

approved vendors as it relates to site selection (Franchise Agreement – Section 3). You must submit to us information and materials we require and obtain our approval of the site. The factors we take into consideration when reviewing a site include the location and proximity of the site to residential neighborhoods, the demographics of the surrounding area, whether the site is on a main thoroughfare, size of the proposed premises, sufficient parking availability, and the types of counseling and therapy clinics and other activities in the vicinity of the proposed site. Your Franchised Business will generally be located in a commercial area. You must also provide us with a copy of your lease or sublease so that we can confirm that it meets the requirements of the Franchise Agreement. We will typically approve or reject a proposed site within 30 days of your complete submission of the site information we require. You must, in good faith, actively find, negotiate, and enter into a lease within 120 days of your signing of the Franchise Agreement. If you and we are not able to agree on an approved premise for your Franchised Business, or if you fail to obtain property control for the approved premises of your Franchised Business within 150 days of your signing of the Franchise Agreement, we can terminate your Franchise Agreement and retain all amounts you have paid to us (Franchise Agreement – Sections 3, 9(a), and 19(a)).

Although we provide you with prototypical plans and specifications for a Franchised Business, we do not conform the premises to local ordinances and building codes or obtain any required permits for you, and we do not construct, remodel, or decorate the premises. We do not own any premises that we lease to you.

You may not open your Franchised Business until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled and you are current on all amounts due to us and our affiliates; (2) you and your owners and Clinic Director (if your Franchised Business is not owner-operated) have completed our Initial Training Program ~~to our satisfaction~~ and you certify that you have provided all of your employees and contractors with the training we require; (3) you have furnished us with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums we request (Franchise Agreement – Section 13); (4) you notify us that all approvals and conditions in the Franchise Agreement have been met; and (5) you have obtained all required permits, licenses, and credentialing, and provide evidence of these to us. You must open your Franchised Business within 9 months of the date you sign your Franchise Agreement, but no later than the required opening date provided in the Development Schedule, if applicable (Franchise Agreement – Section 3; Area Development Agreement – Section 3(e)). If you do not, you must pay us a Delayed Opening Fee until you open and we can terminate your Franchise Agreement and retain all amounts you have paid to us (Franchise Agreement – Sections 3, 9(a), and 19(a)).

We estimate that the typical length of time between signing of the Franchise Agreement and the opening of your Franchised Business will be 3 to 6 months (for a Conversion Franchised Business) and 6 to 9 months (for a Startup Franchised Business). Some factors that may affect this timing include how long it takes you to select a suitable site for your Franchised Business and obtaining a lease or sublease; any shortages of, or delays in the installation of, any furniture, fixtures, equipment, and signs; whether, and to what extent, you need to remodel your site; your ability to secure any necessary financing; finding Licensed Providers; structuring the ownership of your Franchised Business under applicable local, state, and federal laws; and obtaining any licenses and credentialing.

## **Advertising/Marketing**

### System Brand Fund

Under the Franchise Agreement, you must pay the monthly Marketing Fee to the Ellie Mental Health system-wide brand fund (the “System Brand Fund”), currently in the amount of \$150 per each Qualified Clinician and Qualified Prescriber in the prior calendar month. The Marketing Fee is subject to an annual increase of 10% upon 30 days’ prior notice to you. Adjustments are compounded annually and cumulative including increases in any given year of greater than 10% to adjust for prior years when no increase, or an increase of less than the permitted percentage increase, was implemented. All our franchisees must contribute to the System Brand Fund, but the Ellie Mental Health clinics we or our affiliates own are not required to contribute to the System Brand Fund.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Section 15(a)(1)	No involvement in a business, clinic, program, or other venture that provides outpatient counseling or therapy products or services, including virtually <a href="#">(subject to applicable state law)</a> .
r. Non-competition covenants after the franchise is terminated or expires	Sections 15(a)(2) and 19(f)	For 2 years, no involvement in or lease to any business, clinic, program, or other venture that provides outpatient counseling or therapy products or services (including virtually) and that is located in your Designated Territory, a radius of 10 miles from the Designated Territory, or a radius of 10 miles from any other Ellie Family Services or Ellie Mental Health clinic, or with respect to virtual/telehealth therapy, from where you office and provide services and where the patient is located (Note 1) <a href="#">(subject to applicable state law)</a> .
s. Modification of the agreement	Section 23(h)	No modifications without consent by all parties, but our manuals are subject to change.
t. Integration/merger clause	Section 23(l)	Only the terms of the Franchise Agreement and other written agreements are binding (subject to state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in this Disclosure Document, its exhibits, and amendments.
u. Dispute resolution by arbitration or mediation	Section 20	Except for certain disputes, all disputes must be first mediated, and if not settled by mediation, are then subject to arbitration.
v. Choice of forum	Section 20(c)	Subject to state law, forum will be in Minnesota.
w. Choice of law	Section 23(b)	Subject to state law, Minnesota law applies.

Notes

Note 1. To ensure continuity of care of your clients and to preserve the goodwill and interests of the System and other Ellie Mental Health clinics, upon termination or expiration of your Franchise Agreement, you must comply with our Franchisee Client Continuity Plan as described in the Operations Manual (the “[Franchisee Client Continuity Plan](#)”). The Franchisee Client Continuity Plan requires that you notify your clients of the termination or expiration of your franchise rights and closure of your Ellie Mental Health clinic and require that the client transition their care with their Licensed Provider or to another provider or clinic appropriate for their needs, as assessed by the Licensed Provider, while allowing you, for up to 60 days following termination or expiration of your Franchise Agreement (the “[Client Continuity Transition Period](#)”), to continue to provide products and services to your existing clients at the Franchised Business’ location in accordance with the Franchisee Client Continuity Plan. The Franchisee Client Continuity Plan requirements include:

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
j. Assignment of contract by us	Section 4(a)	No restriction on our right to assign.
k. "Transfer" by you – defined	Section 4(b)	Includes a transfer, assignment, or encumbrance of the Area Development Agreement, the Development Territory, or any development rights, or an interest in you.
l. Our approval of transfer by franchisee	Section 4(b)	We must approve all transfers.
m. Conditions for our approval of transfer	Section 4(b)	You must sign our then-current form of area development agreement (the new area development agreement may have materially different terms and conditions than your Area Development Agreement), sign a general release, subordinate claims, and pay a transfer fee.
n. Our right of first refusal to acquire your Franchised Business	Not Applicable	Not Applicable
o. Our option to purchase your Franchised Business	Not Applicable	Not Applicable
p. Your death or disability	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Section 5	No involvement in or licensing of a business, clinic, program, or other venture that provides outpatient counseling or therapy products or services, including virtually <a href="#">(subject to applicable state law)</a> .
r. Non-competition covenants after the franchise is terminated or expires	Section 5	For 2 years, no involvement in or licensing of a business, clinic, program, or other venture that provides outpatient counseling or therapy products or services, including virtually, and that is located, or to be located, in your Development Territory <a href="#">(subject to applicable state law)</a> .
s. Modification of the agreement	Section 8(j)	No modifications without consent by all parties, but our manuals are subject to change.