRANCHISING LLC:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached IHCS Franchising LLC Franchise Agreement (the “Agreement”) agree as follows:

1. The last paragraph of Section 4.2, under the heading “Renewal Term” is deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

If you satisfy all of the other conditions for a successor franchise agreement, you and your owners agree to execute the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for IHeart Caregiver Services Home Care Businesses (modified as necessary to reflect the fact that it is for a successor franchise agreement), which may contain provisions that differ materially from any and all of those contained in this Agreement. Franchisee and its owners further agree to sign general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor and our shareholders, officers, directors, members, managers, employees, agents, successors, and assigns; excluding only such claims as Franchisee may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce. Franchisor will consider Franchisee or its owners’ failure to sign these agreements and releases and to deliver them to Franchisor for acceptance and execution within thirty (30) days after their delivery to Franchisee to be an election not to be granted a successor franchise agreement.

2. Section 4.2 of the Agreement, under the heading “Renewal Term” shall be supplemented by the addition of the following new paragraph:

Minnesota law provides you with certain non renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that you be given 180 days notice of non renewal of the Franchise Agreement.

3. Section 18.2, under the heading “Transfer by Franchisee to a Third Party”, the paragraphs requiring a General Release is deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

Franchisee (and its transferring owners) and transferee sign a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its shareholders, officers, directors, members, managers, employees, and agents, excluding only such claims as the Franchisee or transferee may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

4. Section 18.2 of the Agreement, under the heading “Transfer by Franchisee to a Third Party” shall be supplemented by the addition of the following:

Minnesota law provides Franchisee with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the Franchised Business may not be unreasonably withheld.

5. Section 16.2 of the Agreement, under the heading “Termination by Franchisor” shall be supplemented by the following new paragraph:

Minnesota law provides you with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement.

6. Section 23.2 of the Agreement, under the heading “Consent to Jurisdiction” shall be supplemented by the following paragraph, which shall be considered an integral part of the Agreement:

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee’s rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

7. The following statement shall be deemed to amend the Agreement:

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

8. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

1HCS FRANCHISING LLC:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. 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 sales of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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.

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.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this amendment.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

1HCS FRANCHISING LLC:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

EXHIBIT D TO THE DISCLOSURE DOCUMENT

1HCS FRANCHISING LLC TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL

EXHIBIT D TO THE DISCLOSURE DOCUMENT

**1HCS FRANCHISING LLC
TABLE OF CONTENTS OF CONFIDENTIAL
OPERATIONS MANUAL**

Operations Manual Table of Contents:

1. Introduction

- Welcome Letter from the Franchisor
- Purpose of the Manual
- How to Use This Manual
- Disclaimer & Legal Boundaries

2. Franchise Overview

- History of the Brand
- Mission, Vision, and Core Values
- Franchise Business Model
- Roles & Responsibilities of Franchisor vs. Franchisee

3. Getting Started

- Pre-Opening Checklist (includes Krystal's Flowchart and Onboarding Checklist)
- Required Licenses & Permits (will include list of state agencies)
- Grand Opening Guidelines per FDD ("refer to FDD for dollar spend)

4. Build-Out & Setup

- Office Standards & Layout Requirements
- Equipment Specifications (per FDD)
- Technology & Wellsky Systems (include all software requirements per FDD, i.e.. Qvinci)

5. Operations Standards

5A. Accounting

- Accounting Procedures
- Sales Reporting Requirements
- Royalty & Fee Payment Schedule
- Audits & Inspections

5B. Human Resources, Staffing & Recruiting

- Initial Training Requirements
- Ongoing Training Programs (include 1H Business Academy, 1H University, Webinars)
- General Hiring Guidelines
- Uniform & Appearance Standards
- Organizational Chart

5C. Marketing & Branding

- Local Marketing Guidelines
- National Campaign Participation (can we include 1Heart Store in this section?)
- Social Media Do's and Don'ts

- Use of Logos, Trademarks, and Brand Assets

5D. Sales & Business Development

- Client Care Manager Tools and Worksheets
- AMP (Area Marketing Program)

6. Compliance & Legal

- Franchise Agreement Summary
- Intellectual Property Protection
- Confidentiality Obligations
- Insurance Requirements

7. Support & Communication

- Franchisor Support Channels
- Field Visits
- Conflict Resolution Process

8. Appendices

- Glossary of Terms
- Sample Forms & Templates
- Contact Directory
- Update Log (contains any changes to the Operations Manual)

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- Welcome Letter from the Franchisor
- Purpose of the Manual
- How to Use This Manual
- Disclaimer & Legal Boundaries

2.1Heart Caregiver Services Franchise Overview

- History of the Brand
- Mission, Vision, and Core Values
- Franchise Business Model

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Administrative • Roles & Responsibilities of Franchisor vs. Franchisee

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- Pre-Opening Checklist (includes Krystal's Flowchart and Onboarding Checklist)
- Required Licenses & Permits (will include list of state agencies)
- Grand Opening Guidelines per FDD ("refer to FDD for dollar spend)

4. Build-Out & Setup

- Office Standards & Layout Requirements
- Equipment Specifications (per FDD)
- Technology & Wellsky Systems (include all software requirements per FDD, i.e.. Qvinci)

5. Operations Standards

5A. Accounting

- Accounting Procedures

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- Royalty & Fee Payment Schedule
- Audits & Inspections

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- Initial Training Requirements
- Ongoing Training Programs (include 1H Business Academy, 1H University, Webinars)
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- Local Marketing Guidelines
- National Campaign Participation (can we include 1Heart Store in this section?)
- Social Media Do's and Don'ts
- Use of Logos, Trademarks, and Brand Assets

5D. Sales & Business Development

- Client Care Manager Tools and Worksheets
- AMP (Area Marketing Program)

6. Compliance & Legal

- Franchise Agreement Summary

- Intellectual Property Protection
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- Franchisor Support Channels
- Field Visits
- Conflict Resolution Process

8. Appendices

- Glossary of Terms
- Sample Forms & Templates
- Contact Directory
- Update Log (contains any changes to the Operations Manual)

EXHIBIT E TO THE DISCLOSURE DOCUMENT

1HCS FRANCHISING LLC FINANCIAL STATEMENTS

1HCS FRANCHISING LLC

FINANCIAL STATEMENTS

December 31, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
1HCS Franchising LLC
Los Angeles, California

Opinion

We have audited the accompanying financial statements of 1HCS Franchising LLC, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, changes in member's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1HCS Franchising LLC as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1HCS Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 1HCS Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 1HCS Franchising LLC'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 1HCS Franchising LLC'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.



Long Beach, California
March 9, 2026

1HCS FRANCHISING LLC

BALANCE SHEETS

ASSETS

	December 31,	
	2025	2024
CURRENT ASSETS		
Cash	\$ 979,448	\$ 509,558
Investments	341,896	277,980
Accounts receivable, net	507,849	352,542
Inventory	54,364	58,800
Prepaid expenses and other assets	50,516	20,266
	<u>1,934,073</u>	<u>1,219,146</u>
NONCURRENT ASSETS		
Loan receivable - member	100,000	-
Property and equipment, net	265,870	27,288
Deposits	8,898	8,898
	<u>374,768</u>	<u>36,186</u>
TOTAL ASSETS	<u>\$ 2,308,841</u>	<u>\$ 1,255,332</u>

LIABILITIES AND MEMBER'S EQUITY (DEFICIT)

CURRENT LIABILITIES		
Accounts payable	\$ 234,423	\$ 139,567
Accrued expenses	158,447	2,193
Deferred revenue, current portion	183,873	146,497
	<u>576,743</u>	<u>288,257</u>
NONCURRENT LIABILITIES		
Deferred revenue, net of current portion	1,380,813	1,011,664
EIDL loan	119,954	128,660
	<u>1,500,767</u>	<u>1,140,324</u>
MEMBER'S EQUITY (DEFICIT)	<u>231,331</u>	<u>(173,249)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 2,308,841</u>	<u>\$ 1,255,332</u>

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

1HCS FRANCHISING LLC

STATEMENTS OF INCOME

	For the Year Ended December 31,	
	2025	2024
REVENUE		
Franchise fees	\$ 194,194	\$ 40,017
Royalties	2,094,643	1,476,507
Marketing fees	780,985	619,550
Other revenue	117,538	149,413
Total revenue	<u>3,187,360</u>	<u>2,285,487</u>
OPERATING EXPENSES		
Cost of goods sold	92,411	173,699
Payroll and benefits	918,486	703,340
Franchise recruitment	249,046	100,942
Marketing and promotions	737,027	599,019
Professional fees	99,833	51,648
Franchise operations support	163,426	131,109
Other general and administrative expense	488,911	451,006
Total expenses	<u>2,749,140</u>	<u>2,210,763</u>
INCOME FROM OPERATIONS	438,220	74,724
INTEREST INCOME, net	<u>42,240</u>	<u>4,576</u>
NET INCOME	<u>\$ 480,460</u>	<u>\$ 79,300</u>

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

1HCS FRANCHISING LLC

**STATEMENT OF CHANGES IN MEMBER'S EQUITY (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2025**

BALANCE AT DECEMBER 31, 2023	\$ (252,549)
NET INCOME	<u>79,300</u>
BALANCE AT DECEMBER 31, 2024	(173,249)
NET INCOME	480,460
MEMBER CONTRIBUTIONS	24,120
DISTRIBUTIONS TO MEMBER	<u>(100,000)</u>
BALANCE AT DECEMBER 31, 2025	<u>\$ 231,331</u>

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

1HCS FRANCHISING LLC

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 480,460	\$ 79,300
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	6,804	3,976
Loss on disposal of property and equipment	-	2,542
Unrealized gains on investments	(1,456)	(111)
Changes in operating assets and liabilities:		
Accounts receivable	(155,307)	84,683
Other receivables	-	44,883
Inventory	4,436	40,795
Prepaid expenses and other assets	(30,250)	9,315
Accounts payable and accrued expenses	251,110	37,118
Deferred revenue	406,525	264,143
Net Cash Provided By Operating Activities	<u>962,322</u>	<u>566,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(46,443)	(275,000)
Issuance of loan receivable - member	(100,000)	-
Interest and dividends reinvested	(16,017)	(2,869)
Purchases of property and equipment	(245,386)	-
Net Cash Used In Investing Activities	<u>(407,846)</u>	<u>(277,869)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from member contribution	24,120	-
Distributions to member	(100,000)	-
Payments on EIDL loan	(8,706)	(5,186)
Net Cash Used In Financing Activities	<u>(84,586)</u>	<u>(5,186)</u>
NET CHANGE IN CASH	469,890	283,589
CASH, BEGINNING OF YEAR	<u>509,558</u>	<u>225,969</u>
CASH, END OF YEAR	<u>\$ 979,448</u>	<u>\$ 509,558</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 4,715</u>	<u>\$ 5,057</u>

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

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

NOTE 1 – Organization and Operations

1HCS Franchising LLC (the Company) was incorporated under the laws of the state of California to offer franchise opportunities to entrepreneurs seeking to own and operate a 1HCS Franchising location. The Company provides in-home care services to elderly individuals and other adults requiring assistance with their healthcare needs.

NOTE 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America (U.S. GAAP) applied in the preparation of the financial statements as of and for the years ended December 31, 2025 and 2024.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances at the time. Actual results could differ from those estimates.

Revenue Recognition

Revenue from contracts with customers consists primarily of initial franchise fees, royalties, and marketing fund contributions. The Company's performance obligations under contracts consist of (a) a franchise license, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the marketing fund, development of price lists, operations manuals, and training materials. These performance obligations are highly interrelated and are therefore not considered to be individually distinct. As a result, they are accounted for as a single performance obligation, which is satisfied by providing the right-to-use intellectual property over the term of each contract.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective contract. Royalties, including franchisee contributions to the marketing fund, are calculated as a percentage of franchise sales over the term of the contract and payable on a monthly basis. Initial and renewal franchise fees are payable by the franchisee prior to the opening or at the time of renewal of an existing contract. Royalties, inclusive of marketing fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under contracts and are recognized as franchise sales occur.

Franchise fee payments received by the Company are recorded as deferred revenue on the balance sheets, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective franchisee. The term of a franchise license is typically ten years, with two successive renewal term options for five years each.

Investments

Investments consist of fixed income marketable securities, are available-for-sale, and are accounted for at fair value. Realized and unrealized gains on investments were not material for each of the years ended December 31, 2025 and 2024.

Accounts Receivable

Accounts receivable primarily represent amounts from customers for franchise fees, royalties, and marketing fund contributions. The allowance for credit losses totaled \$63,854 for the years ended December 31, 2025 and 2024.

Inventory

Inventory is stated at the lower of cost or net realizable value, cost being determined on a first-in, first-out (FIFO) basis. Inventory consists of supplies available for sale to franchisees.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment consist primarily of automobiles and are stated at cost totaling \$277,902 and \$32,516 less accumulated depreciation of \$12,032 and \$5,228 at December 31, 2025 and 2024, respectively. Depreciation has been provided using the straight-line method over the assets' estimated useful lives, which range from five to seven years.

Advertising Costs

The Company administers a marketing fund, for which a percentage of gross sales is collected from franchisees to be used for various forms of advertising for the 1HCS Franchising brand. Advertising costs are expensed as incurred and totaled \$737,027 and \$599,019 for the years ended December 31, 2025 and 2024, respectively.

Income Taxes

The Company has elected to be taxed as an S corporation. In lieu of corporate income taxes, the member is taxed based on their proportionate share of the Company's taxable income. Therefore, no provision or liability for corporate income taxes has been included in these financial statements. The Company is subject to certain state franchise taxes, which were immaterial for the years ended December 31, 2025, and 2024.

Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions.

Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value.

1HCS FRANCHISING LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value (Continued)

The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 - Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and, therefore, have little or no price transparency are classified as level 3.

Subsequent Events

Management has evaluated subsequent events from the date of the balance sheets through March 9, 2026, the date at which the financial statements were available to be issued and determined no items need to be disclosed.

NOTE 3 – Loan Receivable - Member

At December 31, 2025, loan receivable – member represents a five-year unsecured note agreement to a related party totaling \$100,000 and matures in July 2030. This loan accrues interest annually at 5% beginning in July 2026.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

NOTE 4 – Investments

Investments measured at fair value at December 31, 2025 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ 341,896	\$ -	\$ -	\$ 341,896
	<u>\$ 341,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,896</u>

NOTE 5 – EIDL Loan

On June 27, 2020, the Company secured a loan from the United States Small Business Administration (SBA) under its Economic Injury Disaster (EIDL) loan assistance program in light of the impact of the COVID-19 pandemic on the Company's business. Interest on the EIDL loan accrues at the rate of 3.75% per annum and installment payments, including principal and interest, are due monthly beginning 12 months from the commencement date of the EIDL loan in the amount of \$680. The balance of principal and interest is payable 30 years from the date of the promissory note.

Future maturities of the EIDL loan and unpaid interest as of December 31, 2025 are as follows:

<u>Year Ending December 31,</u>	
2026	\$ 3,665
2027	3,807
2028	3,942
2029	4,107
2030	4,266
Thereafter	<u>100,167</u>
	<u>\$ 119,954</u>

1HCS FRANCHISING LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 – Related-Party Transactions

During the years ended December 31, 2025 and 2024, the Company paid a related party under common ownership approximately \$75,000 and \$60,000, respectively, for franchise operations support.

For the years ended December 31, 2025 and 2024, the Company made charitable donations totaling \$129,005 and \$30,000, respectively, to an organization related through common control.

As discussed in Note 3, the Company has a loan receivable with a member in the amount of \$100,000 for the year ended December 31, 2025.

The Company shares office space with Caregiver Services & Homecare Inc. (“CSHI”), a related-party affiliate, and is dependent on CSHI for the rental facility. CSHI pays certain employee-related expenses on behalf of the Company, and the Company subsequently reimburses CSHI for those amounts.

The Company has two related-party affiliates through common ownership, CSHI and Beacon Care Solutions, who operate as franchisees. Revenues earned from the affiliates are as follows:

	For the Year Ended December 31,	
	2025	2024
Royalties	\$ 139,044	\$ 138,865
Marketing fees	55,617	55,546
Other revenue	31,690	35,055
	<u>\$ 226,351</u>	<u>\$ 229,466</u>

1HCS FRANCHISING LLC

FINANCIAL STATEMENTS

December 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
1HCS Franchising LLC
Los Angeles, California

Opinion

We have audited the accompanying financial statements of 1HCS Franchising LLC, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in member's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1HCS Franchising LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1HCS Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 1HCS Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 1HCS Franchising LLC'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 1HCS Franchising LLC'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.

Winder, Inc.

Long Beach, California
March 5, 2025

1HCS FRANCHISING LLC

BALANCE SHEETS

ASSETS

	December 31,	
	2024	2023
CURRENT ASSETS		
Cash	\$ 509,558	\$ 225,969
Investments	277,980	-
Accounts receivable, net	352,542	437,225
Other receivables	-	44,883
Inventory	58,800	99,595
Prepays and other assets	20,266	20,966
	<u>1,219,146</u>	<u>828,638</u>
PROPERTY AND EQUIPMENT, net	<u>27,288</u>	<u>33,806</u>
OTHER ASSETS		
Deposits	<u>8,898</u>	<u>17,513</u>
TOTAL ASSETS	<u>\$ 1,255,332</u>	<u>\$ 879,957</u>

LIABILITIES AND MEMBER'S DEFICIT

CURRENT LIABILITIES		
Accounts payable	\$ 139,567	\$ 98,203
Accrued expenses	2,193	6,439
Deferred revenue, current portion	146,497	116,081
	<u>288,257</u>	<u>220,723</u>
NONCURRENT LIABILITIES		
Deferred revenue, net of current portion	1,011,664	777,937
EIDL loan	128,660	133,846
	<u>1,140,324</u>	<u>911,783</u>
MEMBER'S DEFICIT	<u>(173,249)</u>	<u>(252,549)</u>
TOTAL LIABILITIES AND MEMBER'S DEFICIT	<u>\$ 1,255,332</u>	<u>\$ 879,957</u>

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

1HCS FRANCHISING LLC
STATEMENTS OF OPERATIONS

	For the Year Ended December 31,	
	2024	2023
REVENUE		
Franchise fees	\$ 40,017	\$ 298,471
Royalties	1,476,507	966,579
Marketing fees	619,550	332,064
Other revenue	149,413	104,491
Total revenue	<u>2,285,487</u>	<u>1,701,605</u>
OPERATING EXPENSES		
Cost of goods sold	173,699	130,680
Payroll and benefits	703,340	653,425
Franchise recruitment	100,942	62,850
Marketing and promotions	599,019	355,531
Professional fees	51,648	228,667
Franchise operations support	131,109	120,741
Other general and administrative expense	451,006	259,433
Total expenses	<u>2,210,763</u>	<u>1,811,327</u>
INCOME (LOSS) FROM OPERATIONS	74,724	(109,722)
INTEREST INCOME, net	<u>4,576</u>	<u>1,528</u>
NET INCOME (LOSS)	<u>\$ 79,300</u>	<u>\$ (108,194)</u>

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

1HCS FRANCHISING LLC

STATEMENT OF CHANGES IN MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2024

BALANCE AT DECEMBER 31, 2022	\$ (144,355)
NET LOSS	<u>(108,194)</u>
BALANCE AT DECEMBER 31, 2023	(252,549)
NET INCOME	<u>79,300</u>
BALANCE AT DECEMBER 31, 2024	<u>\$ (173,249)</u>

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

1HCS FRANCHISING LLC
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 79,300	\$ (108,194)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	3,976	2,147
Loss on disposal of property and equipment	2,542	-
Net realized and unrealized gain on investments	(111)	-
Changes in operating assets and liabilities:		
Accounts receivable	84,683	(92,997)
Other receivables	44,883	(44,883)
Inventory	40,795	(38,413)
Prepays and other assets and deposits	9,315	3,903
Deferred revenue	264,143	31,222
Current liabilities	37,118	42,666
Net Cash Provided By (Used In) Operating Activities	<u>566,644</u>	<u>(204,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(275,000)	-
Interest and dividends reinvested	(2,869)	-
Purchases of property and equipment	-	(35,060)
Net Cash Used In Investing Activities	<u>(277,869)</u>	<u>(35,060)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on EIDL loan	(5,186)	(3,078)
Net Cash Used In Financing Activities	<u>(5,186)</u>	<u>(3,078)</u>
NET CHANGE IN CASH	283,589	(242,687)
CASH, BEGINNING OF YEAR	<u>225,969</u>	<u>468,656</u>
CASH, END OF YEAR	<u>\$ 509,558</u>	<u>\$ 225,969</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 5,057</u>	<u>\$ 5,082</u>

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

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

NOTE 1 – Organization and Operations

1HCS Franchising LLC (the Company) was incorporated under the laws of the state of California for the purpose of offering franchise opportunities to entrepreneurs who want to own their own 1HCS Franchising franchise, offering in-home care services specializing in services to the elderly and other adults who require assistance in meeting their healthcare needs.

NOTE 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America (U.S. GAAP) applied in the preparation of the financial statements for December 31, 2024 and 2023.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances at the time. Actual results could differ from those estimates.

Revenue Recognition

Revenue from contracts with customers consists primarily of initial franchise fees, royalties, and marketing fund contributions. The Company's performance obligations under franchise agreements consist of (a) a franchise license, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the marketing fund, development of price lists, operations manuals, and training materials. These performance obligations are highly interrelated so they are not considered to be individually distinct and, therefore, are accounted for as a single performance obligation, which is satisfied by providing a right-to-use intellectual property over the term of each franchise agreement.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Royalties, including franchisee contributions to the marketing fund, are calculated as a percentage of franchise sales over the term of the franchise agreement and payable on a monthly basis. Initial and renewal franchise fees are payable by the franchisee prior to the opening or at the time of a renewal of an existing franchise agreement. The franchise agreement royalties, inclusive of marketing fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchise sales occur.

Franchise fee payments received by the Company are recorded as deferred revenue on the balance sheets, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective franchisee. The term of a franchise license is typically ten years, with two successive renewal term options for five years each.

Investments

Investments consist of fixed income marketable securities, considered available-for-sale, and are accounted for at fair value. Unrealized gains on investments were not material for the year ended December 31, 2024.

Accounts Receivable

Accounts receivable primarily represent amounts from customers for franchise fees, royalties, and marketing fund contributions. The allowance for credit losses totals \$63,854 and \$0 at December 31, 2024 and 2023, respectively.

Inventory

Inventory is stated at the lower of cost or net realizable value, cost being determined on a first-in, first-out (FIFO) basis. Inventory consists of supplies available for sale to franchisees.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment consist solely of furniture and fixtures and are stated at cost, less accumulated depreciation. Depreciation has been provided using the straight-line method over the assets' estimated useful lives, ranging from five to seven years.

Advertising Costs

The Company administers a marketing fund, for which a percentage of gross sales is collected from franchisees to be used for various forms of advertising for the 1HCS Franchising brand. Advertising costs are expensed as incurred and totaled \$599,019 and \$355,531 for the years ended December 31, 2024 and 2023, respectively.

Company Income Taxes

The Company has elected to be taxed as an S corporation. In lieu of corporation income taxes, the member of an S corporation is taxed based on its proportionate share of the Company's taxable income. Therefore, no provision or liability for corporate income taxes has been included in these financial statements. The Company is subject to certain state franchise taxes, which were immaterial for the years ended December 31, 2024, and 2023.

Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions.

Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value (Continued)

The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 - Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and, therefore, have little or no price transparency are classified as level 3.

Subsequent Events

The Company has evaluated subsequent events from the date of the balance sheets through March 5, 2025, the date at which the financial statements were available to be issued.

NOTE 3 – Investments

Investments at December 31, 2024 measured at fair value consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ 277,980	\$ -	\$ -	\$ 277,980
	<u>\$ 277,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,980</u>

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

NOTE 4 – EIDL Loan

On June 27, 2020, the Company secured a loan from the United States Small Business Administration (SBA) under its Economic Injury Disaster (EIDL) loan assistance program in light of the impact of the COVID-19 pandemic on the Company's business. Interest on the EIDL loan accrues at the rate of 3.75% per annum and installment payments, including principal and interest, are due monthly beginning 12 months from the date of the EIDL loan in the amount of \$680. The balance of principal and interest is payable 30 years from the date of the promissory note.

Future maturities of the EIDL loan and unpaid interest as of December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 3,275
2025	3,402
2026	3,534
2027	3,658
2028	3,812
Thereafter	<u>110,979</u>
	<u>\$ 128,660</u>

NOTE 5 – Related-Party Transactions

During the years ended December 31, 2024 and 2023, the Company paid a related party under common ownership approximately \$60,000 and \$100,000, respectively, for franchise operations support.

For the year ended December 31, 2024, the Company made a donation in the amount of \$30,000 to a related party under common ownership. For the year ended December 31, 2023, there were no donations made to related parties.

The Company shares office space with Caregiver Services & Homecare Inc. ("CSHI"), a related-party affiliate, and is dependent on CSHI for the rental facility. Certain employee expenses are paid for by CSHI on behalf of the Company and are subsequently reimbursed by the Company.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

NOTE 5 – Related-Party Transactions (Continued)

The Company has two related-party affiliates, CSHI and Beacon Care Solutions, who operate as franchisees. Both affiliates are related parties under common ownership. Revenues earned from the related-party affiliate franchisees are as follows:

	For the Year Ended December 31,	
	2024	2023
Royalties	\$ 138,865	\$ 120,700
Marketing fees	55,546	34,041
Other revenue	35,055	68,876
	<u>\$ 229,466</u>	<u>\$ 223,617</u>

1HCS FRANCHISING LLC

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
1HCS Franchising LLC
Los Angeles, California

Opinion

We have audited the accompanying financial statements of 1HCS Franchising LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in member's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1HCS Franchising LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1HCS Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 1HCS Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 1HCS Franchising LLC'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 1HCS Franchising LLC'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.

Winder, Inc.

Long Beach, California
March 22, 2024

1HCS FRANCHISING LLC

BALANCE SHEETS

ASSETS

	December 31,	
	2023	2022
CURRENT ASSETS		
Cash	\$ 225,969	\$ 468,656
Accounts receivable, net	437,225	344,228
Other receivables	44,883	-
Inventory	99,595	61,182
Prepays and other assets	20,966	33,767
	<u>828,638</u>	<u>907,833</u>
PROPERTY AND EQUIPMENT, net	<u>33,806</u>	<u>893</u>
OTHER ASSETS		
Deposits	<u>17,513</u>	<u>8,615</u>
TOTAL ASSETS	<u>\$ 879,957</u>	<u>\$ 917,341</u>

LIABILITIES AND MEMBER'S DEFICIT

CURRENT LIABILITIES		
Accounts payable	\$ 98,203	\$ 47,292
Accrued expenses	6,439	14,684
Deferred revenue, current portion	<u>116,081</u>	<u>77,945</u>
	<u>220,723</u>	<u>139,921</u>
NONCURRENT LIABILITIES		
Deferred revenue, net of current portion	777,937	784,851
EID loan	<u>133,846</u>	<u>136,924</u>
	<u>911,783</u>	<u>921,775</u>
MEMBER'S DEFICIT	<u>(252,549)</u>	<u>(144,355)</u>
TOTAL LIABILITIES AND MEMBER'S DEFICIT	<u>\$ 879,957</u>	<u>\$ 917,341</u>

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

1HCS FRANCHISING LLC
STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2023	2022
REVENUE		
Franchise fees	\$ 298,471	\$ 44,900
Royalties	966,579	764,267
Marketing fees	332,064	432,539
Other revenue	104,491	194,233
Total revenue	<u>1,701,605</u>	<u>1,435,939</u>
OPERATING EXPENSES		
Cost of goods sold	130,680	115,530
Payroll and benefits	653,425	583,017
Franchise recruitment	62,850	53,229
Marketing and promotions	355,531	322,911
Professional fees	228,667	61,949
Franchise operations support	120,741	109,240
Other general and administrative expense	259,433	93,330
Total expenses	<u>1,811,327</u>	<u>1,339,206</u>
INCOME (LOSS) FROM OPERATIONS	(109,722)	96,733
INTEREST INCOME, net	<u>1,528</u>	<u>17,639</u>
NET INCOME (LOSS)	<u>\$ (108,194)</u>	<u>\$ 114,372</u>

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

1HCS FRANCHISING LLC

**STATEMENT OF CHANGES IN MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2023**

BALANCE AT DECEMBER 31, 2021	\$ (233,727)
NET INCOME	114,372
DISTRIBUTIONS TO MEMBER	<u>(25,000)</u>
BALANCE AT DECEMBER 31, 2022	(144,355)
NET LOSS	<u>(108,194)</u>
BALANCE AT DECEMBER 31, 2023	<u>\$ (252,549)</u>

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

1HCS FRANCHISING LLC
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (108,194)	\$ 114,372
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	2,147	871
Changes in assets and liabilities:		
Accounts receivable	(92,997)	(202,881)
Other receivable	(44,883)	-
Inventory	(38,413)	(21,059)
Prepays and other assets	3,903	(28,015)
Deferred revenue	31,222	397,242
Current liabilities	42,666	(42,482)
Net Cash (Used In) Provided By Operating Activities	<u>(204,549)</u>	<u>218,048</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(35,060)</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(35,060)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to member	-	(25,000)
Payments on EID loan	<u>(3,078)</u>	<u>(2,965)</u>
Net Cash Used In Financing Activities	<u>(3,078)</u>	<u>(27,965)</u>
NET CHANGE IN CASH	(242,687)	190,083
CASH, BEGINNING OF YEAR	<u>468,656</u>	<u>278,573</u>
CASH, END OF YEAR	<u><u>\$ 225,969</u></u>	<u><u>\$ 468,656</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 5,082</u>	<u>\$ 5,195</u>

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

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 1 – Organization and Operations

1HCS Franchising LLC (the Company) was incorporated under the laws of the state of California for the purpose of offering franchise opportunities to entrepreneurs who want to own their own 1HCS Franchising franchise, offering in-home care services specializing in services to the elderly and other adults who require assistance in meeting their healthcare needs.

NOTE 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applied in the preparation of the financial statements for December 31, 2023 and 2022.

Use of 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, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances at the time. Actual results could differ from those estimates.

Revenue Recognition

Revenue from contracts with customers consists primarily of initial franchise fees, royalties, and marketing fund contributions. The Company's performance obligations under franchise agreements consist of (a) a franchise license, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the marketing fund, development of price lists, operations manuals, and training materials. These performance obligations are highly interrelated so they are not considered to be individually distinct and, therefore, are accounted for as a single performance obligation, which is satisfied by providing a right-to-use intellectual property over the term of each franchise agreement.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Royalties, including franchisee contributions to the marketing fund, are calculated as a percentage of franchise sales over the term of the franchise agreement and payable on a monthly basis. Initial and renewal franchise fees are payable by the franchisee prior to the opening or at the time of a renewal of an existing franchise agreement. The franchise agreement royalties, inclusive of marketing fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchise sales occur.

Franchise fee payments received by the Company are recorded as deferred revenue on the balance sheets, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective franchisee. The term of a franchise license is typically ten years, with two successive renewal term options for five years each.

Accounts Receivable

Accounts receivable primarily represents amounts from customers for franchise fees, royalties, and marketing fund contributions. The allowance for doubtful accounts totals \$0 and \$5,717 at December 31, 2023 and 2022, respectively.

Inventory

Inventory is stated at the lower of cost or net realizable value, cost being determined on a first-in, first-out (FIFO) basis. Inventory consists of supplies available for sale to franchisees.

Property and Equipment

Property and equipment consists solely of furniture and fixtures and are stated at cost, less accumulated depreciation. Depreciation has been provided using the straight-line method over the assets' estimated useful lives, ranging from five to seven years.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Advertising Costs

The Company administers a marketing fund, for which a percentage of gross sales is collected from franchisees to be used for various forms of advertising for the 1HCS Franchising brand. Advertising costs are expensed as incurred and totaled \$355,531 and \$322,911 for the years ended December 31, 2023 and 2022, respectively.

Company Income Taxes

The Company has elected to be taxed as an S corporation. In lieu of corporation income taxes, the member of an S corporation is taxed based on its proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions.

Reclassification

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

Subsequent Events

The Company has evaluated subsequent events from the balance sheets date through March 22, 2024, the date at which the financial statements were available to be issued.

1HCS FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 3 – EID Loan

On June 27, 2020, the Company secured a loan from the United States Small Business Administration (SBA) under its Economic Injury Disaster (EID) loan assistance program in light of the impact of the COVID-19 pandemic on the Company's business. Interest on the EID loan accrues at the rate of 3.75% per annum and installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EID loan in the amount of \$680. The balance of principal and interest is payable thirty years from the date of the promissory note.

Future maturities of the EID loan and unpaid interest as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 3,195
2025	3,317
2026	3,444
2027	3,575
2028	3,712
Thereafter	<u>116,603</u>
	<u>\$ 133,846</u>

NOTE 4 – Related-Party Transactions

During both years ended December 31, 2023 and 2022, the Company paid a related party under common ownership approximately \$100,000 for franchise operations support.

The Company shares office space with Caregiver Services & Homecare Inc. ("CSHI"), a related-party affiliate, and is dependent on CSHI for the rental facility.

EXHIBIT F TO THE DISCLOSURE DOCUMENT

1HCS FRANCHISING LLC

LIST OF FRANCHISEES

(as of December 31, 20242025)

Franchisee Name-	Street Address-	City-Contact	# of Units-
A Tender Heart, Helping Hands 8 Home Care LLC-	~~4695 MacArthur Court,~~ 1661 N Raymond Ave., Suite 1100-140D, Anaheim, CA 92801	(949)-798-5645-)-431-1995	1-
A.R.E. Care Services, Abella & Azores CS LLC-	447 Sutter Street, Suite 701-9017 Reseda Blvd., Suite 200 Northridge, CA 91324	San Francisco (818)-300-2767	1-
AIAA Enterprises Enterprise LLC	2500 E. Foothill Blvd., Suite 404 Pasadena, CA 91107	Pasadena (323) 627-3165	1
ALCES LLC-	~~1440 North Harbor~~ 747 South Brea Blvd, Suite ~~900- #32~~ , Brea, CA, 92821	Fullerton (714) 483-4645	1-
Amazing Grace Caregiver Services LLC	4565 Ruffner St., Street, Suite 220 San Diego, CA 92111	San Diego (818) 923-7795	1
Apollo Amazing Grace Caregiver Services LLC	~~1050 West Lakes Dr.,~~ 4565 Ruffner Street, Suite 225 220 San Diego, CA 92111	(818) 906-4441 923-7795	1
AMC Care Services LLC	235 N Westmonte Dr Suite 213, Altamonte Springs, FL 32714	(407) 437-3978	1
Apollo Caregiver Services LLC	8577 Haven Ave Ste 310, Rancho Cucamonga, CA 91730	(914) 473-4765	1
Armin Aryabod Aria Senior Cares Corporation	~~14151 Newport Avenue~~ 127 S Brand Boulevard, Suite 201A-307, Glendale, CA 91204	Tustin (818)-913-8459	1-
ATZ Valley Corporation-	~~24473810 Pacific Coast Hwy Ste 200- Highway,~~ Suite 202, Torrance, CA 90505	(310) 773-7207-	1-
AZCOR, Inc.-	3625 E. Thousand Oaks Blvd, Suite ~~123- Ste 323~~ , Westlake Village, CA 91362	Westlake Village (818) 334-9217	1-
Chopitea Careway LLC	~~41690 Enterprise Circle North,~~ 14151 Newport Ave., Suite ~~110201A~~ Tustin, CA 92780	Temecula (818) 849-1400	1
CR Mumar Inc. Careway LLC	~~1023 N. Hollywood Way,~~ 895 Dove St, Suite 207-300 Newport Beach CA 92660	(818) 588-3102 849-1400	1-
De Guzman Corp. Chopitea LLC	~~CA-41593 Winchester Road, STE 200,~~ Temecula CA 92590	93105 (951)-491-4050	1-
De Guzman Enterprises	10620 Treana St., Suite 230, San Diego, CA 92131	San Diego (805)-701-0556	1
De Guzman Enterprises	3355 Mission Ave., Suite 113 Oceanside, CA 92058	(805)-701-0556	1

<u>De Guzman Enterprises</u>	<u>2959 State St., Santa Barbara, CA 93105</u>	<u>(805)-701-0556</u>	<u>1</u>
<u>Evergreen Haven Healthcare LLC</u>	<u>710 Lakeway Dr. Suite 200, Unit 217, Sunnyvale, CA 94085</u>	<u>(650)-404-7752</u>	<u>1</u>
<u>First Class Home Care Services LLC</u>	<u>6060 W Manchester Ave STE 106 Los Angeles CA 90045</u>	<u>(818) 359-5940</u>	<u>1</u>
<u>I Care Unlimited, LLC</u>	<u>CA1675 Scott Blvd. Room 223, Santa Clara, CA 95050</u>	<u>95008(323) 828-8253</u>	<u>1</u>
<u>JL Senior Care LLC</u>	<u>2624 Long Prairie Rd, Suite 105, Flower Mound, TX 75022</u>	<u>(940) 344-3960</u>	<u>1</u>
<u>KAIO Care Services LLC</u>	<u>1201 Seven Locks Rd, Suite 360, Rockville, MD 20854</u>	<u>(240) 672-8321</u>	<u>1</u>
<u>KG Caregiver Home Care Services- LLC</u>	<u>8383 Wilshire Blvd., Suite, Ste. 800- Beverly Hills, CA 90211</u>	<u>Beverly Hills (310)-248-0414</u>	<u>CA-1</u>
<u>Kind Heart Unlimited LLC</u>	<u>CAUnit 21, #3 West 37th Avenue, San Mateo, CA 94403</u>	<u>(650)-800-7484-430-2428</u>	<u>1</u>
<u>MAND Enterprise LLC</u>	<u>13925 City Centre Dr. Ste 200 Chino Hills CA, 91709</u>	<u>(909) 456-4040</u>	<u>1</u>
<u>Maverly One LLC</u>	<u>2999 Douglas Blvd., Suite 180 Roseville, CA 95661</u>	<u>(916)-297-2070</u>	<u>1</u>
<u>Pia Azores-MPC Homecare LLC</u>	<u>9017 Reseda19671 Beach Blvd., Suite 200-304 Huntington Beach, CA 92648</u>	<u>Northridge (310)-770-5089</u>	<u>CA-1</u>
<u>Raymond De Guzman-REDLUX SOLUTIONS LLC</u>	<u>1635 E Highway 50, Suite 210, Clermont, FL 347113355 Mission Ave., Suite 113-</u>	<u>Oceanside (352)-988-5933</u>	<u>CA-1</u>
<u>RJE Solutions LLC</u>	<u>4160 Temescal Canyon Rd., Suite 401, Corona, CA 92883</u>	<u>Corona (626)-905-5892</u>	<u>CA-1</u>
<u>Sacred Heart Homecare LLC</u>	<u>1210 S Valley View Blvd Unit 101 Las Vegas, NV 89102</u>	<u>(702)-485-9781</u>	<u>1</u>
<u>SPARCS24 LLC</u>	<u>44100 Monterey Ave. Palm Desert, CA 92260</u>	<u>(818) 359-5940</u>	<u>1</u>
<u>Sunset Palm Cares LLC</u>	<u>3605 Long Beach Blvd., Suite 233, Office D, Long Beach, CA 90807</u>	<u>(562)-290-2176</u>	<u>1</u>

<u>Heart of Hearts LLP</u>	<u>11500 S Eastern Ave., #150</u>	<u>Henderson</u>	<u>NV</u>	<u>89052</u>	<u>(702)-820-4411</u>	<u>+</u>
<u>Sacred Heart Homecare Services, Inc.-</u>	<u>1210 S. Valley View Blvd., Unit 101-</u>	<u>Las Vegas-</u>	<u>NV-</u>	<u>89102-</u>	<u>(702)-330-9315-</u>	<u>+</u>

NOTES: Franchisees marked with an (*) have signed Area Development Agreements. Currently there are no Franchisees who have entered into Area Development Agreements.

SIGNED FRANCHISE AGREEMENT, BUT NOT OPENED

(as of December 31, ~~2024~~2025)

Franchisee Name	Street Address	Phone/Email	# of Units
<u>Vivian's Personal Care System Inc-Sorbito Group International, LLC</u>	<u>NA6301 Mountain Vista St., Suite 104, Henderson, NV 89014</u>	<u>v.brot@1heartcares.com</u>	<u>1</u>
<u>Eman Azeem</u>	<u>N/A</u>	<u>N/A</u>	<u>1</u>

~~Forevercare Elderly Support~~ <u>First Fruits Harvest LLC</u>	~~NA~~ <u>14300 N Northsight Bl., Suite 212, Scottsdale, AZ 85260</u>	~~NA~~ <u>(619) 913-2843</u>	~~1-~~
<u>Innovative Healthcare Services Group, LLC</u>	<u>N/A</u>	<u>(778) 251-2138</u>	<u>1</u>

NOTES: Franchisees marked with an (*) have signed Area Development Agreements. Currently there are no Franchisees who have entered into Area Development Agreements.

EXHIBIT G TO THE DISCLOSURE DOCUMENT

1HCS FRANCHISING LLC

LIST OF ~~TERMINATED~~FORMER FRANCHISEES

(as of December 31, 2024)

<u>Heart of Hearts LLP</u>	<u>11500 S Eastern Avenue #150, Henderson, NV 89005</u>	<u>(702) 574-6575</u>	<u>1</u>	<u>Termination (location sold to new System franchisee)</u>
<u>A.R.E. Care Services, CRMUMAR LLC</u>	<u>447 Sutter Street, Suite 701-1023 N Hollywood Way, Suite 207, Burbank, CA 91505</u>	<u>San Francisco (818) 472-9538</u>	1	Transfer

EXHIBIT H TO THE DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN THE STATE OF CALIFORNIA: DO NOT COMPLETE THIS QUESTIONNAIRE OR RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

NOTICE FOR PROSPECTIVE FRANCHISEES: DO NOT COMPLETE OR SIGN THIS QUESTIONNAIRE IF YOU ARE A MARYLAND RESIDENT OR IF THE FRANCHISED BUSINESS WILL BE LOCATED WITHIN THE STATE OF MARYLAND.

As you know, 1HCS Franchising LLC and you are preparing to enter into a Franchise Agreement for the operation of a Franchised Business. In this Franchisee Disclosure Questionnaire, 1HCS Franchising LLC will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the 1Heart Caregiver Services Franchise Agreement and each exhibit, addendum and schedule attached to it?
Yes _____ No _____
2. Have you received and personally reviewed our Disclosure Document we provided to you?
Yes _____ No _____
3. Have you discussed the benefits and risks of operating the Franchised Business with an attorney, accountant or other professional advisor?
Yes _____ No _____
4. Do you understand those risks?
Yes _____ No _____
5. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of the Franchised Business that we or our franchisees operate?
Yes _____ No _____
6. Has any employee or other person speaking on our behalf made any statement or promise concerning a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?
Yes _____ No _____
7. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?
Yes _____ No _____
8. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?
Yes _____ No _____

9. If you have answered “Yes” to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “No” to each of these questions, please leave the following lines blank.

10. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between you and us?

Yes _____ No _____

You understand that your answers are important to us and that we will rely on them.

For California prospective franchisees: You are not required to sign this Franchisee Compliance Certification.

For Maryland prospective franchisees: Do not sign if the franchisee is a Maryland resident or if the franchised business will be located within the State of Maryland.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

Name of Franchisee/Applicant: _____

Date: _____, 20____

Signature: _____

Name and Title of Person Signing: _____

EXHIBIT I TO THE DISCLOSURE DOCUMENT

1HCS FRANCHISING LLC MULTI-STATE ADDENDA

**ADDENDUM TO THE
1HCS Franchising LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF CALIFORNIA

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

1. 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 DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

2. 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.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Neither the franchisor, any person or franchise broker 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 these persons from membership in the association or exchange.

3. ITEM 17 of the Disclosure Document is amended to add the following:

- The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
- The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.
- The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

- The Franchise Agreement contains a provision requiring you to waive your right to punitive or exemplary damages against the franchisor or any of its representatives, limiting your recovery to actual damages. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.
- The franchisor will not enforce in California the prohibition on franchisee employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as a no-poach/non-solicitation provision) in section 17.2.1.5 of the Franchise Agreement that is disclosed in Item 17, row r.
- Exhibit I, “Franchisee Disclosure Questionnaire,” shall be amended by the addition of the following paragraph at the conclusion of the Exhibit:

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

- The following URL address is for the franchisor’s website:

www.1heartcares.com

OUR WEBSITE (1heartcares.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

FOR THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Franchise Disclosure Document for 1HCS Franchising LLC for use in the State of Illinois shall be amended as follows:

1. The “Summary” section of Item 17 (v), entitled Choice of Forum, is amended by adding the following language:

However, any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void under section 4 of the current Illinois Franchise Disclosure Act, although the Franchise Agreement may provide for arbitration in a forum outside of the State of Illinois.

2. The “Summary” section of Item 17 (w), entitled Choice of Law, is amended by adding the following language:

However, except for federal law, Illinois law applies if the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 (as amended) are met.

3. Exhibit I, “Franchisee Disclosure Questionnaire,” shall be amended by the addition of the following paragraph at the conclusion of the Exhibit:

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. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

FOR THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for IHCS Franchising LLC for use in the State of Maryland shall be amended as follows:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following language:

The general releases required for renewal or transfer will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law.

Despite any provision of the Franchise Agreement to the contrary, any and all claims arising under the Maryland Franchise Registration and Disclosure Law must be commenced within three (3) years from the grant of the franchise or such action shall be barred.

Subject to the mediation provisions, the Franchise Agreement permits you to sue only in the jurisdiction in which we maintain our principal place of business, except for claims arising under the Maryland Franchise Registration and Disclosure Law, and for those claims (to the extent not covered by the mediation requirements), you may file suit in Maryland.

2. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following language to the summary of Provision “h”:

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.

3. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following language to the summary of Provisions “v” and “w”:

, except for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Exhibit I, “Franchisee Disclosure Questionnaire,” shall be amended by the addition of the following paragraph at the conclusion of the Exhibit:

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.

5. Each provision of this addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this addendum to the Disclosure Document.

6. Item 5, “Initial Fees” shall be amended as follows: Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and

initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

FOR THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for 1HCS Franchising LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following paragraphs:

With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

2. Exhibit I, “Franchisee Disclosure Questionnaire,” shall be amended by the addition of the following paragraph at the conclusion of the Exhibit:

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.

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the Disclosure Document.

FOR THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for 1HCS Franchising LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Item 17.h.:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any 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 statements are added to Exhibit I:

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.

FOR THE STATE OF WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Franchise Disclosure Document for 1HCS Franchising LLC in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following paragraphs at the conclusion of the Item:

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

2. Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

3. Exhibit I, “Franchisee Disclosure Questionnaire,” shall be amended by the addition of the following paragraph at the conclusion of the Exhibit:

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. Each provision of this addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the Disclosure Document.

FOR THE STATE OF NEW YORK

In recognition of the requirements of the New York State Franchise Act, and New York's Franchise Regulations, the Franchise Disclosure Document for 1HCS Franchising LLC in connection with the offer and sale of franchises for use in the State of New York shall be amended to include the following:

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

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

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

Except as provided 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 that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is

subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following information is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchise 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; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”: “You may terminate the agreement on any grounds available by law.”

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

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

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration:

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

This document is effective and may be used in the following states where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Not Registered
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J TO THE DISCLOSURE DOCUMENT

1HCS FRANCHISING LLC RECEIPTS

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 IHCS Franchising LLC offers you a franchise, IHCS Franchising LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale unless otherwise stated in your state's addendum. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 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.

If IHCS Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise:

Belina Calderon-Nernberg , 16530 Ventura Blvd., Suite 500, Encino, CA 91436 (844) 814-3278
Randy Clarito, 16530 Ventura Blvd., Suite 500, Encino, CA 91436 (844) 814-3278
Kevin Tagarao, 16530 Ventura Blvd., Suite 500, Encino, CA 91436 (844) 814-3278
James Butler, 115 Parson Woods Lane, Cary, NC 27518 (984) 238-9917

Issuance Date: April ~~15, 2025, as amended October 24, 2025~~ 30, 2026.

Our Agents for Service of Process are listed in Exhibit B.

I have received a Franchise Disclosure Document including the following exhibits on the date listed below:

- A. List of State Administrators
- B. List of State Agents for Service of Process
- C. Franchise Agreement
- D. Table of Contents to the Confidential Operations Manual
- E. Financial Statements
- F. List of Terminated Franchisees
- G. Franchisee Disclosure Questionnaire
- H. Multi-State Addenda

Please sign and print your name below, date and return one copy of this receipt to IHCS Franchising LLC and keep the other for your records.

Date of Receipt

Return to:
IHCS Franchising LLC
16530 Ventura Blvd., Suite 500, Encino, CA 91436

Print Name

Signature
(individually or as an officer, member or partner of)

(Name of corporation, limited liability company or partnership)

a _____ corporation
(State of incorporation)

a _____ limited liability company
(State of organization)

a _____ partnership
(State where partnership formed)

Receipt

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Date of Receipt

Print Name

Return to:
IHCS Franchising LLC
16530 Ventura Blvd., Suite 500, Encino, CA 91436

Signature
(individually or as an officer, member or partner of)

(Name of corporation, limited liability company or partnership)

a _____ corporation
(State of incorporation)

a _____ limited liability company
(State of organization)

a _____ partnership
(State where partnership formed)