



FRANCHISE DISCLOSURE DOCUMENT

SARAH ADULT DAY SERVICES, INC.

An Ohio Corporation

4942 Higbee Avenue NW

Suite H

Canton, Ohio 44718

(330) 454-3200

info@sarahcare.com

www.sarahcareconnect.com

The franchise offered is to operate a business that provides health-related care and nursing services combined with social interaction and group social activities for senior citizens or individuals with health-related needs.

The total investment necessary to begin operation of a Sarah Adult Day Services franchise is \$415,690 to \$913,350 (including initial real estate lease costs). This includes \$54,900 to \$124,900 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sheri Rimedio, 4942 Higbee Avenue, NW, Suite H, Canton, Ohio 44718, (330) 454-3200.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact 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 of this Franchise Disclosure Document: November 1, 2024

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 B.
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 Sarah Adult Day Services 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 Sarah Adult Day Services franchisee?	Item 20 or Exhibit B lists 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 territory, the franchisor may have the right to compete with you in your territory.

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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 us by arbitration and litigation only in Ohio. Out-of-state arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate and litigate with us in Ohio than in your own state.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

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

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

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

(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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor 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 FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G Mennen Building
Lansing, Michigan 48913
Telephone Number: (517) 373-3800

Notwithstanding paragraph (f) above, the franchisor intends to enforce fully the provisions of the arbitration sections of its Franchise Agreement. The franchisor believes that paragraph (f) is unconstitutional and cannot preclude it from enforcing its arbitration provisions.

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	3
ITEM 3 LITIGATION.....	3
ITEM 4 BANKRUPTCY	4
ITEM 5 INITIAL FEES.....	4
ITEM 6 OTHER FEES	5
ITEM 7 ESTIMATED INITIAL INVESTMENT	10
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	13
ITEM 9 FRANCHISEE’S OBLIGATIONS	15
ITEM 10 FINANCING.....	17
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	17
ITEM 12 TERRITORY	22
ITEM 13 TRADEMARKS	24
ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	25
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	26
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	26
ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....	27
ITEM 18 PUBLIC FIGURES.....	30
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	31
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	32
ITEM 21 FINANCIAL STATEMENTS	36
ITEM 22 CONTRACTS.....	37
ITEM 23 RECEIPTS	37

EXHIBITS

- A State Administrators/Agents for Service of Process
- B List of Franchisees
- C Franchise Agreement
- D Satellite Center Supplement
- E Turnkey Agreement
- F Management Services Agreement
- G Financial Statements
- H Guaranty and Assumption of Obligations
- I Operations Manual Table of Contents
- J Franchisee Acknowledgement Statement
- K State-Specific Additional Disclosures and Franchise Agreement Riders
- L Form of General Release
- M Receipts

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “we,” “us,” “our” or “SARAH” means SARAH Adult Day Services, Inc., the franchisor. “You” means the person or entity who buys the franchise. If you are an entity, your owners must sign our “Guaranty and Assumption of Obligations” attached as Exhibit G to this disclosure document.

We are an Ohio corporation formed on October 5, 1998. Our principal business address is 4942 Higbee Avenue NW, Suite H, Canton, Ohio, 44718. Substantially all of our stock was purchased by Innovative MedTech, Inc., and they are now our new owners. We operate under the SARAH name and the trademarks described in Item 13 (the “**Marks**”). If we have an agent in your state for service of process, we disclose that agent in Exhibit A. We began offering franchises in January 2000.

Pursuant to a stock sale on March 25, 2021, Innovative MedTech, Inc. purchased all of our issued shares and is now our parent. Innovative MedTech, Inc., a Delaware corporation, maintains its principal place of business at 2310 York Street, Suite 200, Blue Island, Illinois, 60406. Innovative MedTech, Inc. has not offered franchises in this or any other line of business previously.

We have operated through our affiliate, SARAH Day Care Centers, Inc. (“**SarahCare**”), businesses that provide health-care related services and companionship for older adults, aged 60 and above, and for adults aged 18-60 who are in need of health-related care and supervision since February 1985. SarahCare incorporated in Ohio in November 1984. Its principal business address is the same as ours. SarahCare currently operates 2 SARAH Businesses located in Stark County and Summit County, Ohio. We do not have any predecessors or other affiliates required to be disclosed in this Item.

We grant franchises for the operation of a business that provides health-care related services and companionship for older adults, aged 60 and above, and for adults aged 18-60 who are in need of health-related care and supervision under the SARAH name and other Marks (a “**SARAH Business**”). A SARAH Business provides health-related and other services for elderly individuals and others in need of care and supervision who desire compassionate care and stimulating activity in a secure, structured environment. We provide a service that offers an effective solution for individuals who are in need of support services in order to continue living in their communities. You will offer SARAH services at a designated facility approved by us and, at your option.

We grant franchises to persons or entities who meet our qualifications for the right to operate a SARAH Business under the terms of our Franchise Agreement attached as Exhibit C (the “**Franchise Agreement**”). Under the Franchise Agreement, we grant you a protected area within which to open your SARAH Business (the “**Protected Area**”). If you acquire a SARAH Business, you must operate it in accordance with our standards, specifications and operating procedures, and sell the products and services we authorize and approve utilizing our business standards and

specifications and the Marks (the “**System**”), as we may periodically modify or update the System during your franchise term.

At your option, if you meet our qualifications and sign our Turnkey Agreement, we will complete all tasks necessary to open your SARAH Business, including identifying a site, hiring staff, completing licensure applications, ordering equipment, and implementing marketing strategies.

At your option, if you meet our qualifications and sign our Supplemental Services Rider, you may also provide professionally monitored exercise programs through the addition of a Studio 55 or cognitive therapy services through the addition of a Brain Gym to your SARAH Business. At your option, if you meet our qualifications, you may provide SARAH At-Home Services at a client’s residence.

A SARAH Business is typically managed by an Executive Director who has a bachelor’s degree in gerontology or a related field or a professional license and has at least 2 years of experience in direct participant care giving and 2 years supervisory experience. Employees of a SARAH Business usually include an activity director with related experience in gerontology and activity programming, nursing staff, nursing assistants and activity assistants with appropriate qualifications and experience to conduct the day-to-day operations of a SARAH Business.

We anticipate that competition in the marketplace will come from other local, regional, and national adult care businesses, religious organizations, governmental agencies, health care organizations, and sole proprietors offering similar adult care services.

You must comply with the Health Insurance Portability and Accountability Act (“**HIPAA**”). There may be state and local regulations and licensing requirements that apply specifically to the industry in which SARAH Businesses operate. Please check with your state Department of Aging, area Agency on Aging, and Health and Human Services, and any other department that might regulate this industry.

With respect to California locations, adult day care and adult day support centers must be licensed by the California Department of Social Services. It is your sole responsibility to obtain this license before opening for business (although you should anticipate some delays in the licensure process, which we estimate will not exceed 1-2 months). We recommend that you consult with the Department of Social Services regarding licensure and that you review <http://www.cdss.ca.gov/inforesources/Community-Care/ASCP-Centralized-Application-Units> to understand the obligations and standards for licensure. We will provide advice and guidance to you in meeting these licensing requirements, but will refund the initial fee to you if, after exercising your best efforts, you are unable to obtain the license. We also recommend that you focus on geographical areas where private payers are prevalent because no government funding is available for the services you will provide. We do not recommend that you seek to operate adult day health centers or Alzheimer day care resource centers because licenses for such operations are currently unavailable in California.

ITEM 2

BUSINESS EXPERIENCE

Merle D. Griff, Ph.D.: Founder, President and Chief Executive Officer

Dr. Griff has been our President and Chief Executive Officer since SARAH's inception in October 1998. She is a current member of the National Adult Day Services Association ("NADSA") Board. She is also of the current Chair of the Dementia Round Table for the National Alzheimer's Association. She was a delegate at past White House Conferences on Aging and has presented at international conferences such as the World Congress of Family and Child, at national conferences such as the Annual Conference of the National Council on Aging, and other state and regional conferences. Dr. Griff has a Ph.D. from Walden University and a Bachelor of Arts from Temple University.

Sheri Rimedio: Franchise Sales Specialist

Ms. Rimedio has been our Franchise Sales Specialist since November 2016. From May 2016 to November 2016, she was a Case Manager for Business Underwriters Associates, located in Akron, Ohio. Ms. Rimedio was a Volunteer Coordinator with Meals on Wheels of Stark & Wayne Counties, located in Massillon, Ohio, from October 2013 to May 2016.

ITEM 3

LITIGATION

McKinley Alliance Group, LLC et al v. Sarah Adult Day Services, Inc. Case No. 5:19-cv-02078-SL) in the United States District Court for the Northern District of Ohio Eastern Division, filed on April 12, 2019. The plaintiff, a former franchisee who remained in business at the same location after expiration of the franchise agreement, originally filed this action in Georgia State Court seeking injunctive relief and a declaration that the post-term restrictive covenants in the franchise agreement are unenforceable. We transferred the action to federal court, moved venue to the Northern District of Ohio, and filed counterclaims for royalties owed. The case was settled before any trial and dismissed on June 18, 2020. The settlement required the former franchisee to cease operating within 30 days after its post-Covid19 re-opening, abide by the non-competition covenants of the franchise agreement post-closing, and pay us the royalties due.

Sarah Adult Day Services, Inc. vs. Boston Adult Daycare Corp. and Worcester Adult Daycare, LLC, and Alla Shlosman and Janet Goronshtein, (Case No. 5:19-cv-672), in the United States District Court for the Northern District of Ohio Eastern Division, filed on March 26, 2019. We filed a complaint against the franchisees of our Dorchester and Worcester, Massachusetts, outlets and certain of the common owners for failure to pay royalties due and other alleged breaches. The case was settled before any trial and dismissed on November 15, 2019. The settlement, which includes confidentiality and non-disparagement provisions, required the franchisees and the certain common owners to make partial payments and to provide us guaranteed and secured notes for the remainder. The franchisees also agreed to, and signed, new 10-year

franchise agreements for the franchises in Dorchester and Worcester, Massachusetts, and East Hartford, Connecticut.

Sarah Adult Day Services, Inc v Beyda Adult Day Care, LLC, et al, (Case No. 5:19-CV-614) in the United States District Court for the Northern District of Ohio, Eastern Division, filed March 20, 2019. We filed an action seeking confirmation of an arbitration award that enjoined Beyda Adult Care, LLC, and its owners from operating a competing business after the expiration of their franchise agreement in violation of the non-competition provision. The Court confirmed the arbitration award in all respects and entered judgment in accordance with the arbitration award on October 2, 2019. To avoid domesticating the judgment, the parties agreed to a settlement, which includes confidentiality and non-disparagement provisions, and the execution of a new 10-year franchise agreement, effective on April 28, 2020.

Sarah Adult Day Services, Inc v Beyda Adult Day Care, LLC, et al, (Case No. 01-18-0001-6101) in the Commercial Arbitration Tribunal, American Arbitration Association, filed April 23, 2018. We filed a demand for arbitration seeking to enjoin Beyda Adult Care, LLC, and its owners from operating a competing business after the expiration of their franchise agreement in violation of the non-competition provision. The arbitrator issued a written final award on February 28, 2019, enjoining Beyda from operating such a competing business. This award was confirmed by the U.S. District Court for the Northern District of Ohio (see above case).

Other than the actions we describe above, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Franchise Agreement

You must pay us an initial franchise fee in a lump sum when you sign the Franchise Agreement. Our standard initial franchise fee for a SARAH Business currently is \$34,900 (the “**Initial Franchise Fee**”). If you currently own a SARAH Business and you want to buy an additional SARAH Business, you must pay the Initial Franchise Fee, except that if you have already completed the initial training described in Item 11 of this disclosure document, we offer a discount of \$2,500 off of the standard Initial Franchise Fee so that your Initial Franchise Fee will be \$32,400. If you currently operate an adult day care business which you want to convert to a SARAH Business by entering into a Franchise Agreement with us, you must pay us an Initial Franchise Fee of \$15,000.

If you commit to develop and open 3 SARAH Businesses, we will reduce the Initial Franchise Fee to \$25,000 for each SARAH Business. To be eligible for this discount off of the Initial Franchise Fee, you must (a) sign all Franchise Agreements for your 3 SARAH Businesses simultaneously and pay us the reduced Initial Franchise Fees when you sign the Franchise Agreements; and (b) open all 3 SARAH Businesses within 12 months after you sign the Franchise Agreements. If you fail to open all 3 SARAH Businesses on time, we will, in addition to and without limiting our other rights and remedies under the Franchise Agreement, require you to pay us \$29,700 within 30 days after notice from us, which represents the difference between the reduced Initial Franchise Fees you paid us when you signed the Franchise Agreements and the Initial Franchise Fees you would have paid to us had we not reduced the Initial Franchise Fees.

In addition to the reduced Initial Franchise Fee described above, we also offer a 10% discount off of the Initial Franchise Fee to veterans under the Veterans Transition Franchise Initiative (“**Vet Fran**”) and to minority franchise applicants that meet the requirements of the International Franchise Association’s Minority Franchise Program (“**Minority Fran**”).

The Initial Franchise Fee is fully earned when paid and is not refundable under any circumstances. (However, for California franchisees who, after exercising best efforts, are unable to obtain the necessary licenses from the California Department of Social Services, we will refund the Initial Franchise Fee.)

You also must pay as a lump sum amount to be used for advertising, marketing, and public relations expenditures (the “**Marketing Deposit**”) at least 2 weeks before you or your personnel attend the Operations Training Program (defined in Item 11). We will hold the Marketing Deposit in an escrow account from which payments to advertising and related vendors will be made during approximately the first 3 months of your SARAH Business’ operations. The Marketing Deposit is currently \$20,000. You pay no other payments to us for goods or services before the opening of your SARAH Business.

If you sign a Turnkey Agreement, you must pay us a Turnkey Fee of Seventy Thousand Dollars (\$70,000.00) upon execution of the Turnkey Agreement for us to complete all tasks necessary to open your center. This fee is non-refundable.

ITEM 6

OTHER FEES

Type of fee¹	Amount	Due Date	Remarks
Royalty	The greater of 5% of monthly Gross Sales or \$200	Payable via ACH on the 10 th day of each month on Gross Sales from the previous month	See definition of Gross Sales ²

Type of fee¹	Amount	Due Date	Remarks
Royalty – Satellite Center	2% of monthly Gross Sales	Payable via ACH on the 10 th day of each month on Gross Sales from the previous month	See definition of Gross Sales ²
Royalty – SARA H At-Home Services	5% of monthly Gross Sales	Payable via ACH on the 10 th day of each month on Gross Sales from the previous month	See definition of Gross Sales ²
Royalty – Studio 55	5% of monthly Gross Sales	Payable via ACH on the 10 th day of each month on Gross Sales from the previous month	See definition of Gross Sales ²
Royalty – Brain Gym	3% of monthly Gross Sales	Payable via ACH on the 10 th day of each month on Gross Sales from the previous month	See definition of Gross Sales ²
Royalty – Studio 55 & Brain Gym	7% of monthly Gross Sales	Payable via ACH on the 10 th day of each month on Gross Sales from the previous month	See definition of Gross Sales ²
Management Services Agreement Fee	10% of monthly Gross Sales	Payable via ACH on the 5 th day following our generation of the report on Gross Sales from the previous month	If you retain us to manage your SARA H business, you will pay a monthly Management Services Agreement Fee. See definition of Gross Sales ²
Additional Training	\$200 a day plus expenses	As incurred	Provided at your request to any new manager of your SARA H Business
Local Advertising	6%-8% of yearly Gross Sales	As incurred	We recommend that you spend this amount in your local area
Satellite Center License	\$2,500	As incurred	At your option, and with our approval, you may operate a satellite center as part of your SARA H Business.

Type of fee¹	Amount	Due Date	Remarks
Insurance	Cost of premiums	As incurred	If you fail to maintain required insurance coverage, we may (but are not required to) obtain it for you and charge you the premiums and costs
Liquidated Damages	Up to 24 months of Royalty Fees	Upon termination of the Franchise Agreement due to your default.	If your Franchise Agreement is terminated due to your default, you must pay us the average monthly Royalty Fee payable by you for the 12 months prior to your default multiplied by the lesser of 24 months or the number of months remaining in the term of your Franchise Agreement.
Indemnification	Will vary with circumstances	As incurred	You must reimburse us if we are held liable for claims from the operation of your SARAH Business; the SARAH Business you conduct under the Franchise Agreement; or your failure to comply with the applicable Agreement
Costs and Attorneys' Fees	Will vary with circumstances	As incurred	Due when you do not comply with the Franchise Agreement
Transfer Fee	\$15,000	As incurred	Due upon transfer of Franchise Agreement or controlling ownership interest in you. We may waive the transfer fee at our discretion
Audit Fee	Cost of audit	As incurred	Payable only if you fail to furnish required information on time

Type of fee ¹	Amount	Due Date	Remarks
Late Fee	\$100	As incurred	If you fail to pay us any amount when due, or if you fail to submit your Gross Sales report when due, we may charge you \$100 for each late submission in addition to interest charges explained below.
Interest Charge	18% per annum from due date or maximum allowed by law, whichever is lower	As incurred	If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.
Successor Agreement Fee	\$15,000	As incurred	Payable to us when you sign our then-current Franchise Agreement
Interim Management Fee	8% of Gross Sales plus expenses incurred	As incurred	If we manage your SARAH Business upon death or disability
Extension Fee	\$200 per month	As incurred	Payable to us when you request, and we grant, an extension of the opening date for your SARAH Business. We may waive the extension fee at our discretion
Additional E-mail Accounts	\$40 per year per e-mail account after the first 5 (cost varies depending on account's storage capacity of 10MB, 100MB, or unlimited size)	As incurred	Payable to us or a supplier we designate for the fifth and additional e-mail addresses. We provide your first 5 accounts (each 10MB capacity) at no extra charge
At Home Services	\$10,000	As incurred	At your option, and with our approval, you may offer At Home Services. You will be required to sign our At Home Services Rider and pay us a \$10,000 additional grant fee.

Type of fee ¹	Amount	Due Date	Remarks
Complementary Services	\$1,000 - \$10,500	As incurred	At your option, and with our approval, you may offer a Studio 55 or Brain Gym at your SARAH business. You will be required to sign our Supplementary Services Rider and pay us an additional grant fee of \$1,000 for either a Studio 55 or Brain Gym or \$10,500 for a combination of both a Studio 55 and Brain Gym.

Notes:

1. Except as described above, all fees are uniform, imposed by and payable to us, and are non-refundable.
2. **“Gross Sales”** means all of your billings, whether collected or not, including cash sales and sales on account, monies billed for personal care services and monies billed in connection with trade or barter agreements, excluding sales or usage tax. There may be separate requirements to comply with Medicare.

~Remainder of Page Intentionally Blank~

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When Due	To whom payment is to be made
Initial Franchise Fee (1)	\$34,900	Lump Sum	Upon Execution of Franchise Agreement	Us
Turnkey Agreement Fee	\$0 - \$70,000	Lump Sum	Upon Execution of Turnkey Agreement	Us
Initial Training Expenses (2)	\$3,020 - \$5,200	As Incurred	As Incurred	Suppliers of food, lodging, transportation
Rent – 3 months (3)	\$24,000 - \$36,000		Monthly	Landlord
Tenant Improvements (4)	\$50,000 - \$350,000	As Incurred	As Incurred	Landlord
Furnishings, Equipment, and Signage (5)	\$109,000 - \$120,000	Lump Sum	Prior to Opening	Vendors
Start-up Inventory & Supplies (6)	\$20,000 - \$30,000	As Incurred	As Incurred	Suppliers
Insurance (7)	\$10,000 - \$18,000	Lump Sum	Annual Premiums	Insurance Company or Agent
Transportation Service (8)	\$0 - \$18,000	As Agreed	As Agreed	Vendors, Insurance Company or Agent
Professional Fees (9)	\$5,000 - \$30,000	As Incurred	As Incurred	Vendors
Deposits (10)	\$5,000 - \$12,000	Lump Sum	Prior to Opening	Landlord and/or Public Utilities
Marketing Deposit – 3 months (11)	\$20,000	Lump Sum	2 Weeks Before Attending Operations Training Program	Us
Software start-up, training, and fees (3 months) (12)	\$6,850	Lump Sum	Monthly	Vendor

Type of expenditure	Amount	Method of payment	When Due	To whom payment is to be made
Additional Funds - 3 Months (13)	\$127,920 - \$162,400	As Incurred	As Incurred	Vendors
TOTAL ESTIMATED INITIAL INVESTMENT (14)	\$415,690 - \$913,350			

Notes:

1. We do not finance any of this fee. We may reduce this fee if you have already completed the initial training for a SARAH Business you currently own, if you are converting an existing adult day care business to a SARAH Business, if you commit to develop and open 3 SARAH Businesses within a 12-month period, or if you qualify for a Vet Fran or Minority Fran discount.
2. We provide instructors and instructional materials for the Initial Training Program, but you (or, if you are a corporation or partnership, one of your principals) are responsible for arranging transportation, lodging, and food and any employee expenses. You (or your principal) are also responsible for paying the wages of your employees who attend the Initial Training Program. The cost will depend on the distance the attendees must travel and the type of accommodation the attendees choose.
3. Typical locations are commercial or professional office locations convenient to working caregivers. The approximate size of a SARAH Business facility is 5,000-6,000 square feet. Rent is estimated to be \$96,000-\$140,000 annually depending on size, condition and location of leased premises.
4. This estimate will vary according to the condition of the existing space, building code use requirements, and the tenant allowance provided by the landlord, which may in certain circumstances be included in the amount of your rent payment. These amounts may be negligible (i.e., close to zero) in situations of turnkey locations where the location can be easily transitioned to operation of the franchised business or where the landlord pays the costs of tenant improvements.
5. This amount may be necessary to purchase signage, furnishings, activity, clinical and kitchen equipment, computer systems and software, phone and security systems, media equipment, and decorations.
6. You will need to obtain an inventory of basic office, food and kitchen, medical, cleaning, and client activity supplies.
7. The estimated cost for all insurance during the first year of operation is \$10,000-\$18,000. Required insurance policies include comprehensive general liability, including third party

fidelity bond coverage, coverage on property and/or betterments and improvements, worker's compensation and any other insurance required by statute or state law. Transportation insurance will be required if your SARAH Business provides transportation with its own vehicles (see Note 8 below). These policies must provide proof of having secured this insurance before your SARAH Business commences operation.

8. You may, but are not obligated to, provide transportation services to your clientele. Franchisees that elect to provide transportation services as part of their franchised businesses typically either lease the vehicle(s) necessary or independently contract with a local transportation provider. If you offer a transportation service through your franchised business, we require that you or your third-party provider have motor vehicle insurance coverage. This estimate assumes that that you lease 1 vehicle and reflects payments for 3 months of lease payments plus the related transportation insurance.
9. Professional fees may include architectural and construction management, legal, and accounting.
10. Deposits may include rental and utility deposits. These amounts may be refundable.
11. You must pay us this amount, which we will put into an escrow account for your future use, to be used for advertising, marketing and public relations during the first 3 months of your SARAH Business' operation. This fee is due to us at least 2 weeks before you or any of your personnel attend the Operations Training Program.
12. There is a one-time start-up fee to arrange, install, and train your personnel to begin using the required proprietary software program at your SARAH Business. The one-time start-up fee currently is \$5,500 for a new system. You will also pay a monthly support, maintenance, and licensing fee (currently \$450 for 5 user licenses per month) to use the software program on an ongoing basis. These amounts do not include applicable sales tax. Your state may also require you to purchase billing software specific to its funding sources.
13. This is an estimate of the additional funds you may need to operate your SARAH Business during the first three (3) months. This estimate includes such items as rent, payroll, food for participants, fuel, marketing and advertising. We based this estimate on our experience in offering and supporting franchised businesses since 2000 and our affiliate's experience in operating a similar business since 1985.
14. We relied on our and our affiliates' experience (over 30 years to date) compiling these initial investment estimates. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The range has been provided because expenses might vary based on whether or not you need to lease office space. Except as otherwise described in Note 10 above, none of these expenses are likely to be refunded. (However, as noted in Item 5, for California franchisees who, after exercising the best efforts, are unable to obtain the necessary licenses from the California Department of Social Services, we will refund the Initial Franchise Fee.)

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Goods and Services You Must Acquire From An Approved Supplier Or In Accordance With Our Standards and Specifications

The trademarks, trade names, service marks, and logos must be properly depicted on any brochures, business cards and stationery, signage, forms, and public relations materials you purchase for use in your operation of your SARAH Business. These items, and other products, supply items and services, may be purchased from any source you desire; however, we retain the right to, at any time in the future, condition your right to buy or lease goods and/or services on their meeting minimum standards and specifications and/or being acquired from suppliers we specifically designate or approve. We may issue and modify standards from time to time and enumerate them in our Operations Manual or other communications.

You must purchase software to be used in the operation of your SARAH Business from a designated supplier. You also may acquire certain pre-approved social media channels and online content for your SARAH Business only through us or our designated supplier. (Currently our System standards include Facebook, YouTube, Twitter, Instagram, Pinterest, and LinkedIn and no other channels, as approved social media outlets through which SARAH Businesses may be promoted.) You must use the e-mail accounts we provide you with. We also recommend that you use our approved suppliers for: real estate site selection services; furniture, fixtures and equipment; marketing materials; computer software, and printing services. Otherwise, there currently are no goods, services, supplies, fixtures, equipment, inventory, computer hardware, real estate, or comparable items related to establishing or operating your SARAH Business that you must buy from us, our affiliate, or an approved supplier. None of our officers currently have an interest in any supplier to SARAH Businesses.

If you choose to retain our services as a third-party management company to maintain the operation of your SARAH Business, you must sign our Management Services Agreement. We are the only approved provider of third-party management services.

If you want to purchase or lease any product, supply, item or service from a supplier or provider that we have not already approved, you must first obtain our approval. You may request our approval by providing us with a sample of the item you would like us to approve. We will use commercially reasonable efforts to notify you within 30 days after receiving all samples and any other requested information or specifications, whether you are authorized to purchase or lease the product or service from that supplier or provider. We do not charge a fee for engaging in this approval process.

In the event we receive rebates from any suppliers to our franchisees, these funds will be used for marketing and promotional purposes. We estimate that, collectively, the purchases and leases you obtain according to our specifications or from approved or designated suppliers represent between 2.5%-7.5% of your total purchases and leases in connection with the establishment and operation of your SARAH Business. During the fiscal year ending June 30,

2024, we did not receive any rebates or other payments from suppliers based on their sales to franchisees and neither we nor our affiliates sold or leased any products or services to franchisees.

Insurance

Besides these purchases or leases, you must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations. You currently must obtain the following insurance: (i) comprehensive commercial general liability insurance, including bodily injury, property damage, personal injury, products and completed operations liability coverage with a combined single limit of not less than \$1,000,000 per occurrence for bodily injuries, \$1,000,000 per occurrence for property damage and \$2,000,000 annual aggregate, (ii) workers' compensation and employer's liability insurance to meet statutory requirements of that of operation where your SARAH Business is located; (iii) commercial property insurance at replacement value, including fire, vandalism, and extended coverage insurance with primary and excess limits of not less than the full replacement value of your SARAH Business and its furniture, fixtures and equipment; (iv) automobile liability insurance for all owned, non-owned and hired automobiles with a single coverage limit of not less than \$1,000,000; (v) other insurance as may be required by the state or locality in which your SARAH Business is located and operated; and (vi) professional liability insurance of not less than \$1,000,000. All of the policies you maintain must contain the minimum coverage described above and must have deductibles not to exceed the amounts we specify. Each of the insurance policies must be issued by an insurance company of recognized responsibility and satisfactory to us. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. The commercial general liability, automobile, and umbrella insurance policies must list us as additional insured parties and provide for 30 days' prior written notice to us in the event of a policy's material modification, cancellation, or expiration. You must furnish us with a copy of your Certificate of Insurance within 10 business days upon receipt of your Occupancy Permit for your SARAH Business. If you fail or refuse to obtain or maintain the insurance we specify, in addition to our other remedies including termination, we may obtain such insurance for you and your SARAH Business, on your behalf, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

Advertising Materials

Before you use them, you must send to us for review samples of all advertising, promotional and marketing materials which we have not prepared or previously approved. You must not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. During approximately your first 3 months of operating your SARAH Business, we will use the Marketing Deposit to pay vendors selected to provide advertising and related services for the promotion of your SARAH Business, which may include, for example, arranging online Internet advertising and marketing content, including Facebook, YouTube, Twitter, Instagram, Pinterest, LinkedIn or other social media outlets and paying click-through charges to search engines, banner advertising sources, and advertising host sites to promote your SARAH Business. We may develop certain promotional materials and/or designate or approve specific suppliers of promotional materials during the franchise term that we may require you to purchase

and use. All online marketing activities you conduct for your SARAH Business must meet our then-current guidelines for franchisee use of social media that we include as part of the Operations Manual or otherwise communicate as part of our System standards.

There currently are no purchasing or distribution cooperatives. We do not provide material benefits to franchisees based on their purchases of particular products or services or their use of particular suppliers.

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 agreement	Disclosure document item
a. Site selection and acquisition/lease	Section 3 of Franchise Agreement	Items 7, 8 and 11
b. Pre-opening purchases/leases	Sections 4.B, 10.B and 10.K of Franchise Agreement	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 4.A, B, C and D of Franchise Agreement	Items 7, 8 and 11
d. Initial and ongoing training	Sections 5.A and B of Franchise Agreement	Items 6, 7, 8 and 11
e. Opening	Section 4.D of Franchise Agreement	Items 11 and 12
f. Fees	Sections 4.A, 8.F, 9, 13.B, 14.C(9), 15.A, and 18.E of Franchise Agreement	Items 5, 6, 7 and 11
g. Compliance with standards and policies/operating manual	Sections 4.A, 5.C, 5.D and 10 of Franchise Agreement	Items 8 and 11
h. Trademarks and proprietary information	Sections 6 and 7 of Franchise Agreement	Items 1, 13 and 14
i. Restrictions on products/services offered	Section 10 of Franchise Agreement	Items 8 & 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Section 2 of Franchise Agreement	Item 12

Obligation	Section in agreement	Disclosure document item
l. Ongoing product/service purchases	Section 10 of Franchise Agreement	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Sections 10, 14.C(6) and 15.D of Franchise Agreement	Items 8, 11, 16 and 17
n. Insurance	Section 10.K of Franchise Agreement	Item 6, 7 and 8
o. Advertising	Section 11 of Franchise Agreement	Items 6, 7, 8 and 11
p. Indemnification	Sections 6.D and 9 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Sections 5.A, 5.C and 10.I of Franchise Agreement	Items 11 & 15
r. Records and reports	Section 12 of Franchise Agreement	Not Applicable
s. Inspections and audits	Section 13 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 14 of Franchise Agreement	Item 17
u. Renewal	Section 15 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 17 of Franchise Agreement	Item 17
w. Non-competition covenants	Sections 7, 14.C(11), and 17 of Franchise Agreement	Item 17
x. Dispute resolution	Section 18 of Franchise Agreement	Item 17
y. Evidence of required licenses	Sections 3.C and 10.I of Franchise Agreement	Items 7, 8, and 11

ITEM 10

FINANCING

We do not currently offer direct or indirect financing. We may make introductions between you and certain lenders as we deem appropriate. We do not guarantee your note, lease or obligation.

ITEM 11

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

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

Before you open your SARAH Business, we will:

1. Give you our site selection criteria for your SARAH Business and, upon your request, provide input regarding possible sites. We do not own or lease any site to franchisees. After you select and we approve a site, we will designate the geographic area within which you may establish your SARAH Business. (Franchise Agreement – Section 3.A)
2. You must submit a proposed site for your SARAH Business for our approval in a form we specify that includes detailed construction drawings and other site-specific information. We must approve the final design and will base our approval on the detailed plans and specifications adopting our then-current plans and specifications for SARAH Businesses.
3. Approve your signage. (Franchise Agreement – Section 4.C)
4. As described in Item 8, identify the standards and specifications for products, services, and materials that comply with the System, and, if we require, the approved suppliers of these items. We will furnish you with the listing of the package of initial franchise items as detailed in the Operations Manual. Neither we nor our affiliate provide, deliver, or install any of these items.
5. Provide an Initial Training Program. (Franchise Agreement – Section 5.A) We describe the Initial Training Program later in this Item.
6. Provide an Operations Training Program for you and any proposed manager of your SARAH Business. (Franchise Agreement – Section 5.A) We describe the Operations Training Program later in this Item.

During the operation of your SARAH Business, we will:

1. Issue and modify System standards for SARAH Businesses. (Franchise Agreement – Section 10.H)

2. Provide you with access to a copy of our Operations Manual as we make available through our intranet. The Operations Manual contains mandatory and suggested specifications, standards and operating procedure. It remains our property, and you must keep it confidential at all times. We may modify the Operations Manual periodically to reflect changes in System standards, and you must abide by these System standards, as we update or modify them as we deem appropriate, at all times. Our System standards do not include any personnel policies or procedures or security-related policies or procedures that we may (at our option) make available to you in the Operations Manual or otherwise for your optional use. You will determine to what extent, if there are any, these policies and procedures might apply to your operations at your SARAH Business. We neither dictate nor control labor or employment matters for franchisees and SARAH Business employees and we are not responsible for the safety and security of your SARAH Business' employees, customers, and other visitors. The Operations Manual currently contains approximately 134 pages, and its table of contents is attached as Exhibit F. (Franchise Agreement – Section 5.D)
3. Give you additional or special guidance and assistance and training as we deem appropriate and for which you are financially responsible. (Franchise Agreement – Section 5.C)
4. Inspect and observe the operation of your SARAH Business to help you comply with the Franchise Agreement and all System standards. (Franchise Agreement – Section 13.A)
5. Let you use confidential information. (Franchise Agreement – Section 7)
6. Let you use the Marks. (Franchise Agreement – Section 6)

Advertising

Marketing Deposit

You must pay us the Marketing Deposit at least 2 weeks before you or your personnel attend the Operations Training Program. We will place your Marketing Deposit into an escrow account from which we will fund your expenditure on advertising, marketing and public relations services during the first 3 months of operating your SARAH Business. The Marketing Deposit is currently \$20,000. (Franchise Agreement – Section 11)

Local Advertising

We recommend that you spend at least an amount equal to 6%-8% of the Gross Sales of your SARAH Business to advertise and promote your SARAH Business. (Franchise Agreement – Section 11)

You are not currently obliged to contribute money to or participate in any local, regional or national advertising cooperative. However, we reserve the right to require such contributions in the future. We have not established an advertising council composed of franchisees that advise us on advertising policies.

You must focus your marketing efforts in the Protected Area. You also must ensure that your advertising, promotion and marketing will be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies which we prescribe from time to time. Before you use them, you must send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. If you do not receive our written approval within 15 business days after we receive the materials, they are deemed approved by us until we further notify you. You may not use any advertising, promotional, or marketing materials that we have not approved of or that we have disapproved of. In our discretion, we may provide you with approved advertising materials at our direct cost, plus any related shipping or handling charges. We have negotiated a volume discount with a preferred vendor for these advertising materials.

Computer System

We do not require you to purchase any particular hardware systems. However, you must have at least 5 computers that operate on a recent operating system, and you must purchase a Microsoft Office software package that includes Microsoft Word, Excel and PowerPoint. You also must ensure that the e-mail accounts we provide to you for your SARAH Business comply with the laws that apply to your SARAH Business, including HIPAA.

You also must purchase a primary adult day services software program from a designated supplier. It will cost \$5,500 to purchase the Electronic Healthcare software for 5 users, which includes system configuration, hardware setup, and training. The current designated supplier charges a monthly user fee (currently \$600 for 5 user licenses) including technical support. We may designate an alternative and/or a replacement supplier. Your state may also require you to purchase billing software specific to its funding sources. The manufacturer or supplier may have to provide ongoing maintenance, repair, upgrades or updates, but neither we nor our affiliates will do so. We may require you to upgrade or update any hardware component or software program you may purchase during the term of the Franchise Agreement. There are no contractual limitations on the frequency or cost of this obligation, and we do not have an estimate of the annual cost of any optional or required maintenance, updating, upgrading or support contracts that may be required.

We also require, as part of System standards that we list in the Operations Manual, that you use our e-mail system for document archiving and communication purposes. We provide 5 e-mail addresses to you for each of your SARAH Businesses at no additional charge, but you may pay for each additional e-mail address after the first 5 at our then-current charge. We currently do not have independent access to the information that will be generated or stored in any of your computer systems.

Opening

We estimate that you will open your SARAH Business within 8-12 months after you sign the Franchise Agreement (which is when you first pay consideration for the franchise). The interval between signing the Franchise Agreement and opening your SARAH Business depends on the site's location and condition, the construction schedule for the SARAH Business, the extent to which you must upgrade or remodel an existing location, the delivery schedule for equipment and

supplies, securing financing arrangements, completing training, and complying with local laws and regulations. You may not open your SARAH Business until: (1) pre-opening training is completed to our satisfaction; (2) you pay the Initial Franchise Fee, the Marketing Deposit, and all other amounts then due to us; and (3) you give us Certificates of Insurance for all required insurance policies. Subject to these conditions, you must open your SARAH business within 90 days after you have successfully completed the Operations Training Program or on or before the date the lease specifies, whichever is earlier. If you fail to do so, we may terminate the Franchise Agreement. (Franchise Agreement – Section 4.D).

Initial Training

Initial Training Program

Prior to the opening of your SARAH Business, you, or, if you are a corporation, partnership or other entity, your managing partner, shareholder, or member (your “**Managing Owner**”) must attend an initial owner’s training program provided by us at a time and place we designate. The Initial Training Program lasts approximately 2 days and includes instruction on understanding and implementing a SARAH project management timeline, guidelines and tools for site approval, procedures for space designs, guidelines for interior designs, license and funding requirements, staff and management recruitment, insurance and bonding, and pre-opening public relations and marketing techniques. Attendees must complete training to our satisfaction. You are solely responsible for the compensation, travel, and living expenses incurred in connection with your trainees’ attendance at the Initial Training. (Franchise Agreement – Section 5.A)

The following chart describes the Initial Training Program:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On- The-Job Training	Column 4 Location
Opening your SarahCare® Center	3	0	SARAH headquarters (Canton, Ohio) or designated location
Licensure and Funding	4	0	SARAH headquarters (Canton, Ohio) or designated location
Financial Management	2	0	SARAH headquarters (Canton, Ohio) or designated location
Marketing	5	5	SARAH headquarters (Canton, Ohio) or designated location

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On- The-Job Training	Column 4 Location
Operations	2	2	SARAH headquarters (Canton, Ohio) or designated location

Operations Training Program

Prior to the opening of your SARAH Business, you and any proposed manager of your SARAH Business must attend at the time we designate, a training program on the operation of a SARAH Business (the “Operations Training Program”). The Operations Training Program lasts approximately 5 days and includes instruction relating to marketing and public relations, costs and cash control, client services, employee recruitment, hiring, scheduling, client intake and assessment, sales techniques, billing procedures, developing plans of care, and maintaining standards of care.

The following chart describes the Operations Training Program:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On- The-Job Training	Column 4 Location
Recruitment and Enrollment	8.0	0	SARAH headquarters (Canton, Ohio) or designated location
SarahCare® Marketing Techniques	8.0	0	SARAH headquarters (Canton, Ohio) or designated location
SarahCare® Holistic Programs	8.0	0	SARAH headquarters (Canton, Ohio) or designated location
Daily Operations	8.0	0	SARAH headquarters (Canton, Ohio) or designated location
Special Issues	8.0	0	SARAH headquarters (Canton, Ohio) or designated location

If during any training program we determine that any proposed manager is not qualified to manage your SARAH Business, we will notify you and you must select and enroll a substitute manager in the training program. At any time during the term of the Franchise Agreement, we may require that you, your Managing Owner, or any manager, attend additional training programs.

In addition, after you open your SARAH Business, if we provide training to any new manager of your SARAH Business, we may assess for you a fee of \$200 per day for additional training.

You must begin operating your SARAH Business within 90 days after you complete the Operations Training Program.

We currently offer training on a regular basis for the convenience of our franchisees. We plan to be flexible in scheduling training to accommodate our personnel, you (or your Managing Owner and proposed manager) and will conduct the initial training program as necessary. We generally conduct training at our headquarters in Canton, Ohio. We use handouts, charts, manuals, other printed documents, and assorted media (CDs, DVDs, etc.) as instructional materials for our training programs. You must pay the compensation, travel and living expenses for attendance at the Initial Training Program and Operations Training Program. Our training programs are supervised and conducted by Shannon Ross, our Director of Compliance and Risk Management. She is a member of our Franchise Support Team and a certified CARF Surveyor. Ms. Ross has been with us and SarahCare since 2017 and worked in the nursing industry for 30 years before she joined the SARAH team. Other instructors involved in our training programs include Sheri Rimedio, our Franchise Sales Specialist, who has relevant experience with us and SarahCare since 2016 and over 15 years of experience in the adult day services industry; Cathy Cooke, our Marketing Coordinator, who has relevant experience with us and SarahCare since 2014 and has over 10 years of experience in the adult day services industry; and Diane Pilati, our Director of Marketing, who has relevant experience with us and SarahCare since 2017 and has over 30 years of experience in the field of marketing.

ITEM 12

TERRITORY

You will operate your SARAH Business at a specific location that you select, and we approve. You must obtain our prior written approval before you relocate your SARAH Business.

If you have not yet located and acquired a site for your SARAH Business as of the date you sign the Franchise Agreement, you may locate and acquire a site by purchase or lease within the “**Site Acquisition Area**” identified on Attachment 1 to the Franchise Agreement. We typically identify Site Acquisition Areas using city, county or other political boundaries. There is no minimum size for a Site Acquisition Area. After you acquire a site for your SARAH Business (if you have not located and acquired a site when you sign the Franchise Agreement), or upon signing the Franchise Agreement (if you have located and acquired a site at that time), we will define the specific boundaries of the Protected Area in Attachment 1 attached to the Franchise Agreement. Our current policy is to grant a Protected Area comprised of approximately 10,000 adults aged 60 and above. The Protected Area will be smaller than the Site Acquisition Area. Once we define the Protected Area, you will have no further territorial or other rights in those portions of the Site Acquisition Area that are outside the Protected Area. You may not solicit clients for your SARAH Business from outside your Protected Area, but you are not restricted from accepting clients from outside your Protected Area who have sought out your SARAH Business. Any print advertisements you place for your SARAH Business must include the address and phone number of your SARAH Business.

Your Site Acquisition Area and the Protected Area represent protected territories to the extent that, as long as you comply with the covenants, terms, and conditions of the Franchise Agreement, then neither we nor any affiliate will establish or authorize any person or entity other than you to establish a SARAH Business in (1) the Site Acquisition Area, but only during the period from the date of the Franchise Agreement until we designate the Protected Area, if you have not yet acquired the site for your SARAH Business as of the date you sign the Franchise Agreement; or (2) the Protected Area, during the period beginning once you acquire a site for your SARAH Business and we designate the Protected Area (or on the date of the Franchise Agreement, if you have acquired a site as of the date you sign the Franchise Agreement) and continuing for the remainder of the term of the Franchise Agreement.

We and our affiliates retain all rights to engage in any and all activities we deem appropriate, including the right to:

(1) operate, or to grant other persons the right to operate, a SARAH Business at a location and on the terms we deem appropriate outside (a) the Site Acquisition Area, during the period of time described in paragraph (1) above; or (b) the Protected Area, including those portions of the Site Acquisition Area that are outside the Protected Area, during the period of time described in paragraph (2) above; and

(2) sell the services authorized for SARAH Businesses under other trademarks, service marks and commercial symbols through similar or dissimilar channels of distribution (including the Internet, catalog sales, telemarketing, or other direct marketing) and pursuant to terms we deem appropriate whether within or outside the Site Acquisition Area or Protected Area.

While we retain the rights listed above, we have not established and do not currently plan to establish another channel of distribution, and we have no present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will sell, whether within or outside of your Protected Area.

Continuation of your territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Protected Area unless you choose to expand your Protected Area, and we approve such expansion. You do not have the right to acquire additional or contiguous territories automatically. You may, however, purchase additional territories or franchises with our approval. If your site is fully operational and in compliance with our standards and specifications, you may also, at your option and with our approval, open and operate a satellite center as part of your SARAH Business. If you elect to open a satellite center, you must sign our Satellite Center Supplement to the Franchise Agreement. The satellite center may be outside your Protected Area, provided that it is not located in the Protected Area of another SARAH franchisee or in the market area of any SARAH outlet operated by our affiliates or us. You will not receive an additional or expanded Protected Area for your satellite center.

ITEM 13

TRADEMARKS

The Franchise Agreement grants you the right to operate your SARAH Business using the Marks. SarahCare registered the following principal Marks on the Principal Register of the United States Patent and Trademark Office (“PTO”):

Mark/Trade Name	Registration Number	Registration Date
SARAHCARE®	Reg. No. 2,600,825	July 30, 2002
<i>SarahCare</i>	Reg. No. 7,149,875	August 29, 2023

SarahCare licenses us to use the Marks and related intellectual property, and to sublicense them to franchisees to use in operating SARAH Businesses, under a Trademark License Agreement (the “Trademark License Agreement”). The Trademark License Agreement’s term is 10 years and automatically renewed on a year-to-year basis. SarahCare and we can terminate the Trademark License Agreement on 30 days’ notice. SarahCare has the right to approve all proposed uses of the Marks. No agreement significantly limits our right to use or sublicense the Marks.

We and/or SarahCare may establish new Marks in the future, and you must use and display marks in accordance with specifications and bear all costs associated with changes to Marks or introduction of new Marks. You must follow our rules when you use these Marks. You cannot use a Mark as part of a corporate name or with modifying words, designs or symbols. You may not use the Marks in the sale of an unauthorized product or service in any manner we do not authorize in writing. You may not use any other mark, name, commercial symbol or logotype in connection with the operation of your SARAH business.

SarahCare has filed all required affidavits and renewed the registrations of both Marks. There is presently no effective material determination of the PTO, Trademark Trial and Appeal Board, the trademark administrator of this or any state, or any court, of any pending infringement, opposition or cancellation proceeding or any pending material litigation involving trademarks, service marks, trade names, logo-types or other commercial symbols which is relevant to the use in this state; and no agreements exist which significantly limit in any manner material to you, our rights to use or license the use of the Marks.

You must not contest, directly or indirectly, our ownership of the Marks, trade secrets, methods and procedures which are a part of the SARAH System. You must not register, seek to register or contest our sole right to register, use and license others to use the Marks.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take the action we deem appropriate.

Any goodwill associated with the Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit.

If we require you to modify or discontinue the use of any of the Marks as a result of a legal proceeding or settlement, we will reimburse you for your reasonable, direct expenses of making this change.

We do not know of any third party with superior rights in the Marks, or of any infringing uses of the Marks, that could materially affect your use of the Marks in any jurisdiction.

You must use a webpage on our website, and you cannot establish or authorize any other website that refers to you, your SARAH Business or the Marks.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not now own and have not applied for any rights to any patent which is material to the franchise. We do claim copyright protection for the Operations Manual and for certain other written materials we have developed to assist you in the operation of your SARAH Business (“**Copyrighted Works**”). We have not registered these Copyrighted Works with the United States Copyright Office but need not to do so at this time in order to protect them. You must follow our rules when using Copyrighted Works. You may use Copyrighted Works only as we specify operating your SARAH Business under the Franchise Agreement.

We also claim copyright protection for the SARAH materials which we provide to you and which you must treat as confidential information. You are prohibited from copying, or otherwise reproducing or making it available to any unauthorized person. Any software provided must be returned to us if and when the Franchise Agreement is terminated or expires.

We possess certain proprietary or confidential information relating to the operation of SARAH Businesses, including procedures, processes, methods, marketing techniques, customer service, networking and other information which is valuable and which we consider confidential information. We disclose to you confidential information through our training programs, the Operations Manual, any guidance we may provide to you during the term of the Franchise Agreement and otherwise, solely for your use in the development and operation of your SARAH Business during the term of the Franchise Agreement.

You must not directly or indirectly contest our rights to our Copyrighted Works. You must notify us immediately if you learn about infringement, challenge to or unfair competition by others involving our Copyrighted Works. We will take the action we deem appropriate. We have no obligation to defend you or to prosecute any legal action against others with respect to any infringement, unfair competition or other claim related to any Copyrighted Works.

We may authorize you to use certain Copyrighted Works which are our and our affiliates’ valuable property and of which we or our affiliates are the owner.

There are no effective material determinations of, or pending material proceedings before, the PTO, the United States Copyright Office, or any court involving the Copyrighted Works. We do not know of any infringement of the Copyrighted Works that could materially affect you. No agreement significantly limits our right to use or license the Copyrighted Works.

You will not acquire any interest in confidential information other than the right to utilize it in your SARAH Business and will not use information in any other business or capacity. You must maintain the absolute confidentiality of the proprietary information during and after the term of the Franchise Agreement and must not make any unauthorized copies of any portions of information. You must adopt and implement all reasonable procedures that we prescribe to prevent unauthorized use, duplication, or disclosure of our confidential information; for instance, you must require any of your employees who have access to information to sign non-disclosure and non-competition agreements, to the extent permitted by law.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must diligently perform all your obligations under the Franchise Agreement and exert your best efforts to promote your SARAH Business.

We recommend, but do not require, that you personally supervise the daily operations of your SARAH Business. If you do not personally supervise the franchise, you or your Managing Owner must employ a manager who must be responsible for the full-time on-premises supervision of the business and who has successfully completed the Initial Training Program. The manager need not have an ownership interest in a corporate or partnership franchisee. The manager must, however, sign a confidentiality and non-disclosure agreement in the form approved by us.

With our approval, you may retain us as a third-party management services company to manage your SARAH Business. You are required to sign our Management Services Agreement attached as Exhibit F. We are the only approved third party management services company.

You will be exclusively responsible for recruiting and hiring all employees of your SARAH Business and for the terms and conditions of their employment and compensation, including, among other things, promotion, hours worked, rates of pay, benefits, work assigned, adjustments of grievances and complaints, and working conditions. You must implement a training program for them in compliance with our requirements. You must maintain at all times a staff of trained employees sufficient to operate your SARAH Business in compliance with our standards and licensure certification requirements. You must communicate clearly with your employees in your employment agreements, human resource manuals, written and electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of SARAH Businesses, are not their employer and do not engage in any employer-type activities (including those described above) for which only franchisees are responsible.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and provide all the services that we periodically require. We have the right to add or subtract from the list of authorized services without limitation. You may not, without our approval, offer any services or products that we have not authorized for SARAH Businesses.

At your option, if you meet our qualifications and sign our Supplemental Services Rider, you may offer professionally monitored exercise programs through Studio 55, and/or cognitive therapy programs through our Brain Gym services at your SARAH Business. At your option, if you meet our qualifications and sign our SARAH At-Home Services Rider, you may provide services at a client's residence.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Section 2.A of the Franchise Agreement	Term of Franchise Agreement is 10 years
b. Renewal or extension of the term	Section 15.A of the Franchise Agreement	If you are in substantial compliance, you may acquire 2 successor franchises on our then-current terms (which may be materially different from existing terms) with each successor franchise term lasting 5 years
c. Requirements for franchisees to renew or extend	Section 15.B, C and D of the Franchise Agreement	Give us timely notice; maintain possession of the premises for your SARAH Business or obtain our approval for substitute premises; remodel your SARAH Business according to our then-current standards; pay renewal fee; sign our then-current form of franchise agreement, general release (see Exhibit I), and other documents we use to grant franchises. "Renewal" means signing our then-current franchise agreement for each 5-year successor franchise term, which could contain materially different terms and conditions (including fees)
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable

Provision	Section in franchise or other agreement	Summary
f. Termination by franchisor with cause	Section 16 of the Franchise Agreement	We may terminate only if you or your owners commit one of several violations that are described in the “summary” column of (g) and (h) below
g. “Cause” defined – curable defaults	Section 16 of the Franchise Agreement	You have 30 days to cure non-payment of fees, failure to obtain possession of site, failure to attend training, unauthorized use of Marks, failure on 3 or more occasions in any 12-month period to submit financial statements, reports or other data, insolvency in (h) below and any other breach of the Franchise Agreement not listed
h. “Cause” defined – non-curable defaults	Section 16.C of the Franchise Agreement	Non-curable defaults under the Franchise Agreement include operating your SARAH Business at an unapproved site; failure to secure a site for your SARAH Business within the time and manner specified in the Franchise Agreement; failure to construct or remodel the premises of your SARAH Business in accordance with the Franchise Agreement; failure to open your SARAH Business within the time period specified in the Franchise Agreement; abandonment; lose the right to possession of the premises of your SARAH Business; conviction of a felony; operation of your SARAH Business threatens public health; unauthorized transfer; unauthorized use or disclosure of the Operations Manual or other confidential information; dishonest or unethical conduct; material misrepresentation or omission; and repeated defaults
i. Franchisee’s obligations on termination/non-renewal	Section 17 of the Franchise Agreement	Obligations include paying outstanding amounts; paying liquidated damages; complete deidentification; assigning telephone and other numbers; and returning confidential information (also see (o) and (r) below)
j. Assignment of contract by franchisor	Section 14.A of the Franchise Agreement	No restriction on our right to assign

Provision	Section in franchise or other agreement	Summary
k. “Transfer” by franchisee - defined	Section 14.B of the Franchise Agreement	Includes transfer of Franchise Agreement, assets of your SARAH Business, or transfer of ownership interests in you or your owners
l. Franchisor’s approval of transfer by franchisee	Section 14.C of the Franchise Agreement	We have the right to approve all transfers but will not unreasonably withhold approval
m. Conditions for franchisor approval of transfer	Section 14.C of the Franchise Agreement	New franchisee qualifies; no default during period between request and transfer’s proposed effective date; transfer fee paid if applicable; purchase agreement approved; transferee agrees to upgrade and remodel your SARAH Business according to our then-current standards or ownership interest in you; training completed; general release (see Exhibit I) signed by you; and then-current franchise agreement and related agreements signed by transferee if law allows
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 14.G of the Franchise Agreement	We may match any offer for your SARAH Business or ownership interest in you
o. Franchisor’s option to purchase franchisee’s business	Section 17.H of the Franchise Agreement	We may acquire SARAH Business’ assets for fair market value upon expiration or termination
p. Death or disability of franchisee	Section 14.D of the Franchise Agreement	Franchise must be assigned by estate to an approved buyer within a reasonable time not to exceed 6 months; we may manage your SARAH Business if there is no qualified manager approved by us
q. Non-competition covenants during the term of the franchise	Section 10 of the Franchise Agreement	No involvement in competing business anywhere in U.S.

Provision	Section in franchise or other agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 17.F of the Franchise Agreement	No direct or indirect ownership interest in, or performing services for, competing businesses for 1 year at the premises of your SARAH Business, within the Protected Area, or within a 50-mile radius of the location of your SARAH Business or any other SARAH Business in operation or under construction on the Franchise Agreement's effective date (same restrictions apply after transfer)
s. Modification of the agreement	Section 18.A of the Franchise Agreement	No modifications generally, except in writing and except that we may change the Operations Manual and System standards periodically during the term
t. Integration/merger clause	Section 18.I of the Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises might not be enforceable. Nothing in the Franchise Agreement will disclaim or require you to waive reliance on any representation we made in the most recent disclosure document delivered to you or your representative
u. Dispute resolution by arbitration or mediation	Section 22 of the Franchise Agreement	Except for certain claims, we and you must arbitrate all disputes at a location near to our principal place of business (currently Canton, Ohio)
v. Choice of forum	Section 18 of the Franchise Agreement	Subject to arbitration requirements, litigation generally must be in courts nearest our then-current principal place of business (currently Canton, Ohio), subject to state law
w. Choice of law	Section 18 of the Franchise Agreement	Except for Federal Arbitration Act and other federal laws in the U.S., laws of Ohio apply (subject to state law)

ITEM 18
PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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.

This Item contains a historic financial performance representation of 19 of our 20 existing franchise outlets, which operated for the full fiscal year July 1, 2023, to June 30, 2024. We have excluded the financial performance of 1 outlet that had not operated continuously throughout the year due to ongoing Covid-19 issues.

Franchised Outlets Gross Sales^{1,2} July 1, 2023 – June 30, 2024

Tier³	# of Centers in Tier	Highest Gross	Lowest Gross	Average Gross	Median Gross	Center Square Footage
Tier 1	4	\$2,822,678	\$928,109	\$1,540,315	\$1,205,239	8,000 – 10,000
Tier 2	8	\$1,007,156	\$271,309	\$495,945	\$504,600	6,000 – 8,000
Tier 3	7	\$335,340	\$208,586	\$305,776	\$238,218	4,500 – 6,000

¹These figures have not been audited.

²Gross Sales is defined as the total revenue from the sale of all services, products and performances of services of the SARAH Business, less taxes.

³Franchised outlets are grouped by Tier, which indicates the size of the Sarah Care Center.

Written substantiation will be made available to you upon reasonable request.

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

Other than the above disclosure, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial

performance information or projections of your future income, you should report it to the franchisor's management by contacting Dr. Merle Griff, 4942 Higbee Avenue NW, Suite H, Canton, Ohio, 44718, (330) 454-3200, (800) 646-9403, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Systemwide Outlet Summary For years 2022 to 2024

Table No. 1

*2022 is a 6-month year due to change in fiscal year end.

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	24	24	0
	2023	24	22	-2
	2024	22	20	-2
Company-Owned	2022	4	4	0
	2023	4	2	-2
	2024	2	1	-1
Total Outlets	2022	28	28	0
	2023	28	24	-4
	2024	24	21	-3

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2022 to 2024

State	Year	Number of Transfers
Georgia	2022	0
	2023	0
	2024	1

State	Year	Number of Transfers
New Jersey	2022	0
	2023	0
	2024	1
Pennsylvania	2022	0
	2023	1
	2024	0
Total	2022	0
	2023	1
	2024	2

Table No. 3

**Status of Franchised Outlets
For years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other Reasons	Outlets at End of the Year
California	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Connecticut	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Georgia	2022	2	0	0	0	0	0	2
	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Idaho	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	1	0	0	0	0
Indiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Massachusetts	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Michigan	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	1	2
New Jersey	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
North Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Ohio	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Pennsylvania	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	1	4
	2024	4	0	0	0	0	0	4
Texas	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Totals	2022	24	0	0	0	0	0	24
	2023	24	0	1	0	0	1	22
	2024	22	0	1	0	0	1	20

Table No. 4

**Status of Company-Owned Outlets
For years 2022 to 2024**

*2 satellite outlets located in Ohio have suspended operations indefinitely

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Ohio	2022	4	0	0	0	0	4
	2023	4	0	0	2*	0	2
	2024	2	0	0	1	0	1
Totals	2022	4	0	0	0	0	4
	2023	4	0	0	2*	0	2
	2024	2	0	0	1	0	1

Table No. 5

Projected Openings as of June 30, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Florida	0	2	1
Georgia	2	0	0
Massachusetts	1	2	0
New Jersey	1	0	0
North Carolina	0	2	0
Pennsylvania	0	2	0
Texas	1	2	0
Total	5	10	1

Exhibit B includes a list of SARAH franchisees as of June 30, 2024, and the addresses and telephone numbers of each of their outlets. Exhibit B also includes a list of the franchisees who had an outlet terminated, canceled, transferred or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement, or who have failed to communicate with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of the issuance date of this disclosure document, no franchisees have signed confidentiality clauses during our last 3 fiscal years restricting their ability to speak openly about their experiences with us, and there are no trademark-specific franchisee organizations associated with the SARAH franchise system.

ITEM 21

FINANCIAL STATEMENTS

Exhibit F contains our audited financial statements for each of the years ending December 31, 2022, June 30, 2023, and June 30, 2024.

Our fiscal year end is June 30.

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this disclosure document:

Exhibit C	--	Franchise Agreement
Exhibit D	--	Riders
Exhibit E	--	Turnkey Agreement
Exhibit F	--	Management Services Agreement
Exhibit H	--	Guaranty and Assumption of Obligations
Exhibit J	--	Franchisee Acknowledgement Statement, as permitted by state law. 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.
Exhibit K	--	State Riders to Franchise Agreement
Exhibit L	--	Form of General Release
Exhibit M	--	Receipts

ITEM 23

RECEIPTS

Copies of the Receipt of the Disclosure Document are attached as the last 2 pages of this disclosure document.

EXHIBIT A

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau

State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	New York Department of Law 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8211 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, State Capitol 14 th Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B**LIST OF FRANCHISEES AS OF JUNE 30, 2024**

FRANCHISEE	ADDRESS	CITY/STATE	CONTACT NO.
California			
Jeremy Frankel	450 Marathon Dr.	Campbell, CA 95008	408-374-2273
Connecticut			
Boris Yerzersky	870 Burnside Avenue	East Hartford, CT 06108	860-904-5933
Florida			
Luann Binker Tajma Simmons	1504 S. Harbor City Blvd.	Melbourne, FL 32901	321-676-3460
Doris Campbell	1200 N. University Dr.	Pembroke Pines, FL 33024	954-237-5050
Lewis Beyda	754 Riverside Drive	Coral Springs, FL 3307	(954) 743-0003
Georgia			
Youlanda Outin	286 SW Highway 138	Riverdale, GA 30078	678-293-9400
Indiana			
Joy Adewopo	2805 E. 96 th	Indianapolis, IN 46240	317-815-8300
Massachusetts			
Alla Shlosman	1225 Dorchester Avenue	Dorchester, MA 02125	617-265-0200
Boris Yerzersky	1217 Grafton St.	Worcester, MA 01604	508-756-7272
Michigan			
Brian & Kendra Schumaker	2211 E. Beltline Ave. NE Suites B & C	Grand Rapids, MI 49525	616-634-6800
Ravi Shukla	13425 19 Mile Rd., Suite 500	Sterling Heights, MI 49519	586-731-2273
New Jersey			
Juan Grana	130 Route 22 East	N. Plainfield, NJ 07060	908-561-8888
North Carolina			
Marcia Jarrell	2245 Gateway Access Pt., Suite 101	2245 Gateway Access Pt.	919-746-7050
Ohio			
Bob Phillips	10901 Prospect Road	Strongsville, OH 44149	440-846-1751
Pennsylvania			
Jen Devine	7010 Snowdrift Rd.	Allentown, PA 18106	610-391-1576
ARUBU Inc. Arsen Ustayev	261 Old York Rd., Suite A51	Jenkintown, PA 19046	215-663-8090
Jen Devine	425 Technology Dr.	Malvern, PA 19355	610-251-0801
Beverly DiSabato	2030 Ardmore Blvd.	Pittsburgh, PA 15221	412-271-3600
Texas			
Lina Umali	157 Nursery Road	The Woodlands, TX 77380	281-419-3600
Lina Umali	23972 Highway 59 N.	Kingwood, TX 77339	281-361-7000

Franchisees Departing the Franchise System
During Fiscal Year Ended June 30, 2024

Georgia			
**Ann Garzia	286 Highway 138, Suite C	Riverdale, GA 30274	

****Franchisee passed away and location was transferred.**

Franchisees Not Yet Operating (Having Signed Franchise Agreements)
as of June 30, 2024

Georgia (Franchisee has Two Agreements)

Youlanda Outin
Augusta, GA 30294

Youlanda Outin
Augusta, GA 30294

Massachusetts

Andy Nguyen & Christopher Wong
Springfield, MA

New Jersey

Pulin Amin
Morris County, NJ

Texas

Laura Spears & Dawn Santinello
San Antonio, TX

Franchisees with Whom We Have Not Communicated in the Last 10 Weeks

None

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

EXHIBIT C
FRANCHISE AGREEMENT

Ex. C

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. PREAMBLES AND ACKNOWLEDGMENTS	1
A. Preambles	1
B. Acknowledgments	1
C. Corporation, Limited Liability Company, or Partnership	2
2. GRANT OF FRANCHISE	2
3. SITE SELECTION, PLANS AND CONSTRUCTION	3
4. DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS	4
A. Development of Franchised Business	4
B. Equipment and Furniture	4
C. Signage	4
D. Franchised Business Opening and Extension	5
E. Relocation of Franchised Business	5
5. TRAINING AND OPERATING ASSISTANCE	5
A. Training	5
B. Hiring and Training of Employees by Franchisee	6
C. Operating Assistance	6
D. Operations Manual	7
6. MARKS	7
A. Ownership and Goodwill of Marks	7
B. Limitations on Franchisee's Use of Marks	8
C. Notification of Infringements and Claims	8
D. Indemnification of Franchisee/Discontinuan	8
7. CONFIDENTIAL INFORMATION - COVENANT	9
8. RELATIONSHIP OF THE PARTIES/INDEMNIFI	10
9. FRANCHISE FEES	11
A. Initial Franchise Fee	11
B. Royalty	12
C. Definition of "Gross Sales"	12
D. Royalty Reports	12
E. Method of Payr	
F. Interest on Late	



Sarah Adult Day Services, Inc. Franchise Agreement

SarahCare®
Experienced Care, Delivered with Love

	G.	Application of Payments.....	13
10.		BUSINESS IMAGE AND OPERATING STANDARDS: FRANCHISEE REQUIREMENTS.....	13
	A.	Maintaining Uniformity	13
	B.	Condition and Appearance of Business/Rebuilding of Business.....	13
	C.	Remedies for Noncompliance with Appearance of Business	14
	D.	Damage Caused by Casualty	14
	E.	Uniform Image.....	14
	F.	Standards of Service	14
	G.	Pricing.....	15
	H.	Compliance with System Standards.....	15
	I.	Compliance with Laws and Good Business Practices	16
	J.	Management of the Franchised Business/Conflicting Interests.....	16
	K.	Insurance	17
11.		ADVERTISING.....	18
	A.	Uniformity and Compliance	18
	B.	Marketing Deposit	18
	C.	Cooperatives	19
	D.	SARAH’s Approval of Other Materials	19
	E.	SARAH Website.....	19
12.		RECORDS AND REPORTS.....	19
	A.	Accounting and Records	19
	B.	Reports and Tax Returns.....	19
13.		INSPECTION AND AUDITS.....	20
	A.	SARAH’s Right to Inspect.....	20
	B.	SARAH’s Right to Audit.....	20
14.		TRANSFER OF INTEREST	21
	A.	By SARAH	21
	B.	Franchisee May Not Assign Without Approval of SARAH.....	21
	C.	Conditions for Approval of Assignment.....	21
	D.	Death or Disability of Franchisee	23
	E.	Assignment to a Corporation	24
	F.	Public or Private Offerings	24

	G.	SARAH’s Right of First Refusal	25
15.		SUCCESSOR OPTION	25
	A.	Franchisee’s Right to Enter Into a Successor Agreement.....	25
	B.	Notice of Election to Sign a Successor Agreement	25
	C.	Successor Agreements/Releases	26
	D.	Conditions for Successor Agreement.....	26
16.		TERMINATION.....	26
17.		SARAH’S AND FRANCHISEE’S RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.....	29
18.		ENFORCEMENT	33
	A.	Severability and Substitution of Valid Provisions	33
	B.	Waiver of Obligations.....	34
	C.	Force Majeure	34
	D.	Specific Performance/Injunctive Relief.....	34
	E.	Rights of Parties are Cumulative	35
	F.	Costs and Attorneys’ Fees	35
	G.	Governing Law	35
	H.	Exclusive Jurisdiction	35
	I.	Binding Effect.....	35
	J.	Construction.....	36
	K.	Independent Contractor and Indemnification	37
19.		WAIVER OF DAMAGES.....	37
20.		NOTICES AND PAYMENTS	38
21.		ARBITRATION	39

ATTACHMENTS

ATTACHMENT 1 - PROTECTED AREA

ATTACHMENT 2 - LISTING OF OWNERSHIP INTERESTS

ATTACHMENT 3- AUTHORIZATION AGREEMENT

SARAH ADULT DAY SERVICES FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made and entered into this day of _____, between **SARAH ADULT DAY SERVICES, INC.**, an Ohio corporation (“**SARAH**”), with an address of 4942 Higbee Avenue NW, Suite H, Canton, Ohio 44718 and _____, a(n) _____ with an address at _____ (“**Franchisee**”).

1. PREAMBLES AND ACKNOWLEDGMENTS

A. Preambles.

SARAH, as the result of the expenditure of time, skill, effort and money, has developed a business that provides health-care related services and companionship for older adults, aged 60 and above, and for adults aged 18-60 who are in need of health-related care and supervision under the SARAH name and other Marks (a “**SARAH Business**”).

SARAH uses, promotes, and licenses certain trademarks, service marks, and other commercial symbols in operating SARAH Businesses, pursuant to a license from its affiliate, which have gained and will continue to gain public acceptance and goodwill, and may create, use and license other trademarks, service marks, and commercial symbols for SARAH Businesses (collectively, the “**Marks**”).

SARAH grants to persons who meet our qualifications and are willing to undertake the investment and effort a franchise to own and operate a SARAH Business offering the products and services SARAH authorizes while using SARAH’s business formats, methods, procedures, signs, designs, layouts, standards, specification and Marks (the “**System**”).

Franchisee acknowledges that it has read this Agreement and SARAH’s Franchise Disclosure Document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain SARAH’s high standards of quality and service and the uniformity of those standards at all SARAH Businesses in order to protect and preserve the goodwill of the Marks.

B. Acknowledgments.

Franchisee acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted by SARAH may evolve and change over time, that an investment in a SARAH Business involves business risks and that the success of the venture is largely dependent upon the business abilities and efforts of Franchisee.

SARAH expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee acknowledges that it has not received or relied on any representations about the Franchise by SARAH, or its officers, directors, employees or agents, that are contrary to the statements made in SARAH’s Franchise Disclosure Document or to the terms in this Agreement, and further represents to

SARAH, as an inducement to its entry into this Agreement, that Franchisee has made no misrepresentations in obtaining the Franchise.

C. Corporation, Limited Liability Company, or Partnership.

If Franchisee is at any time a corporation, limited liability company, or general, limited or limited liability partnership (collectively, an “**Entity**”), Franchisee agrees and represents that:

(1) Franchisee will have the authority to execute, deliver, and perform its obligations under this Agreement and all related agreements, having obtained all required board of directors or other consents, and are only organized or formed and validly existing in good standing under the laws of the state of Franchisee’s incorporation or formation;

(2) Franchisee’s organizational documents, operating agreement, or partnership agreement will recite that this Agreement restricts the issuance and transfer of any ownership interests in Franchisee, and all certificates and other documents representing ownership interests in Franchisee will bear a legend referring to this Agreement’s restrictions;

(3) Attachment 2 to this Agreement completely and accurately describes all of Franchisee’s owners (as defined in Section 18.J) and their ownership interests in Franchisee. Subject to SARAH’s rights and Franchisee’s obligations under Section 14 of this Agreement, Franchisee and its owners agree to sign and deliver to SARAH revised versions of Attachment 2 to reflect any changes in the information that Attachment 2 now contains;

(4) Each of Franchisee’s owners must execute a Guaranty and Assumption of Obligations, or comparable document, in the form SARAH prescribes, undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between SARAH and Franchisee; and

(5) The Franchised Business (as defined in Section 2 below) and other SARAH Businesses, if applicable, will be the only businesses you operate (although Franchisee’s owners may have other, non-competitive business interests).

2. GRANT OF FRANCHISE

A. SARAH hereby grants to Franchisee upon the terms and conditions herein contained, the right, license and privilege and Franchise and Franchisee undertakes the obligation to own and operate a SARAH Business (the “**Franchised Business**”) within a geographic area (the “**Protected Area**”) approved by SARAH in accordance with the provisions of this Agreement and to use the Marks in the operation of the Franchised Business, for a term of ten (10) years, commencing on the date of this Agreement. Termination or expiration of this Agreement constitutes a termination or expiration of the Franchise.

B. Except as provided in this Agreement, and subject to Franchisee’s full compliance with this Agreement and any other Agreement between Franchisee or any of its affiliates and

SARAH or any of its affiliates, neither SARAH nor any affiliate shall establish or authorize any person or entity other than Franchisee to establish a SARAH Business in (1) the Site Acquisition Area (defined in Section 3.B), but only during the period from the date of this Agreement until SARAH designates the Protected Area under Section 3.B, if Franchisee has not yet acquired the site for the Franchised Business as of the date of this Agreement; or (2) the Protected Area, during the period beginning once Franchisee acquires a site for the Franchised Business and SARAH designates the Protected Area (or on the date of this Agreement, if Franchisee has acquired a site as of the date of this Agreement) and continuing for the remainder of the term.

C. Notwithstanding the above, SARAH (on behalf of itself and its affiliates) retains the right, in its sole discretion and without granting any rights to Franchisee:

(i) to itself operate, or to grant other persons the right to operate a SARAH Business at locations and on terms SARAH deems appropriate and (a) outside the Site Acquisition Area, during the period of time described in Section 2.B(1); or (b) outside the Protected Area, including those portions of the Site Acquisition Area that are outside the Protected Area, during the period of time described in Section 2.B(2), granted Franchisee herein; and

(ii) to sell the services authorized for SARAH Businesses under other trademarks, service marks and commercial symbols through similar to dissimilar channels of distribution and pursuant to terms SARAH deems appropriate whether within or outside the Site Acquisition Area or Protected Area.

D. Franchisee shall not relocate the Franchised Business without SARAH's prior written consent. If Franchisee is unable to continue to operate the Franchised Business at the approved location in the Protected Area because of an event of extenuating circumstances, then Franchisee may request SARAH's approval to relocate the Franchised Business to another site in the Protected Area.

3. **SITE SELECTION, PLANS AND CONSTRUCTION**

A. Franchisee assumes all costs, liability, expense and responsibility for locating, obtaining and developing a site for the Franchised Business within the Protected Area and for constructing and equipping the Franchised Business at the site. Franchisee acknowledges that the location, selection, procurement and development of a site for the Franchised Business is Franchisee's responsibility; that in discharging this responsibility Franchisee may consult with real estate and other professionals of Franchisee's choosing; and that SARAH's rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, expressed or implied, by SARAH that the Franchised Business operated at that site will be profitable or otherwise successful. Franchisee shall submit to SARAH, for SARAH's approval, detailed plans and specifications adopting SARAH's then-current standard plans and specifications and shall not be materially changed or modified without SARAH's prior written consent.

B. Franchisee shall acquire the site by purchase or lease, at Franchisee's expense, as the location for the Franchised Business. Franchisee's failure to acquire the site for the Franchised Business within the time and in the manner required constitutes a material breach of

this Agreement. If Franchisee has located and acquired a site for the Franchised Business as of the date of this Agreement, the location of the Franchised Business and description of the Protected Area are identified in Attachment 1. If Franchisee has not yet located and acquired a site for the Franchised Business as of the date of this Agreement, Franchisee may locate and acquire a site by purchase or lease within the “Site Acquisition Area” identified on Attachment 1. After Franchisee acquires the site, pursuant to this Agreement, SARAH will define the Protected Area, which will encompass approximately ten thousand (10,000) adults aged sixty (60) and above based on SARAH’s current policy. SARAH will insert the site’s address and the Protected Area description on Attachment 1. Once SARAH defines the Protected Area, Franchisee will have no further territorial or other rights in those portions of the Site Acquisition Area that are outside the Protected Area.

C. Franchisee is responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the premises of the Franchised Business. Before beginning the construction of the Franchised Business Franchisee must:

- (i) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Franchised Business; and
- (ii) certify in writing to SARAH that the insurance coverage, specified in Section 10, is in full force and effect and that all required approvals, clearances, permits and certifications have been obtained. Upon request, Franchisee must provide SARAH additional copies of Franchisee’s insurance policies or certifications of insurance and copies of all approvals, clearances, permits and certifications.

4. **DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS**

A. **Development of Franchised Business.** Promptly after obtaining possession of the premises of the Franchised Business, Franchisee will do or cause to be done the following:

- (i) construct or build out the premises in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions; and
- (ii) establish systems conforming to the requirements prescribed by SARAH.

B. **Equipment and Furniture.** Franchisee agrees to use in the operation of the Franchised Business only those types of furniture and equipment that meet reasonable specifications and standards for appearance, safety, function and performance. Franchisee may purchase approved types of furniture and equipment from any supplier.

C. **Signage.** Franchisee agrees to use only the signs approved by SARAH in writing. Franchisee agrees to timely submit plans and specifications of any proposed signage to SARAH for consideration by SARAH and for prior written approval before Franchisee’s use. Franchisee agrees to submit sufficient specifications, drawings and/or other information or samples of signage that SARAH may reasonably request. Franchisee must comply with SARAH’s standards and specifications relative to all signage utilized by Franchisee.

D. **Franchised Business Opening and Extension.** Franchisee agrees to complete the development and open the Franchised Business within the time period set forth in Attachment 1. If Franchisee is unable to open the Franchised Business within the time period set forth in Attachment 1, Franchisee may request, and SARAH may grant at its sole discretion, an extension of the opening date subject to an extension fee of Two Hundred Dollars (\$200) per month payable to SARAH.

E. **Relocation of Franchised Business.** If Franchisee's lease for the premises of the Franchised Business expires or terminates without the fault of Franchisee, or if in the judgment of SARAH and Franchisee there is a change in the character of the location of the Franchised Business sufficiently detrimental to its business potential to warrant its relocation, SARAH will grant permission for relocation of the Franchised Business to a location approved by SARAH. Any relocation must be at Franchisee's sole expense.

5. **TRAINING AND OPERATING ASSISTANCE**

A. **Training.** Before the opening of the Franchised Business, SARAH furnishes, and Franchisee, or if Franchisee is an Entity, the managing partner or shareholder or member (the "**Managing Owner**"), must attend, an initial owner's training, program start-up, and operation of a SARAH Business, furnished at a place and time SARAH designates (the "**Initial Training Program**").

The Initial Training Program lasts approximately two and one-half (2.5) days and includes instruction on understanding and implementing a SARAH project management timeline, guidelines and tools for site approval, procedures for space designs, guidelines for interior designs, license and funding requirements, staff and management recruitment, insurance and bonding, and pre-opening public relations and marketing techniques.

As Franchisee approaches the opening of its Franchised Business, SARAH furnishes, and Franchisee or its Managing Owner and any proposed manager of the Franchised Business must attend, a training program on the operation of a SARAH business (the "**Operations Training Program**"), at such time as SARAH designates.

The Operations Training Program lasts approximately five (5) days. Additional training may be required at a time to be mutually established. The Operations Training Program includes instruction related to the operation of the Franchised Business, marketing and public relations, costs and cash control, client services, employee recruitment, hiring, scheduling, client intake and assessment, sales techniques, billing procedures, developing plans of care, and maintaining standards of care.

Franchisee is solely responsible for the compensation, travel, and living expenses incurred in connection with the attendance at the Initial Training Program and the Operations Training Program (collectively, the "**Initial Training**").

If, during any training program, SARAH determines that any proposed manager is not qualified to manage the Franchised Business, SARAH must notify Franchisee and Franchisee must select and enroll a substitute manager in the training program.

SARAH has the right to require that Franchisee or its Managing Owner and any manager(s) attend supplemental training programs during the term of the franchise, to be furnished at a time and place SARAH designates. Additionally, after the opening of the Franchised Business, if SARAH provides training (subject to reasonable limitations prescribed by SARAH as to frequency and time) to any new manager of the Franchised Business, SARAH has the right to assess Franchisee Two Hundred Dollars (\$200) per day for the additional training.

Franchisee must commence operation of the Franchised Business within ninety (90) days after completion of the Operations Training Program.

B. **Hiring and Training of Employees by Franchisee.** Franchisee shall be exclusively responsible for recruiting and hiring all employees of the Franchised Business and for the terms and conditions of their employment and compensation, including, among other things, promotion, hours worked, rates of pay, benefits, work assigned, adjustments of grievances and complaints, and working conditions. Franchisee must implement a training program for them in compliance with SARAH's requirements. Franchisee agrees to maintain at all times a staff of trained employees sufficient to operate the Franchised Business in compliance with SARAH's standards and licensure certification requirements. Franchisee must communicate clearly with its employees in Franchisee's employment agreements, human resource manuals, written and electronic correspondence, paychecks, and other materials that Franchisee (and only Franchisee) is their employer and that SARAH, as the franchisor of SARAH Businesses, is not their employer and does not engage in any employer-type activities (including those described above) for which only franchisees are responsible.

C. **Operating Assistance.** SARAH may advise Franchisee of operating problems of the Franchised Business disclosed by reports submitted to or inspections made by SARAH. Further, SARAH must furnish assistance to Franchisee in connection with the operation of the Franchised Business as SARAH deems appropriate. Operating assistance may consist of guidance for:

- (1) consultation on promotional, business and operational problems and analysis of marketing and financial data;
- (2) selection, purchasing and marketing of services and supplies;
- (3) the establishment and operation of administrative, bookkeeping, and general operating procedures for the proper operation of a Franchised Business;
- (4) certain advertising and promotional materials and information developed by SARAH for use by Franchisee in marketing and conducting local advertising for the Franchised Business at SARAH's discretion;
- (5) employee relations and accountability of employees;
- (6) formulating and implementing advertising and promotional programs; and marketing assistance and sales promotion programs;

(7) advice concerning techniques of marketing and promotion of services of the Franchised Business; and

(8) advice concerning operational issues such as therapeutic, activity programming and plans of care.

Guidance in the sole discretion of SARAH is furnished in the form of SARAH's Operations Manual, bulletins or other written materials, telephone consultations or consultations either at the offices of SARAH or at the Franchised Business.

D. **Operations Manual.** SARAH must loan to Franchisee during the term of the Franchise one copy of an Operations Manual, which may consist of one or more handbooks, manuals, CDs, and other written materials (collectively, the "**Operations Manual**") for the Franchised Business, containing mandatory and suggested specifications, standards, rules and operating procedures prescribed by SARAH for SARAH Businesses and information relative to other obligations of Franchisee ("**System Standards**"). SARAH has the right to add to, and otherwise modify, the Operations Manual to reflect changes in authorized products and services, and specifications, standards and operating procedures of a business, provided that no addition or modification alters Franchisee's fundamental status and rights. Franchisee must keep its copy of the Operations Manual current and up to date. The master copy of the Operations Manual maintained by SARAH at its principal office controls if there is a dispute relative to the contents of the Operations Manual.

SARAH's System Standards do not include any personnel policies or procedures or security-related policies or procedures that SARAH may (at its option) make available to Franchisee in the Operations Manual or otherwise for Franchisee's optional use. Franchisee will determine to what extent, if any, these policies and procedures might apply to Franchisee's operations at the Franchised Business. SARAH and Franchisee recognize that SARAH neither dictates nor controls labor or employment matters for franchisees and SARAH Business employees and SARAH is not responsible for the safety and security of the Franchised Business' employees, customers, and other visitors.

6. **MARKS**

A. **Ownership and Goodwill of Marks.** Franchisee acknowledges that Franchisee has no interest whatsoever in or to the Marks and that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of its Franchised Business pursuant to and in compliance with this Agreement and all System Standards prescribed by SARAH during its term. Any unauthorized use of the Marks by Franchisee constitutes an infringement of the rights of SARAH and its affiliate in and to the Marks.

Franchisee agrees that all usage of the Marks by Franchisee and any goodwill established exclusively benefits SARAH and its affiliate, and Franchisee acknowledges that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee must 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.

All provisions of this Agreement applicable to the Marks apply to any additional trademarks, service marks, trade names, logo forms and commercial symbols authorized for use by and licensed to Franchisee pursuant to this Agreement.

B. Limitations on Franchisee's Use of Marks. Franchisee agrees to use the Marks as the sole identification of the Franchised Business, provided that Franchisee identifies itself as the independent owner in the manner prescribed by SARAH. Franchisee must not use any Marks as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form, nor may Franchisee use any Mark in the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by SARAH. Franchisee agrees to display the Marks prominently and in the manner prescribed by SARAH on signs and forms. Further, Franchisee agrees to give notices of trademark and service mark registrations and copyrights SARAH specifies and to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Notification of Infringements and Claims. Franchisee must notify SARAH immediately in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, or claim by any person of any rights in any Marks or any similar trade name, trademark or service mark of which Franchisee becomes aware. Franchisee must not communicate with any person other than SARAH and its counsel (or SARAH's affiliate or its counsel) in connection with any infringement, challenge or claim. SARAH and its affiliate have sole discretion to take any action they deem appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceedings or other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute all instruments, documents, render assistance and to act and do things as may, in the opinion of SARAH's counsel (or SARAH's affiliates counsel), be necessary or advisable to protect and maintain the interests of SARAH and its affiliate in any litigation, U.S. Patent and Trademark office proceedings or other administrative proceeding or to otherwise protect and maintain the interests of SARAH and its affiliate in the Marks.

D. Indemnification of Franchisee/Discontinuance of Use of Marks. SARAH agrees to defend Franchisee against any proceedings in which Franchisee's use of any Mark is held to constitute trademark infringement, unfair competition, or dilution, and for all costs reasonably incurred by Franchisee in the defense of any claim brought against it or in any proceeding in which it is named as a party, provided that Franchisee timely notifies SARAH of the claim or proceeding and has otherwise complied with this Agreement and that SARAH has the right to defend any claim. If SARAH defends the claim, SARAH has no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

If it becomes advisable at any time, in SARAH's sole discretion, for SARAH and/or Franchisee to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, Franchisee agrees to comply within a reasonable time after notice by SARAH, and the sole liability and obligation of SARAH in any event is to reimburse Franchisee for the out-of-pocket costs of complying with this obligation.

7. **CONFIDENTIAL INFORMATION - COVENANTS**

A. SARAH possesses certain confidential information consisting of the methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the operation and franchising of a SARAH Business (the “**Confidential Information**”). SARAH must disclose the Confidential Information to Franchisee in furnishing Franchisee the Initial Training, the Operations Manual and any guidance provided to Franchisee during the term of this Agreement.

B. Franchisee acknowledges and agrees that it will not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of the Franchised Business during the term of this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. Franchisee acknowledges and agrees that the Confidential Information is proprietary and is a trade secret of SARAH and is disclosed to Franchisee solely on the condition that Franchisee agrees, and Franchisee does hereby agree, that it:

(1) will not use the Confidential Information in any other business or capacity;

(2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and

(4) will adopt and implement all reasonable procedures prescribed by SARAH to prevent unauthorized use or disclosure of Confidential Information, including restrictions on disclosure to employees of the Franchised Business and the use of nondisclosure and noncompetition clauses in employment agreements with persons. If Franchisee obtains SARAH’s prior written consent, which consent shall not be unreasonably withheld, the restrictions on Franchisee’s disclosure and use of the Confidential Information shall not apply to:

(a) information, processes or techniques which are or become generally known in the adult day services industry, other than through disclosure (whether deliberate or inadvertent) by Franchisee; or

(b) disclosure of Confidential Information in judicial or administrative proceedings to the extent Franchisee is legally compelled to disclose information, provided Franchisee has used its best efforts, and has afforded SARAH the opportunity, to obtain an appropriate protective order or other insurance satisfactory to SARAH of confidential treatment for the information required to be disclosed.

C. Franchisee acknowledges and agrees that SARAH would be unable to protect its trade secrets against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among SARAH Businesses if franchised owners of SARAH

Businesses were permitted to hold interests in any similar businesses. Therefore, during the term of this Agreement, neither Franchisee, its owners, any shareholder, member or partner (if Franchisee is a corporation, limited liability company or partnership), nor any member of its or their immediate families shall have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any other non-medical or medical companionship or any business, enterprise or activity competitive with a SARAH Business (a “**Competitive Business**”), except for other SARAH Businesses operated under franchise agreements granted by SARAH and the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

During the term of this Agreement, neither Franchisee, its owners, any shareholder, member or partner (if Franchisee is a corporation, limited liability company or partnership), nor any member of its or their immediate families shall divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement, or otherwise.

D. Franchisee agrees that SARAH has the perpetual right to use and authorize other SARAH Businesses to use all ideas, concepts, methods and techniques relating to the development and/or operation of a Franchised Business conceived or developed by Franchisee and/or its employees during the term of this Agreement.

8. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**

A. It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that SARAH and Franchisee are independent contractors and that nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose.

B. Franchisee must identify itself at the premises of the Franchised Business and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of the Franchised Business under a franchise from SARAH.

C. SARAH has not authorized or empowered Franchisee to use the Marks except as provided by this Agreement, and Franchisee must not employ any Mark in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation without the prior written consent of SARAH, or employ any Mark in a manner that is likely to result in liability of SARAH for any indebtedness or obligation of Franchisee.

D. Neither SARAH nor Franchisee may make any express or implied agreements, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that their relationship is other than franchisor and franchisee, and neither SARAH nor Franchisee are obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized, nor is SARAH obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business, whether or not caused by Franchisee’s negligent or willful action or failure to act.

E. SARAH has no liability for any sales, use, exercise, gross receipts, property or other taxes, whether levied upon Franchisee, the Franchised Business or its assets, or upon SARAH in connection with sales made, services performed, or business conducted by Franchisee.

F. Franchisee agrees to indemnify and hold SARAH and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees harmless against, and to reimburse them for, any loss, liability, taxes or damages (actual or consequential) and all reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which any of them may suffer, sustain or incur by reason of, arising from or in connection with Franchisee's ownership or operation of the Franchised Business, unless the loss, liability or damage is solely due to the negligence of SARAH.

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

9. **FRANCHISE FEES**

A. **Initial Franchise Fee.** Franchisee must pay SARAH a nonrecurring and nonrefundable initial franchise fee of Thirty-Four Thousand Nine Hundred Dollars (\$34,900) (the "**Initial Franchise Fee**"). However, the Initial Franchise Fee will be:

(1) Thirty-Two Thousand Four Hundred Dollars (\$32,400) if Franchisee already owns and operates a SARAH Business and has fully completed the Initial Training;

(2) Twenty-Five Thousand Dollars (\$25,000) if Franchisee is signing this Agreement and two (2) additional Franchise Agreements in connection with its commitment to develop and open a total of three (3) SARAH Businesses within a twelve (12)-month period; provided that if Franchisee fails to open the Franchised Business within the time period set forth in Attachment 1, SARAH shall, in addition to and without limiting SARAH's other rights and remedies, require Franchisee to pay SARAH Nine Thousand Nine Hundred Dollars (\$9,900) within thirty (30) days after notice from SARAH, which represents the difference between the reduced Initial Franchise Fee Franchisee paid to SARAH when Franchisee signed this Agreement and the Initial Franchise Fee Franchisee would have paid to SARAH had SARAH not reduced the Initial Franchise Fee;

(3) Fifteen Thousand Dollars (\$15,000) if Franchisee owns and operates an adult day care business and wishes to convert it to a SARAH Business by executing this Agreement; and

(4) Ninety percent (90%) of the Initial Franchise Fee pursuant to the VetFran Program if Franchisee is an enrolled veteran in this Program.

B. **Royalty**. Franchisee agrees to pay SARAH a continuing, monthly royalty fee of the greater of (i) Two Hundred Dollars (\$200) or five percent (5%) of Franchisee's monthly Gross Sales (the "**Royalty**"). For purposes of determining the applicable Royalty, annual Gross Sales will commence with the first day of operation of the Franchised Business pursuant to this Agreement. This fee is fully earned and non-refundable and is for the use of the Marks and System.

The ongoing and continuing Royalty is due, payable, and postmarked on or before the tenth (10th) of each month on the Gross Sales for the previous month's Gross Sales.

In addition to the Royalty as described above, SARAH has the right to collect from Franchisee monthly an amount equal to any taxes, including corporate income tax and license fees, imposed on the Royalty payments made by Franchisee by the state where the Franchised Business is located. This payment is in addition to the Royalty payments described above.

C. **Definition of "Gross Sales"**. The term "Gross Sales" shall include all revenue from the sale of all services, products and performances of services of the Franchised Business (including service charges in lieu of gratuity), whether for cash, on credit of every kind and nature, made and rendered in, about or in connection with the Franchised Business, provided they are in connection with the business conducted under this Franchise Agreement. The term "Gross Sales" does not include any federal, state, municipal or other sales, value added, or retailer's excise taxes paid or accrued by Franchisee. The term "Gross Sales" shall not be modified for uncollected accounts. "Gross Sales" is further defined to mean all revenues or receipts of any kind derived from the operation of the Franchised Business, including all services provided as a direct or indirect consequence of use of SARAH's Marks or any aspect of the System. For purposes of the Royalty, the sale is made at the earlier of delivery of service, or receipt of payment.

D. **Royalty Reports**. Each Royalty must be accompanied or preceded by a Royalty report itemizing the Gross Sales for the preceding reporting period and any other reports required. Franchisee must provide SARAH with the Gross Sales information on or before the tenth (10th) day following the previous reporting period by facsimile transmission or other method of delivery SARAH reasonably directs.

E. **Method of Payment**. By executing this Agreement, Franchisee agrees that SARAH, at its option, has the right to withdraw funds from Franchisee's designated bank account by electronic funds transfer or Automated Clearing House ("ACH") payments in the amount of the Royalty described above, including the failure to timely remit Royalty reports and pay Royalties. If Royalty payments are not received when due, interest may be charged by SARAH in accordance with Paragraph F below. Upon written notice by SARAH to Franchisee, Franchisee must execute other documents that SARAH or Franchisee's bank may require to implement the foregoing procedure. It is a material event of default if Franchisee fails to allow ACH payments or closes the designated bank account without notifying SARAH, establishing another account, and executing all documents necessary for SARAH to process payments by ACH for the new designated account.

F. **Late Fee**. If the Royalty or other amount due and payable to SARAH, or any Royalty Report is not received by SARAH as required by this Agreement, Franchisee shall pay

to SARAH, in addition to the overdue amount, a late fee of One Hundred Dollars (\$100.00). This late fee is reasonably related to SARAH's costs resulting from the delay in payment and/or receipt of the Royalty, other amount due or Royalty Report, is not a penalty, and is in addition to any other remedy available to SARAH under this Agreement for Franchisee's failure to pay the Royalty, other amount due, and/or submit Royalty Reports in accordance with the terms of this Agreement.

G. **Interest on Late Payments.** Franchisee is not entitled to withhold payments due to SARAH under this Agreement on grounds of alleged nonperformance by SARAH. Any payment or report not actually received by SARAH on or before the date due are deemed overdue. All unpaid obligations under this Agreement bear interest at the lesser of 18% per annum or the maximum allowed by applicable law from the date due until paid.

Notwithstanding anything to the contrary contained in this Agreement, no provision of this Agreement requires the payment or permits the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest in this respect is provided for in this Agreement or is adjudicated to be so provided in this Agreement, the provisions of this paragraph govern and prevail and neither Franchisee nor its shareholders are obligated to pay the excess amounts of the interest. If for any reason interest in excess of the maximum rate allowed by applicable law is deemed charged, required or permitted, any excess shall be applied as payment and reduction of any other amounts which may be due and owing, and if no payments are due and owing, then the excess shall be repaid to the party that paid the interest.

Franchisee acknowledges that Paragraph G does not constitute SARAH's agreement to accept payments after same are due or a commitment by SARAH to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Paragraph B of Section 16.

H. **Application of Payments.** SARAH has sole discretion to apply any payments received from Franchisee or any indebtedness of SARAH to Franchisee to any past due indebtedness of Franchisee for Royalty payments, purchases from SARAH or its affiliates, interest or any other indebtedness of Franchisee to SARAH or its affiliates.

10. **BUSINESS IMAGE AND OPERATING STANDARDS: FRANCHISEE REQUIREMENTS**

A. **Maintaining Uniformity.** Franchisee understands the importance of maintaining uniformity among all of the SARAH Businesses and the importance of complying with all of SARAH's standards and specifications relating to the operation of the Franchised Business.

B. **Condition and Appearance of Business/Rebuilding of Business.** Franchisee must maintain and operate the Franchised Business office in the highest degree of service, appearance, condition and sanitation. Franchisee must also obtain, at Franchisee's cost and expense, any new or additional equipment (including computer software systems and use of e-mail systems) as SARAH reasonably requires Franchisee to offer services for the Franchised Business in the manner SARAH specifies. Except as may be expressly provided in the Operations Manual or other communications, no material alterations or improvements or changes of any kind in design,

equipment or signage, may be made in or about the Franchised Business or its premises without SARAH's prior written approval.

C. **Remedies for Noncompliance with Appearance of Business.** If at any time in SARAH's reasonable judgment, the general state of repair, appearance or cleanliness of the Franchised Business, furnishings and signs does not meet SARAH's standards, SARAH shall notify Franchisee specifying the action to be taken by Franchisee to correct the deficiency. If Franchisee fails or refuses to initiate within ten (10) days after receipt of notice, a bona fide program to undertake and complete any required maintenance or refurbishing, SARAH has the right, but is not obligated, to enter upon the premises of the Franchised Business and effect maintenance and refurbishing on Franchisee's behalf and Franchisee must pay the entire cost of such maintenance and refurbishing to SARAH on demand.

Franchisee agrees to maintain the condition and appearance of the Franchised Business consistent with the image of a SARAH Business as attractive, clean and efficiently operated.

D. **Damage Caused by Casualty.** If the Franchised Business office is damaged or destroyed by fire or any other casualty, Franchisee must, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, in order to restore the premises of the Franchised Business to its original condition before casualty.

E. **Uniform Image.** The presentation of a uniform image, including SARAH logoed uniforms, to the public is an essential element of a successful franchise system. Franchisee agrees that the Franchised Business will offer and provide only the types of services as SARAH, in its sole discretion, determines to be appropriate for the Franchised Business.

Franchisee further agrees that the premises occupied by the Franchised Business will not be used for any purpose other than the operation of a SARAH Business in accordance with this Agreement.

All products, supply items and services must be acquired from suppliers or providers approved by SARAH. If Franchisee proposes to purchase or lease any product, supply item or service from a supplier or provider that has not been approved, Franchisee must first obtain SARAH's approval. Franchisee may request approval by providing SARAH with samples and specifications. SARAH will use commercially reasonable efforts to notify Franchisee within 30 days after receiving all samples and any other requested information or specifications, whether Franchisee is authorized to purchase or lease the product or service from that supplier or provider. SARAH will not charge a fee for engaging in this approval process.

F. **Standards of Service.** Franchisee must at all times give prompt, courteous and efficient service to its clients. The Franchised Business shall, in all dealings with its clients and suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee must maintain a competent, conscientious, trained staff and take steps as necessary to ensure that its employees preserve good client relations and comply with SARAH's System Standards. Franchisee must use the best efforts to apply for and receive CARF accreditation within five (5) years of opening the Franchised Business.

G. **Pricing.** SARAH may provide Franchisee with suggested prices for services offered by the Franchised Business; however, Franchisee has the absolute right to sell its approved services at any price Franchisee determines and is not bound by any price which SARAH may suggest or recommend. If Franchisee elects to sell any or all of its services at any price SARAH recommends, Franchisee acknowledges that SARAH has made no guarantee or warranty that offering the services at the recommended price will enhance Franchisee's sales or profits.

H. **Compliance with System Standards.** Franchisee acknowledges and agrees that each and every detail of the operation of the Franchised Business is important to SARAH and other SARAH Businesses. Franchisee agrees to maintain the highest standards of quality and service in the Franchised Business and, accordingly, agrees to comply with all System Standards, as SARAH periodically modifies and supplements them and whether contained in the Operations Manual or any other written or oral communication to Franchisee, including:

- (1) type of procedures and services;
- (2) quality and uniformity of all services offered by the Franchised Business;
- (3) methods of procedures relating to marketing, dealing with clients and providing services;
- (4) hours and days during which the Franchised Business office is open;
- (5) the safety, maintenance, cleanliness, function and appearance of the Franchised Business premises and its fixtures, equipment and signs;
- (6) qualifications, dress, general appearance and demeanor of Franchised Business employees;
- (7) use of Marks;
- (8) use of social media in connection with the Marks or SARAH Businesses (where "social media" includes personal blogs, common social networks like Facebook, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites like YouTube, and other similar social networking or media sites or tools);
- (9) use and retention of standard forms;
- (10) use and illumination of exterior and interior signs, posters, displays, standard formats and similar items; and
- (11) advertising and promotion.

Mandatory specifications, standards and operating procedures prescribed by SARAH in the Operations Manual for SARAH Businesses or otherwise communicated to Franchisee in writing are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified.

I. Compliance with Laws and Good Business Practices. Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, but not limited to, sales tax permits, health and sanitation permits and fire clearance. Franchisee must, upon SARAH's request and subject to the other provisions of this Agreement, provide evidence of the required licenses and certificates relating to the Franchised Business, including, without limitation, copies of an executed lease and a certificate of occupancy for the site's premises.

Franchisee must notify SARAH in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, writ, injunction, award or decree, by any court, agency, or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

Franchisee shall promptly pay when due, all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business under this Agreement. Franchisee shall pay to SARAH an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on SARAH with respect to any payments SARAH is required by law to make under this Agreement, unless the tax is credited against income tax otherwise payable by SARAH.

All advertising and promotion by Franchisee must be completely factual and must conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the business of SARAH and the goodwill associated with the Marks and other SARAH Businesses.

J. Management of the Franchised Business/Conflicting Interests. The Franchised Business must at all times be under the direct, day-to-day, full-time supervision of Franchisee or Franchisee's Managing Owner or an operating manager who has been approved by SARAH and who has satisfactorily completed the Initial Training. If an operating manager supervises the Franchised Business, Franchisee or its Managing Owner must remain active in overseeing the operations of the Franchised Business conducted under the supervision of the manager.

Franchisee must at all times faithfully, honestly and diligently perform its obligations and continuously exert its best efforts to promote and enhance the operation of the Franchised Business. The person who is responsible for the day-to-day supervision of the Franchised Business must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with Franchisee's obligations.

If at any time the Franchised Business is not being managed by Franchisee, the Managing Owner or an approved manager who has satisfactorily completed SARAH's training program, SARAH is authorized, but is not required, to immediately appoint a manager to maintain the operations of the Franchised Business for and on behalf of Franchisee. SARAH's appointment of a manager of the Franchised Business does not relieve Franchisee of its obligations or constitute a waiver of SARAH's right to terminate the franchise pursuant to Section 16 of this Agreement. SARAH is not liable for any debts, losses, costs or expenses incurred in the

operations of the Franchised Business or to any creditor of Franchisee. SARAH has the right to charge a reasonable fee for management services and to cease providing management services at any time.

K. **Insurance.** Franchisee must at all times during the term of this Agreement, maintain in force, at its sole expense, on a primary basis the following insurance, naming SARAH as an additional insured protecting Franchisee and SARAH, and their respective officers, directors, shareholders, partners, and employees, against any demand or claim as follows:

(1) Commercial general liability insurance, including bodily injury, property damage, personal injury, products and completed operations liability coverage with a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence for bodily injuries and not less than One Million Dollars (\$1,000,000) per occurrence for property damage and Two Million Dollars (\$2,000,000) annual aggregate.

(2) Worker's compensation and employer's liability to meet statutory requirements of Franchisee's state of operation.

(3) Commercial property insurance at replacement value. Fire, vandalism, and extended coverage insurance with primary and excess limits of not less than the full replacement value of the Premises and its furniture, fixtures, and equipment.

(4) Automobile liability insurance for all owned, non-owned and hired automobiles with a single limit coverage of not less than One Million Dollars (\$1,000,000).

(5) Other insurance as may be required by the state or locality in which the Franchised Business is located and operated.

(6) Professional liability insurance in an amount not less than One Million Dollars (\$1,000,000).

Franchisee agrees to indemnify and hold harmless SARAH, its directors, officers and employees, from and against all loss or expense (including costs and attorneys' fees) by reason of liability imposed by law for damages because of personal injury sustained by any person or persons or damage to property, including loss of use thereof, arising out of the performance of this contract, except only damages due to the sole negligence of SARAH.

SARAH may reasonably increase the minimum liability protection requirement annually and require at any time reasonable prior notice to Franchisee different or additional kinds of insurance to reflect inflation, changes in standards of liability or higher damage awards in public, product or motor vehicle liability litigation or other changes in circumstances.

Franchisee must submit to SARAH annually a copy of the certificate or other evidence of the renewal or extension of each insurance policy. If Franchisee at any time fails or refuses to maintain in effect any insurance coverage required by SARAH, or to furnish satisfactory evidence of the insurance required, SARAH, at its option and in addition to its other rights and remedies, may obtain insurance coverage on behalf of Franchisee, and Franchisee must promptly

execute any applications or other forms or instruments required to obtain any insurance and pay to SARAH, on demand, any costs and premiums incurred by SARAH. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given to SARAH in the event of material alteration to, or cancellation of, the coverage evidenced by such a certificate. SARAH shall be listed as an additional insured on the commercial general liability insurance, the automobile liability insurance and the umbrella insurance policies.

Franchisee's obligations to obtain and maintain the insurance described are not limited in any way by reason of any insurance maintained by SARAH, nor does Franchisee's performance of obligations relieve Franchisee of any obligations under Section 8 of this Agreement.

Franchisee is required to submit to SARAH by the earlier of (i) within ninety (90) days of execution of this Agreement, or (ii) ten (10) business days upon receipt of Franchisee's Occupancy Permit for the premises from which it will operate the Franchised Business, a copy of the certificate of insurance in compliance with the requirements.

11. **ADVERTISING**

A. **Uniformity and Compliance.** Recognizing the value of uniform advertising to the goodwill and public image of SARAH Businesses, SARAH may have or create certain advertising materials which Franchisee may purchase from SARAH. All advertising and promotion Franchisee does in any medium must be conducted in a professional manner and must conform to the System Standards, including SARAH's then-current guidelines for use of social media to promote Franchisee's SARAH Business.

B. **Marketing Deposit.** At least two (2) weeks prior to Franchisee or Franchisee's personnel attending the Operations Training Program, Franchisee must pay to SARAH an amount to be used for advertising, marketing, and public relations expenditures related to Franchisee's SARAH Business in the first three (3) months of operations (the "Marketing Deposit"). SARAH will put the Marketing Deposit into an escrow account for Franchisee's benefit from which advertising and related expenses will be paid, as incurred, to third-party vendors. The Marketing Deposit is currently Twenty Thousand Dollars (\$20,000). Franchisee's failure to pay the Marketing Deposit as provided herein shall be deemed a material default subject to SARAH's right to terminate this Agreement pursuant to Subsection 16.C(5) below.

C. **Cooperatives.** Franchisee is not currently obligated to contribute money to any local, regional or national advertising cooperative. However, SARAH reserves the right to require such contributions in the future.

D. **SARAH's Approval of Other Materials.** Franchisee may develop advertising materials for use in Franchisee's local market. Before Franchisee uses such materials, Franchisee must submit to SARAH for SARAH's approval samples of all local advertising and promotional materials not prepared or previously approved by SARAH. SARAH's approval shall not be unreasonably withheld. If written disapproval is not received by Franchisee within fifteen (15) business days from the date of receipt by SARAH of materials, SARAH is deemed to have given the required approval until further notified. Franchisee must not use any advertising or promotional materials that SARAH has disapproved of and upon SARAH's notice, must

promptly discontinue using any advertising or promotional plans or materials, whether previously approved or not.

E. **SARAH Website.** SARAH has established a website (the “SARAH Website”) and will provide you with a webpage on the SARAH Website. SARAH will specify the information to be listed on Franchisee’s webpage and Franchisee must provide such information to SARAH. SARAH owns all rights to the SARAH Website and all information it contains and will establish standards and policies relating to same. Franchisee cannot develop, maintain or authorize any other website that mentions or describes Franchisee or the Franchised Business or displays any of the Marks.

12. **RECORDS AND REPORTS**

A. **Accounting and Records.** During the term of this Agreement, Franchisee agrees, at its expense, to maintain and preserve for at least seven (7) years from the date of their preparation, full, complete and accurate books, records and accounts including, but not limited to, invoices, billing submissions, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, records of ACH transactions and backup or archive records of information maintained on any computer system in accordance with generally accepted accounting principles, as applicable, and in the form and manner SARAH prescribes in the Operations Manual or otherwise in writing.

B. **Reports and Tax Returns.**

1. Franchisee must furnish to SARAH copies of reports designated by SARAH and other information and supporting records as SARAH prescribes. All financial statements, reports and information must be on forms approved by SARAH and signed and verified by Franchisee.

2. Franchisee must maintain readily available for inspection by SARAH, and must furnish to SARAH upon its request, exact copies of all state sales tax returns and portions of Franchisee’s federal and state income tax returns as reflect the operation of the Franchised Business. In addition, Franchisee, at its expense, must furnish to SARAH (and its agents) for inspection or audit, monthly/annual financial reports to funding or accreditation services, forms, reports, records, financial statements and other information as SARAH requires. Franchisee must make financial and other information available at locations SARAH reasonably requests and must afford SARAH (and its agents) full and free access to this information at the premises of Franchised Business during regular business hours. SARAH (and each of its agents) has the right to make extracts from, and copies of, all documents and information.

13. **INSPECTION AND AUDITS**

A. **SARAH’s Right to Inspect.** To determine whether Franchisee is complying with this Agreement, SARAH has the right at any time during business hours, and without prior notice to Franchisee, to inspect the Franchised Business. Franchisee must fully cooperate with representatives of SARAH making any inspection.

B. **SARAH's Right to Audit.** SARAH has the right at any time during business hours, and without prior notice to Franchisee, to examine or audit, or cause to be examined or audited, the business records, cash control devices, bookkeeping and accounting records, bank statements, sales and income tax records and returns and other books and records of the Franchised Business and the books and records of any corporation or partnership which holds the Franchised Business. Franchisee must fully cooperate with representatives of SARAH and independent accountants hired by SARAH to conduct any examination or audit.

If any examination or audit discloses an understatement of Gross Sales, Franchisee must pay to SARAH, within fifteen (15) days after receipt of the examination or audit report, the Royalty payments due on the amount of the understatement, plus interest (at the rate and on the terms provided in this Agreement) from the date originally due until the date of payment. Further, if the examination or audit is made necessary by the failure of Franchisee to furnish reports, supporting records, financial statements or other documents or information as required, or failure to furnish reports, records, financial statements, documents or information on a timely basis, or if an understatement of Gross Sales for any month is determined by any examination or audit to be greater than two percent (2%), Franchisee must reimburse SARAH for the cost of the audit or examination, including the charges or any independent accountants and the travel expenses, room and board and compensation of employees of SARAH. The foregoing remedies are in addition to all other remedies and rights of SARAH under applicable law.

Notwithstanding any forms and documents which Franchisee may have executed, Franchisee appoints SARAH its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports Franchisee files with any state and/or federal taxing authority. This power of attorney survives the expiration or termination of this Agreement.

14. **TRANSFER OF INTEREST**

A. **By SARAH.** SARAH has the right to transfer or assign this Agreement and all or any part of its rights or obligations without restriction to any person or legal entity.

B. **Franchisee May Not Assign Without Approval of SARAH.** Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and its owners and that SARAH has granted the Franchise in reliance upon the individual or collective character, skill, aptitude, business ability and financial capacity of Franchisee or its owners. Unless otherwise provided with respect to an assignment to a corporation, neither the Franchise nor the Franchised Business (or any interest) nor any part or all of the ownership of Franchisee may be voluntarily, involuntarily, directly or indirectly, assigned, sold, subdivided, subfranchised or otherwise transferred by Franchisee or its owners (including by merger or consolidation, by issuance of additional securities representing an ownership interest in Franchisee, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner or a partnership, by transfer of an interest in Franchisee or in this Agreement in a divorce proceeding, or if Franchisee or an owner of Franchisee dies, by will, declaration of or transfer in trust or the laws of the interstate succession) without the prior written approval of SARAH, and any assignment or transfer without approval constitutes a breach and conveys no rights to or interests in the Franchise or the Franchised Business.

C. Conditions for Approval of Assignment. If Franchisee and its owners are in full compliance with this Agreement, SARAH shall not unreasonably withhold its approval of an assignment, provided that the proposed assignee is of good moral character and has sufficient business experience, aptitude and financial resources to own and operate the Franchised Business and otherwise meets SARAH's then applicable standards for franchisees, and further provided that SARAH may require that any one or more of the following conditions be met before, or concurrently with, the effective date of the assignment:

(1) Franchisee has paid all Royalties and other amounts owed to SARAH, its affiliate; and third party creditors;

(2) Franchisee and its affiliate must not be in default of any provisions of this Agreement, any amendment or any successor, or any other agreement between Franchisee or any of its affiliates and SARAH or any of its affiliates, and Franchisee must have substantially and timely complied with all terms and conditions of all agreements during the term of this Agreement;

(3) Franchisee (and its transferring owners, if applicable) the transferor and its principals (if applicable) must execute a general release in a form satisfactory to SARAH of any and all claims against SARAH, its affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state and local laws, rules and regulations;

(4) the transferee must enter into a written agreement, in a form satisfactory to SARAH, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement; and, if transferee is a corporation or partnership, transferee's shareholders, partners or other investors, as applicable, must execute agreements as transferee's principals require and guarantee the performance of all obligations, covenants and agreements. The transferee meets all of SARAH's requirements for new franchisees, including, but not limited to, good reputation and character, business acumen, operational ability, financial strength, and other business considerations;

(5) the transferee must execute SARAH's then-current form of franchise agreement for the term established, and any other ancillary agreements as SARAH may require and which may supersede this Agreement and its ancillary documents in all respects and the terms of which may differ from the terms of this Agreement. If transferee is a corporation or partnership, the transferee's shareholders, partners or other investors, as applicable, must execute agreements as the transferee's principals and guarantee the performance of all obligations, covenants and agreements;

(6) the transferee, at its expense, must renovate, modernize and otherwise upgrade the Franchised Business to conform to the then-current standards and specifications of the System, and must complete the upgrading and other requirements within the time period SARAH reasonably specifies;

(7) Franchisee remains liable for all obligations to SARAH in connection to the Business incurred before the effective date of the transfer and must execute any and all instruments SARAH reasonably requests to evidence that liability;

(8) at the transferee's expense, the transferee, its operating principal, general manager and/or any other applicable personnel must complete SARAH's then-current training programs upon terms and conditions SARAH reasonably requests. Transferee will be responsible for all salaries, travel, and room and board of its personnel;

(9) Franchisee must pay a transfer fee to SARAH equal to Fifteen Thousand Dollars (\$15,000);

(10) SARAH must approve the material terms and conditions of the assignment and determine that the price and terms of payment are not so burdensome as to materially affect the future operations of the Franchised Business by the transferee. Any such approval by SARAH does not guarantee the success of the business nor endorse the terms of the purchase agreement;

(11) Franchisee (and each of its owners, if Franchisee is a corporation or partnership) must execute a non-competition covenant in favor of SARAH and the assignee, agreeing that for a minimum period of one (1) year, commencing on the effective date of the assignment, it will not have any direct or indirect interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any senior care business located or operating within a radius of fifty (50) miles of the Franchised Business or a radius of fifty (50) miles of any other SARAH Business in operation on the effective date of the assignment; and

(12) Franchisee must enter into an agreement with SARAH agreeing to subordinate to assignee's obligations to SARAH, including any Royalties, any obligations of assignee to make installment payments of the purchase price to Franchisee.

SARAH's consent to an assignment of any interest subject to the restrictions of this Agreement does not constitute a waiver of any claims it may have against the assignor, nor is it deemed a waiver of SARAH's right to demand exact compliance with any of the terms or conditions of the Franchise by the assignee.

D. Death or Disability of Franchisee. Upon the death or permanent disability of Franchisee or the Managing Owner, Franchisee's or the Managing Owner's executor, administrator, conservator or other personal representative must appoint a competent manager within a reasonable time, not to exceed thirty (30) days from the date of death or permanent disability. The newly appointed manager must complete SARAH's then-current training programs at Franchisee's expense. If the Franchised Business is not being managed by an approved trained manager within thirty (30) days after the death or permanent disability of Franchisee or the Managing Owner, SARAH is authorized, but is not required, to immediately appoint a manager to maintain the operations of the Franchised Business for and on behalf of Franchisee until an approved assignee is able to assume the management and operation of the Franchised Business. SARAH's appointment of a manager of the Franchised Business does not relieve Franchisee of its obligations, and SARAH is not liable for any debts, losses, costs or

expenses incurred in the operations of the Franchised Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by the Franchised Business during any period in which it is managed by SARAH's appointed manager. SARAH has the right to charge a reasonable fee for management services. SARAH may cease to provide management services at any time.

Upon the death or disability of Franchisee or the Managing Owner, Franchisee's or the Managing Owner's executor, administrator, conservator or other personal representative must transfer its interest within a reasonable time not to exceed six (6) months from the date of death or permanent disability to a person or Entity approved by SARAH. Approval of such transfer will not be unreasonably withheld. A failure to transfer Franchisee's interest in this Agreement or the Managing Owner's ownership interest in Franchisee within this period of time is a breach of this Agreement and constitutes grounds for termination under Section 16 hereof. The term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee or the managing Owner from supervising the management and operation of the Franchised Business. Transfers, including transfers by devise or inheritance are subject to the terms and conditions for assignments and transfers contained in Paragraphs B and C of this Section 14.

E. **Assignment to a Corporation.** Upon thirty (30) days' prior written notice to SARAH, the Franchise and the assets and liabilities of the Franchised Business may be assigned, by an agreement in form and substance approved by SARAH, to a corporation that conducts no business other than the Franchised Business (or other SARAH Businesses under franchise agreements granted by SARAH), which is actively managed by Franchisee and in which Franchisee owns and controls not less than fifty-one percent (51%) of the shares and voting power of all issued and outstanding capital stock of the corporation. An assignment does not relieve Franchisee of its obligations, and Franchisee remains jointly and severally liable for all obligations. The articles of incorporation, by-laws and other organizational documents of any corporation of Franchisee must recite that the issuance and assignment of any interest is restricted by the terms of Paragraphs B and C of this Section 14 and all issued and outstanding stock certificates of the corporation must bear a legend reflecting or referring to the restrictions of Paragraphs B and C of this Section 14.

Any person who is or becomes a shareholder of the Franchisee or has or acquires beneficial ownership of any shares of stock of Franchisee must execute an agreement in form furnished or approved by SARAH undertaking to be bound jointly and severally by all provisions of this Agreement. Franchisee must furnish SARAH at any time upon requesting a certified copy of the articles of incorporation and a list, in a form SARAH requires, of all shareholders of record and all persons having beneficial ownership of shares of stock, reflecting their respective interests in Franchisee.

F. **Public or Private Offerings.** If Franchisee (or any of its owners), subject to the restrictions and conditions of transfer contained in this Section 14, attempts to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in Franchisee or any affiliate of Franchisee, Franchisee, recognizing that the written information used may reflect upon SARAH, agrees to submit any written information to SARAH before its inclusion in any registration statement, prospectus or similar disclosure document or memorandum. The written consent of SARAH pursuant to this

Paragraph F does not imply or constitute the approval of SARAH with respect to the method of financing, the offering literature submitted to SARAH, or any other aspect of the offering. No information respecting SARAH or any of its affiliates shall be included in any securities disclosure document, unless information has been furnished by SARAH, in writing, pursuant to the written request of Franchisee, in which Franchisee states the specific purpose for which the information is to be used. Should SARAH, in its sole discretion, object to any reference to SARAH or any of its affiliates or any of their businesses in offering literature or prospectus, the literature or prospectus shall not be used unless and until the objections of SARAH are withdrawn. SARAH assumes no responsibility for the offer whatsoever.

The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

“NEITHER SARAH ADULT DAY SERVICES NOR ANY OF ITS AFFILIATES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER SARAH ADULT DAY SERVICES NOR ANY OF ITS AFFILIATES ASSUME ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER SARAH ADULT DAY SERVICES NOR ANY OF ITS AFFILIATES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

Franchisee and each of its owners agrees to indemnify, defend and hold harmless SARAH and its affiliates, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys’ fees) incurred in the defense of claims, demands or liabilities, arising from the offer or sale of securities, whether asserted by a purchaser of any security or by a governmental agency.

G. **SARAH’s Right of First Refusal.** If Franchisee or its owners at any time determines to sell or to transfer for consideration an interest in this Agreement and the Franchised Business or an ownership interest in Franchisee, Franchisee or its owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must submit an exact copy of the offer to SARAH. SARAH has the right, exercisable by written notice delivered to Franchisee or its owners within thirty (30) days from the date of delivery of an exact copy of such offer to SARAH to purchase the interest for the price and on the terms and conditions contained in the offer, provided that SARAH may substitute cash for any form of payment proposed in the offer and has a minimum of sixty (60) days to prepare for closing after notifying Franchisee of its election to purchase. If SARAH does not exercise its right of first refusal, Franchisee or its owners may complete the sale to the proposed buyer pursuant to and on the terms of the offer, in Paragraphs B and C of this Section 14, provided that if the sale to the proposed buyer is not completed within one hundred twenty (120) days after delivery of the offer to SARAH or, if there is a material change in the terms of the sale, SARAH shall again have the right of first refusal during the thirty (30) day period following either the expiration of the one hundred twenty (120) day period or SARAH’s receipt of notice of the material change(s) in the terms of the sale, (either on the terms originally offered or the modified terms, at our option).

15. **SUCCESSOR OPTION**

A. **Franchisee's Right to Enter into a Successor Agreement.** If, upon expiration of the initial term of the Franchise, Franchisee and its owners have, during the initial term of this Agreement and the term of any successor franchise, substantially complied with all of its material provisions and agrees to comply with the specifications and standards then applicable for new SARAH Businesses, then Franchisee has a right to enter into a successor agreement for the franchise for an additional two (2) terms of five (5) years each under SARAH's then-current form of standard franchise agreement. SARAH has the right to charge Franchisee a successor agreement fee of Fifteen Thousand Dollars (\$15,000) which is payable at the time of signing the successor franchise agreement.

B. **Notice of Election to Sign a Successor Franchise Agreement.** Franchisee must give SARAH written notice of its desire to exercise its option to enter into a successor franchise agreement at least one hundred eighty (180) days before the expiration of this Agreement or any successor term. If SARAH determines that Franchisee does not have the right to enter into a successor franchise agreement for the Franchise, SARAH agrees to give Franchisee a written notice of its determination at least one hundred twenty (120) days before the expiration of this Agreement or any successor term.

C. **Successor Agreements/Releases.** To renew the Franchise, SARAH, Franchisee and Franchisee's owners must execute the form of and be bound by the franchise agreement and ancillary agreements SARAH customarily then uses in the grant of franchises for the ownership and operation of SARAH Businesses. In addition, Franchisee and its owners must execute general releases, in form and substance satisfactory to SARAH, of all claims against SARAH and its affiliates, officers, directors, employees and agents. Failure by Franchisee and its owners to sign agreement(s) and releases within thirty (30) days after delivery to Franchisee is deemed an election by Franchisee not to enter into a successor agreement for the Franchise.

D. **Conditions for Successor Agreement.** In addition to the conditions and requirements stated in Paragraphs A, B and C of this Section 15, any or all of the following conditions must be met by Franchisee, in SARAH's discretion, before and at the time of the successor agreement:

(1) Franchisee must not be in default of any provision of this Agreement, any amendment or successor franchise agreement, or any other agreement between Franchisee or any of its affiliates and SARAH or any of its affiliates; and Franchisee must have substantially and timely complied with all the terms and conditions of all agreements;

(2) Franchisee must have satisfied all monetary obligations owed by Franchisee to SARAH and its affiliates under this Agreement and any other agreement between Franchisee and any of its affiliates and SARAH or any of its affiliates and must have timely met those obligations through the terms of those agreements;

(3) Franchisee must present satisfactory evidence that Franchisee has the right to remain in possession of the Franchised Business premises or obtain SARAH's approval of a new site for the operation of the Franchised Business;

(4) Franchisee must comply with SARAH's then-current qualification and training requirements; and

(5) Franchisee must perform such remodeling, repairs, replacements and redecoration as SARAH may require to cause the Franchised Business to conform to SARAH's plans and specifications being used for new or remodeled facilities.

16. **TERMINATION**

A. Franchisee acknowledges and agrees that each of Franchisee's obligations described in this Agreement is a material and essential obligation of Franchisee; that nonperformance of the obligations adversely and substantially affects SARAH and the System; and that the exercise by SARAH of the rights and remedies set forth is appropriate and reasonable.

B. Franchisee shall be in default under this Agreement, and all rights granted by this Agreement shall automatically terminate without notice to Franchisee if:

(1) Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or

(2) Franchisee files a voluntary petition under any section or chapter of the Federal Bankruptcy Law or under any similar law or statute of the United States or any state, or admits in writing to its inability to pay its debts when due; or

(3) Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of Federal Bankruptcy Law or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian of Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part of Franchisee's assets or property, is appointed by any court of competent jurisdiction; or

(4) Proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee; or

(5) A final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or

(6) Franchisee is dissolved; or

(7) Execution is levied against Franchisee's business or properties; or

(8) The real or personal property of Franchisee's Franchised Business is sold after levy by any sheriff, marshal or law enforcement official.

C. Franchisee is deemed to be in material default and SARAH may, at its option, terminate this Agreement, and all rights granted without granting Franchisee any opportunity to

cure the default, effective immediately upon notice to Franchisee, upon the occurrence of any of the following events:

(1) If Franchisee operates the Franchised Business or sells services authorized by SARAH for sale at the Franchised Business at a location SARAH has not approved;

(2) If Franchisee fails to acquire an approved location for the Franchised Business within the time and in the manner specified in this Agreement;

(3) If Franchisee fails to construct or remodel the premises of the Franchised Business in accordance with the terms of this Agreement;

(4) If Franchisee fails to open the Franchised Business as a SARAH Business within the period specified in this Agreement;

(5) If Franchisee fails to submit the Marketing Deposit to SARAH in accordance with the terms of this Agreement;

(6) If Franchisee at any time ceases to operate or otherwise abandons the Franchised Business, or loses the right to possession of the office premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that this provision does not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee's control), if through no fault of Franchisee, the office premises are damaged or destroyed by an event as described above, provided Franchisee applies within thirty (30) days after the event, for SARAH's approval to relocate or reconstruct the office premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues reconstruction or relocation;

(7) If Franchisee or any of its owners is convicted of, or enters a plea of nolo contendere to, a felony, a crime involving moral turpitude or engages in any act which in SARAH's reasonable judgment adversely affects or reflects upon SARAH, the System, Marks, goodwill or reputation in the community or any other crime or offense SARAH believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill or SARAH's interests;

(8) If a threat or danger to public health or safety results from the operation of the Franchised Business;

(9) If Franchisee or any of its owners' purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Franchised Business to any third party without SARAH's prior written consent, without offering SARAH a right of first refusal with respect to the transfer, contrary to the terms of this Agreement;

(10) If Franchisee or any of its affiliates fails, refuses, or neglects promptly to pay any monies owing to SARAH or any of its affiliates, when due under this Agreement or any other agreement, or to submit the financial or other information SARAH requires

under this Agreement and does not cure the default within thirty (30) days following notice from SARAH (or other cure period specified in the agreement, unless no cure period is stated or the period is less than thirty (30) days, in which case the thirty (30) day cure period applies);

(11) If Franchisee or any of its owners fail to comply with the in-term covenants in this Agreement or Franchisee fails to obtain execution of the covenants and related agreements required under this Agreement within thirty (30) days after being requested to do so by SARAH;

(12) If, contrary to the terms of this Agreement, Franchisee or any of its owners discloses or divulges any confidential information provided to Franchisee or its owners by SARAH, or fails to obtain execution of covenants and related agreements required under this Agreement within thirty (30) days after being requested to do so by SARAH;

(13) If a transfer upon death or permanent disability is not made in accordance with this Agreement and within the time periods specified;

(14) If Franchisee knowingly maintains false books or records, or submits any false reports to SARAH;

(15) If Franchisee breaches in any material respect any of the covenants set forth in this Agreement or falsely makes any of the representations or warranties set forth in this Agreement;

(16) If Franchisee fails to procure and maintain insurance policies required by this Agreement and Franchisee fails to cure this default within seven (7) days following notice from SARAH;

(17) If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated with the Marks or SARAH's rights; provided that, notwithstanding the above, Franchisee is entitled to notice this event of default and has twenty-four (24) hours to cure this default; or

(18) If Franchisee or any of its owners repeatedly commits a material event of default under this Agreement, whether or not the defaults are of the same or different nature and whether or not the defaults have been cured by Franchisee after notice by SARAH.

D. Except as provided in this Agreement, SARAH has the right to terminate this Agreement by giving Franchisee thirty (30) days prior written notice of termination stating the nature of the default which constitutes good cause for termination. Franchisee may avoid termination by immediately initiating a remedy to cure the default and curing it to SARAH's satisfaction within the thirty (30) day notice period and by promptly providing proof of the satisfaction to SARAH. If any default is not cured within the specified time or a longer period as applicable may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day notice period or longer period as applicable law may require.

17. **SARAH'S AND FRANCHISEE'S RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT**

A. Upon termination or expiration of this Agreement, all rights granted to Franchisee shall immediately terminate and:

(1) Franchisee must immediately cease to operate the Franchised Business under this Agreement and must not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of SARAH;

(2) Franchisee must immediately and permanently cease to use, in any manner whatsoever, any confidential methods, computer software, procedures and techniques associated with the System and must immediately and permanently cease to communicate or order products from approved suppliers, must immediately and permanently cease to use the Marks and distinctive forms, slogans, signs, symbols and devices associated with the System. Franchisee must cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles which display the Marks;

(3) Franchisee must immediately pay SARAH, within fifteen (15) days after the effective date of termination or expiration (without renewal) of the franchise, Royalties and any interest due SARAH or its affiliates on Royalties. Franchisee must contemporaneously with payment furnish a complete accounting of all amounts owed to SARAH and its affiliates;

(4) Franchisee must, at its expense, immediately make modifications or alterations as are necessary to distinguish the Franchised Business office so clearly from its former appearance and other SARAH Businesses as to prevent any possibility of confusion by the public (including removal of all distinctive physical and structural features identifying SARAH Businesses and removal of all distinctive signs and emblems). Franchisee expressly acknowledges that its failure to make alterations will cause irreparable injury to SARAH and consents to entry, at Franchisee's expense, of any order, by any court of competent jurisdiction, authorizing SARAH or its agents to take action, if SARAH seeks such an order;

(5) Franchisee must take action required to cancel all fictitious or assumed names or equivalent registrations relating to any of the Marks;

(6) Franchisee must notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number, and any regular, classified or other telephone directory listings associated with the Marks and to authorize transfer of same to or at the direction of SARAH. Franchisee acknowledges that as between SARAH and Franchisee, SARAH has the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and Franchisee authorizes SARAH, and appoints SARAH and any officer of SARAH and its attorney in fact, to direct the telephone company and all listing agencies to transfer same to SARAH or at its direction, should Franchisee fail or refuse to do so, and the telephone company and all listing agencies may accept this direction or this Agreement as conclusive of the

exclusive right of SARAH in telephone numbers and directory listings and its authority to direct their transfer;

(7) Franchisee shall, at SARAH's option, assign to SARAH any interest Franchisee has in any lease or sublease for the premises of the Franchised Business. In the event that SARAH does not elect to exercise its option to acquire the lease or sublease for the premises of the Franchised Business, Franchisee shall make such modifications or alterations to the former Franchised Business (including, without limitation, changing of all the interior wallpaper, the perimeter design lighting, decor, et al.) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other SARAH Businesses, and shall make such specific additional changes thereto as SARAH may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section, SARAH shall have the right to enter upon the premises without being guilty of trespass or any other tort, for the purpose of making or causing such changes to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand;

(8) Franchisee must furnish SARAH within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to SARAH of Franchisee's compliance with the foregoing obligations.

B. In addition to the requirements of Section 17(A) above, in the event this Agreement is terminated due to Franchisee's default, Franchisee must pay SARAH a lump sum payment (as liquidated damages and not as a penalty) in an amount equal to: (a) the average monthly Royalty Fee payable by Franchisee over the twelve (12) month period immediately prior to the date of termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (i) twenty-four (24) months or (ii) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages SARAH will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 17(B) shall be in addition to all other amounts payable under this Agreement and shall not affect SARAH's right to obtain appropriate injunctive relief and remedies pursuant to any other provision of this Agreement.

C. Franchisee must pay SARAH all damages, costs and expenses, including reasonable attorneys' fees, incurred by SARAH in connection with obtaining any remedy available to SARAH for any violation of this Agreement and, after the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

D. Franchisee must immediately deliver to SARAH all Operations Manuals, software licensed by SARAH, records, files, instructions, correspondence, all materials related to operating the Franchised Business, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession or control and all copies (all of which are acknowledged to be SARAH's property), and must not retain any copy or record of any of the foregoing, except Franchisee's copy of this

Agreement and any correspondence between the parties and any other documents which Franchisee reasonably needs to compliance with any provision of law.

E. Franchisee must comply with the restrictions on Confidential Information contained in this Agreement and must also comply with the non-competition covenants contained in this Agreement. Any other person required to execute similar covenants pursuant to this Agreement must also comply with the covenants.

F. SARAH is entitled to assign any and all of its options in this Section 17 to any other party, without the consent of Franchisee.

G. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable training, trade secrets and confidential information, including, without limitation, information regarding the operational, sales, inventory, control, merchandising, promotional and marketing methods and techniques of SARAH, list of approved suppliers and vendors, and additional techniques and information of SARAH and the System which are beyond the present skills and experience of Franchisee and Franchisee's managers and employees. Franchisee acknowledges that such specialized training, trade secrets and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to this specialized training, trade secrets and confidential information is, therefore, a primary reason why Franchisee is entering into this Agreement. For the protection of the System, Franchisee shall require and obtain execution of contractual non-disclosure covenants from any employees or persons who have received training from SARAH. In consideration for this specialized training, trade secrets, confidential information and rights, Franchisee covenants with respect to Franchisee and for a period of one (1) year following the expiration of termination of this Agreement, that neither Franchisee, its owners nor any of its officers, directors, managers or employees shall, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

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

(2) own, maintain, operate, engage in, or have any financial or beneficial interest (including any interests in any corporations, partnerships, trusts, limited liability companies, incorporated associations or joint ventures) advise, assist, or make loans to, any business that is of a character and concept similar to the SARAH Businesses. As used in this Agreement, the term "similar" means a business which looks like, copies, imitates or operates in a manner similar to a SARAH Business, including, but not limited to, any senior care business, and which business is, or is intended to be, located within a fifty (50) mile radius of the location of any SARAH Business or within fifty (50) miles of the Franchised Business granted by this Agreement at any given time during that period; or

(3) provide, assist or perform seminars and comparable activities relating to businesses which are competitive or similar to SARAH Businesses.

The parties acknowledge and agree that each of the covenants contained in this Section 17 are reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interest of SARAH. The parties agree that each of the covenants in this Section 17 shall be construed as independent of any other covenant or provision of this Agreement.

H. All obligations of the Franchisee which expressly or by their nature survive the expiration or termination of this Agreement continue in full force and effect after its expiration or termination and until they are satisfied or expire.

I. Upon termination of this Agreement for any reason or upon expiration of this Agreement, SARAH shall have the option, to be exercised by written notice delivered within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the assets of the Franchised Business from Franchisee, including such furniture, equipment, signage and supplies specified by SARAH, at the fair market value. However, the purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Marks, SARAH's brand image or other intellectual property or participation in the network of SARAH Businesses. SARAH shall also be entitled to receive an assignment of the lease or sublease for the Franchised Business (or, if assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as SARAH's lease or sublease). If the parties cannot agree on the price of any such items within fifteen (15) days after notice to Franchisee, then the price shall be determined by an appraisal. SARAH and Franchisee shall each select one independent appraiser, and those two (2) appraisers shall select a third appraiser. Each of SARAH and Franchisee shall bear the costs of its chosen appraiser and share equally the costs of the third appraiser. The appraisers shall calculate the purchase price of the applicable items in accordance with this Section 17.H within thirty (30) days after being engaged. The price shall be the average of the three (3) independent appraisals.

If SARAH elects to exercise any option to purchase herein provided, closing shall take place within thirty (30) days after the purchase price shall have been established. SARAH shall be entitled to all customary indemnities, warranties and representations given by the seller of a business in connection with its asset purchase, including, without limitation, indemnities for all actions, events and conditions that existed or occurred prior to the closing of the purchase in connection with the Franchised Business or Franchisee's business and representations and warranties as to: (1) ownership, condition and title to assets; (2) absence of liens and encumbrances relating to the assets; (3) validity of contracts; and (4) liabilities, contingent or otherwise, affecting the assets. If Franchisee cannot deliver clear title to all of the purchased assets as aforesaid, or if there are other unresolved issues, the closing shall be accomplished through an escrow. SARAH shall have the right to set off all amounts due from Franchisee, or due from Franchisee to any creditor, and the cost of the appraisal, if any, against the payment price of such items.

18. **ENFORCEMENT**

A. **Severability and Substitution of Valid Provisions.** Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement is considered severable and if, for any reason, any portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final,

unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which SARAH is a party, that ruling shall not impair the operation of, or have any other effect upon, other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties to this Agreement, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party, otherwise upon Franchisee's receipt of a notice of non-enforcement from SARAH.

If applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by SARAH is invalid or unenforceable, the prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and SARAH has the right, in its sole discretion, to modify the invalid or unenforceable provision, specification, standard of operating procedure to the extent required to be valid and maximum duty permitted by law which is prescribed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions, or any System Standard prescribed by SARAH, any portion or portions which a court may hold to be unenforceable in a final decision to which SARAH is a party, or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in that jurisdiction, unless SARAH elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

B. **Waiver of Obligations.** No delay, waiver, omission or forbearance on the part of SARAH to exercise any right, option, duty or power arising out of any breach or default by Franchisee under this Agreement constitutes a waiver by SARAH to enforce any right, option, duty or power against Franchisee or as to any subsequent breach or default by Franchisee. Acceptance by SARAH of any payments due to it subsequent to the time at which the payment is due, is not deemed to be a waiver of SARAH of any preceding breach by Franchisee of any terms, provisions, covenants or conditions of this Agreement. SARAH specifically is not deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant, or to declare any breach to be a default and to terminate the franchise before the expiration of its term) by virtue of any custom or practice of the parties at variance with the terms of this Agreement; any failure, refusal or neglect of SARAH to exercise any right under this Agreement or to insist upon exact compliance by the Franchisee with its obligations, including any System Standard.

C. **Force Majeure.** Neither SARAH nor Franchisee are liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from:

- (1) transportation shortages, inadequate supply of material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency;

- (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency;
- (3) acts of God;
- (4) fires, strikes, embargoes, war or riot; or
- (5) any other similar event or cause.

Any delay resulting from any causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

D. **Specific Performance/Injunctive Relief.** Nothing bars SARAH's right to obtain performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause it loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee agrees that SARAH may have injunctive relief, upon due notice, in addition to further and other relief as may be available at equity or law. Franchisee has remedies as may be available at equity or law, including the dissolution of injunction if the entry of injunction is vacated.

E. **Rights of Parties are Cumulative.** The rights of SARAH and Franchisee under this Agreement are cumulative and no exercise or enforcement by SARAH or Franchisee of any right or remedy precludes the exercise or enforcement by SARAH or Franchisee of any other right or remedy which SARAH or Franchisee is entitled by law to enforce.

F. **Costs and Attorneys' Fees.** If a claim for amounts owed by Franchisee to SARAH or any of its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if SARAH or Franchisee is required to enforce this Agreement in a judicial proceeding, the party prevailing in the proceeding is entitled to reimbursement of its costs and expenses incurred, including reasonable accounting and legal fees.

G. **Governing Law.** To the extent not inconsistent with applicable law, this Agreement and the offer and sale of the Franchise is governed by the substantive laws (and expressly excluding the choice of law) of the State of Ohio.

H. **Exclusive Jurisdiction.** Franchisee and SARAH agree that any action arising out of or relating to this Agreement (including the offer and sale of the Franchise) shall be instituted and maintained only in a state or federal court of general jurisdiction in Stark County, Ohio and Franchisee irrevocably submits to the jurisdiction of that court and waives any objection it may have to either the jurisdiction or venue of the court. Franchisee and SARAH agree that venue for any proceeding relating to or arising out of this Agreement shall be in Stark County, Ohio; provided, however, with respect to any action:

- (1) for monies owed;
- (2) for injunctive or other extraordinary relief; or

(3) involving possession or disposition of, or other relief relating to, real property SARAH may bring that action in any state or federal district court which has jurisdiction.

Franchisee and SARAH acknowledge that the agreement between the parties regarding applicable state law and forum set forth in this Agreement provides each of the parties with a mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Franchisee and SARAH further acknowledge the receipt and sufficiency of mutual consideration for this benefit.

I. **Binding Effect.** This Agreement is binding upon the parties in this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and SARAH.

J. **Construction.** This Agreement, the documents referred to in this Agreement, and the attachments to this Agreement, including the Attachments, constitute the entire, full and complete Agreement between SARAH and Franchisee concerning the subject matter of this Agreement and supersedes all prior related agreements between SARAH and Franchisee. Except for those permitted to be made unilaterally by SARAH, no amendment, change or variance from this Agreement is binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that SARAH made in the most recent franchise disclosure document (including its attachments and amendments) that SARAH delivered to Franchisee or its representative.

The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of sections or paragraphs.

References in this Agreement to "Franchisee" apply to one or more persons or an Entity, as the case may be, and the singular usage includes the plural, and the masculine and neuter usages include the other and the feminine.

The words "include," "including," and words of similar import, whenever used in this Agreement, mean "including, by way of example only and without limitation," and the terms following such words shall not be interpreted as representing an exclusive or exhaustive list of the appropriate subject matter.

If two (2) or more persons are at any time the owners of the Franchise and the Franchised Business, whether as partners or joint venturers, their obligations and liabilities to SARAH will be joint and several. References to "owner" mean any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in Franchisee (or a transferee of this Agreement and the Franchised Business or an interest in Franchisee), including, without limitation, any person who has a direct or indirect interest in Franchisee (or a transferee), this Agreement, the Franchise, or the Franchised Business and any person who has any other legal or equitable

interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights or assets. “Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term “Franchised Business” includes all of the assets of the SARAH Business Franchisee operates under this Agreement.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

K. **Independent Contractor and Indemnification.** It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship, agency relationship, or employer-employee relationship. Franchisee is and shall be an independent contractor at all times during the term of this Agreement. SARAH is not the employer or joint employer of the Franchised Business’ employees. Franchisee is solely responsible for the management and operation of the Franchised Business and the supervision of the Franchised Business’ employees. SARAH will not exercise direct or indirect control over the working conditions of the Franchised Business’ employees, except to the extent that such indirect control is related to SARAH’s legitimate interest in protecting the quality of SARAH’s products, services or brand. SARAH does not share or codetermine the terms and conditions of employment of the Franchised Business’ employees and does not affect matters relating to the employment relationship between Franchisee and the Franchised Business’ employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions.

During the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from SARAH. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the premises, the content and form of which SARAH reserves the right to specify.

It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on SARAH’s behalf, or to incur any debt or other obligation in SARAH’s name.

Franchisee agrees to indemnify and hold SARAH free and harmless from and against any and all claims, causes of action, lawsuits, damages, injunctive action, actions, liabilities and penalties or fines arising from Franchisee’s operation of the Franchised Business, including, but not limited to, all costs, damages, reasonable attorneys’ fees and any and all other expenses associated therewith.

19. **WAIVER OF DAMAGES**

Franchisee hereby waives, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against SARAH, its affiliates, and the officers, directors,

shareholders, partners, agents, attorneys, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, arising out of any cause whatsoever (whether that cause is based on contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Franchisee is limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) continues in full force and effect.

20. **NOTICES AND PAYMENTS**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operations Manual shall be deemed so delivered at the time delivered by hand, one business day after sending by telegraph or comparable electronic system or three (3) business days after placed in the U.S. mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

All payments and reports required by this Agreement shall be directed to SARAH at the address notified to Franchisee, or to other persons and places as SARAH may direct. Any required payment or report not actually received by SARAH during regular business hours on the date due or properly placed in the U.S. mail and postmarked by postal authorities at least three (3) business days before the date due, are deemed delinquent.

21. **ARBITRATION**

Except as specifically otherwise provided in this Agreement, and except for any dispute arising out of the payment of monies owed by Franchisee to SARAH, the parties agree that any and all disputes between them shall be determined solely and exclusively by arbitration under the Federal Arbitration Act, as amended, and in accordance with the rules then obtaining of the American Arbitration Association or any successor, at its offices nearest SARAH's principal place of business, unless the parties otherwise agree in writing. The arbitrator shall have no authority to select a hearing locale other than as described in the prior sentence. The parties agree that any arbitration between SARAH and Franchisee shall be Franchisee's individual claim and that all claims subject to arbitration shall not be arbitrated on a class-wide basis.

This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

[Signature Page Follows]

The parties hereto have executed this Franchise Agreement on the day and year first above written.

**SARAH ADULT DAY SERVICES,
INC.,** an Ohio corporation

**FRANCHISEE:
(IF A CORPORATION, LIMITED
LIABILITY COMPANY OR
PARTNERSHIP):**

By: _____
Merle Griff, Ph.D.

[Name]

Title: President

By: _____

Title: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

ATTACHMENT 1

BASIC TERMS

Address of Franchised Business:

If Franchisee has not yet located or acquired a site for the Franchised Business as of the date of this Agreement, the site will not be identified until Franchisee finds and acquires the site, as provided in Section 3.B, but Franchisee may look for and acquire the site within the following Site Acquisition Area:

However, notwithstanding the foregoing, such Site Acquisition Area excludes any area which is subject to territorial rights that SARAH granted under any franchise agreement or development rights agreement for SARAH Businesses signed prior to the date of this Agreement.

Protected Area:

To Be Opened By:

ATTACHMENT 2
TO THE FRANCHISE AGREEMENT
BETWEEN SARAH ADULT DAY SERVICES, INC.
AND _____
DATED _____

Effective Date: This Attachment 2 is current and complete as of

Franchisee and its Owners

Franchisee and its owners represent and warrant to SARAH as follows:

1. Form of Ownership (Check One)

- ☐ Individual Proprietorship
- ☐ Partnership
- ☐ Corporation (C Corp)
- ☐ Corporation (S Corp)
- ☐ Limited Liability Company

2. Officers and Principals: The officers and principal employees for Franchisee are:

NAME	TITLE
1) _____	_____ (Managing Owner*)
2) _____	_____
3) _____	_____
4) _____	_____

*** [Franchisee's Managing Owner as defined in the Franchise Agreement, Paragraph 5.A, "Training"]**

3. Ownership Interest: The following list includes the full name of each person who is one of Franchisee's owners (as defined in the Franchise Agreement) and fully describes the nature and amount of each owner's interests (attach additional pages if necessary).

NAME	OWNERSHIP INTEREST % **	ADDRESS
1) _____	_____	_____
2) _____	_____	_____
3) _____	_____	_____
4) _____	_____	_____

**** [Percentage of total shares, units, or partnership interest]**

**SARAH ADULT DAY SERVICES,
INC.,** an Ohio corporation

By: _____
Merle Griff, Ph.D.

Title: President

**FRANCHISEE:
(IF A CORPORATION, LIMITED
LIABILITY COMPANY OR
PARTNERSHIP):**

[Name]

By: _____

Title: _____

Dated: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Dated: _____

ATTACHMENT 3

AUTHORIZATION AGREEMENT AUTOMATIC DEPOSITS (ACH WITHDRAWALS)

Franchisor Name: **SARAH ADULT DAY SERVICES, INC.**

I (We) hereby authorize Sarah Adult Day Services, Inc., hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name: _____ Branch: _____

City: _____ State: _____ Zip: _____ Phone: _____

ACH/Routing Number: _____ Account Number: _____
(Nine Digits)

This authorization is to remain in full force and effect until Franchisor has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 9 and 17 of the Franchise Agreement.

Print Franchisee / Account Holder Name

Print Franchisee/Co-Account Holder Name

Franchisee/ Account Holder Signature-Date

Franchisee/Co-Account Holder Signature-Date

Daytime Phone Number

Email Address

PLEASE ATTACH A VOIDED CHECK TO THIS FORM

Please Return Form to:

SARAH ADULT DAY SERVICES, INC.

4942 Higbee Avenue SW
Canton, Ohio, 44718

EXHIBIT D

RIDERS

SATELLITE CENTER

SUPPLEMENT TO FRANCHISE AGREEMENT

THIS SATELLITE CENTER SUPPLEMENT TO FRANCHISE AGREEMENT (this “Supplement”) is entered into, effective as of _____ (the “Effective Date”), by and between Sarah Adult Day Services, Inc., an Ohio corporation with its principal place of business located at 4942 Higbee Avenue NW, Suite H, Canton, Ohio, 44718 (the “Franchisor”) and _____, a(n) _____, with its principal place of business located _____ and _____’s principal(s) _____, an individual residing at _____ and _____, an individual residing at _____ (“Principal(s)”). _____ and Principal(s) shall be collectively referred to in this Supplement as the “Franchisee”.

WITNESSETH:

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement dated _____ which grants Franchisee the rights to operate a SARAH business at and from an approved Site with a street address of _____, (the “Franchised Business”) in accordance with said agreement (the “Franchise Agreement”);

WHEREAS, Franchisee desires to operate a satellite center (the “Satellite Center”) in conjunction with the Franchised Business operated under the Franchise Agreement; and

WHEREAS, Franchisor agrees to permit Franchisee to operate the Satellite Center, strictly in accordance with the terms and conditions contained herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the mutual promises and covenants herein contained and in the Franchise Agreement, the parties hereto, intending to be legally bound hereby, do covenant and agree as follows:

1. **Supplement to Franchise Agreement.** This Supplement modifies and amends the Franchise Agreement only to the extent set forth herein. In the event of a conflict between the terms of this Supplement and the terms of the Franchise Agreement, the terms of this Supplement shall control. Capitalized terms used herein, which are not otherwise defined, shall have the meaning ascribed to such terms in the Franchise Agreement.

2. **Grant of Right.** Franchisor hereby grants to Franchisee the right to operate a Satellite Center located at _____, using the System and Franchisor’s Proprietary Marks in accordance with this Supplement and the Franchise Agreement (the “Additional Grant”).

3. **Initial Fee.** In consideration of the Additional Grant to Franchisee by Franchisor, Franchisee shall pay Franchisor an Additional Grant franchise fee of Two Thousand Five Hundred Dollars (\$2,500.00), in full, when Franchisee signs this Supplement. The Additional Grant franchise fee is non-refundable and is deemed fully earned upon payment in consideration of

administrative and other expenses Franchisor incurs in granting the Additional Grant and for Franchisor's lost or deferred opportunity to grant such rights to others.

4. **Term.** The term ("Term") of this Supplement, the Additional Grant pursuant to Paragraph 2 above, and the rights and obligations of the parties set forth herein, shall commence on the Effective Date and shall expire, unless sooner terminated, upon termination or expiration of the Franchise Agreement; provided however, those provisions, which by their nature survive the termination or expiration of this Supplement, shall so survive. **Franchisee acknowledges and accepts that (i) Franchisor makes no representation that Franchisee's operation of the Satellite Center will be successful or profitable during the Term, and (ii) Franchisor, in its sole discretion, may decline to extend or renew the Additional Grant or may cease offering SARAH goods and services through the use of a satellite center, as part of the SARAH franchise system or otherwise at the end of the Term.**

5. **Operational Requirements.** Franchisee shall operate the Satellite Center in strict conformity with the occupancy agreement therefor (the "Occupancy Agreement") and Franchisor's standards, methods, policies, and procedures specified in the Operations Manual and as from time to time otherwise prescribed in writing. Franchisee shall commence operation of the Satellite Center within one hundred twenty (120) days following the effective date of the Occupancy Agreement. Prior to operating the Satellite Center, Franchisee shall; (i) complete installation of all required furniture, fixtures and equipment thereon, (ii) obtain all required licenses, permits and insurance to operate the Satellite Center, and (iii) hire all staff necessary to operate the Satellite Center in accordance with Franchisor's specifications. Franchisee's failure to commence operation within the timeframe required shall be a default of this Supplement.

6. **Inclusion Under Applicable Terms.** All references in the Franchise Agreement to the Franchised Business or Franchise shall be deemed to include Franchisee's Additional Grant and operation of the Satellite Center pursuant to this Supplement. Accordingly, all of Franchisee's obligations with regard to the Franchised Business and Franchise are applicable to Franchisee's Additional Grant and operation of the Satellite Center, including, but not limited to, Franchisee's insurance and indemnification obligations and Franchisee's obligations to record Gross Sales at, from and through the operation of the Satellite Center and to pay Royalty Fees thereon. Franchisee's default of any obligation, whether set forth in this Supplement or in the Franchise Agreement, as such may relate to the Additional Grant and operation of the Satellite Center, including but not limited to, default of the occupancy agreement therefor, shall be a default of the Franchise Agreement and all rights and obligations of Articles 16 and 17 of the Franchise Agreement shall apply.

7. **Royalty Fee.** Notwithstanding any rate to the contrary set forth in Section 9B of the Franchise Agreement, Franchisee shall pay a monthly Royalty Fee of two percent (2%) of Gross Sales generated monthly at, from and through the operation of the Satellite Center. Franchisee shall keep a separate accounting of Gross Sales realized from the operation of the Satellite Center and shall submit to Franchisor a separate Royalty report of the Satellite Center's earnings no later than the date that the applicable Royalty payment is due

8. **Protected Area.** Franchisee acknowledges that the Satellite Center may be outside the Protected Area set forth in the Franchise Agreement, provided that the Satellite Center is not

located in another SARAH franchisee's Protected Area or the market area of any SARAH Care outlet operated by Franchisor or Franchisor's affiliate(s). Franchisee further acknowledges and agrees that Franchisee will not receive an additional Protected Area in relation to the Satellite Center.

9. License Requirements. At Franchisee's sole cost and expense, Franchisee shall obtain all required permits and licenses required to operate the Satellite Center and shall file all required state and/or local registration and inspection reports for the Satellite Center. Franchisee shall submit such reports to Franchisor, upon Franchisor's request.

10. Insurance. Franchisee shall carry such supplemental liability and property insurance for operation of the Satellite Center, as required by the occupancy agreement therefor and as directed by Franchisor, and shall make Franchisor and Franchisee's affiliates additional named insureds under such coverage. Franchisee's policy shall contain a provision that, although named as an insured, Franchisor shall nevertheless be entitled to recover under such policy for any loss occasioned by Franchisor, Franchisor's affiliates and/or either's servants, agents or employees by reason of Franchisee's negligence or that of Franchisee's servants, agents or employees. Franchisee shall provide Franchisor a copy of the policy's declarations page evidencing this coverage. In the event that Franchisor obtains such supplemental insurance on Franchisee's behalf, Franchisee shall reimburse Franchisor for any insurance premiums or other insurance costs that Franchisor so incurs. Franchisee hereby authorizes Franchisor to effect an electronic funds transfer or ACH payment to collect these reimbursements.

11. Indemnification. Franchisee agrees to indemnify, defend and hold Franchisor, Franchisor's affiliates and their respective shareholders, members, directors, officers, employees, agents, successors and assignees harmless against and to reimburse them for all claims, obligations, liabilities and damages, including any and all attorney's fees, directly or indirectly arising out of, in whole or in part, Franchisee's possession, use and operation of the Satellite Center, including but not limited to, providing health-related care, supervision or companionship therefrom. The provisions of this Paragraph 11 shall continue in full force and effect notwithstanding the expiration or termination of this Supplement.

12. Default. In the event that Franchisee (i) fails to pay any amount due to Franchisor pursuant to the Franchise Agreement or this Supplement, (ii) fails to maintain and/or operate the Satellite Center in accordance with Franchisor's standards, (iii) fails to maintain insurance as required, (iv) otherwise breaches any covenant of Franchisee set forth herein, (v) defaults under the occupancy agreement for the Satellite Center, or (vi) defaults under the Franchise Agreement, Franchisee shall be in default hereunder without opportunity to cure, and upon notice by Franchisor, the Additional Grant shall immediately terminate.

13. Termination or Expiration. At the expiration or earlier termination of the Term, Franchisee shall comply with all post-term obligations set forth in Article 17 of the Franchise Agreement, as applicable. In particular, Franchisee shall promptly remove all trademarks, logos, and other identifiers of the SARAH brand from the Satellite Center and make all other changes and modifications as Franchisor directs so as to effectively distinguish the Satellite Center from any appearance that it is associated with Franchisor or the SARAH System. The provisions of this Paragraph 13 shall continue in full force and effect notwithstanding the expiration or termination

of this Supplement.

14. Release. Franchisee hereby releases and discharges Franchisor, Franchisor's affiliates and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and Franchisor'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, that Franchisee, or Franchisee'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 Effective Date of this Supplement arising out of or related to the Franchised Business, Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

15. No Transfer. The terms of this Supplement and Additional Grant given hereunder are personal to Franchisee and are not transferable to any other party.

16. Effect. Except as modified by this Supplement, the Franchise Agreement and all of the covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified, confirmed and incorporated herein.

-Remainder of Page Intentionally Blank-

The parties hereto have duly executed this Supplement to the Sarah Adult Day Services, Inc. Franchise Agreement on the date first above written.

FRANCHISOR:
SARAH ADULT DAY SERVICES, INC.

By:_____

Merle Griff, President
(Print Name, Title)

FRANCHISEE:

By:_____

_____,
(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

SARAHCARE AT HOME

RIDER TO FRANCHISE AGREEMENT

THIS RIDER TO FRANCHISE AGREEMENT (this “Rider”) is entered into, effective as of _____ (the “Effective Date”), by and between Sarah Adult Day Services, Inc., an Ohio corporation with its principal place of business located at 4942 Higbee Avenue NW, Suite H, Canton, Ohio, 44718 (the “Franchisor”) and _____, a(n) _____, with its principal place of business located _____ and _____’s principal(s) _____, an individual residing at _____ and _____, an individual residing at _____ (“Principal(s)”). _____ and Principal(s) shall be collectively referred to in this Rider as the “Franchisee”.

WITNESSETH:

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement dated _____ which grants Franchisee the rights to operate a SarahCare Center in _____, (the “Franchised Business”) in accordance with said agreement (the “Franchise Agreement”);

WHEREAS, Franchisor has developed proprietary methods for in-home senior care using Franchisor’s trademarks (the “SARAH At-Home Services”);

WHEREAS, Franchisee desires to provide SARAH At-Home Services in conjunction with Franchised Business; and

WHEREAS, Franchisor has agreed to permit Franchisee to provide SARAH At-Home Services subject to the terms and conditions contained herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the mutual promises and covenants herein contained and in the Franchise Agreement, the parties hereto, intending to be legally bound hereby, do covenant and agree as follows:

1. **Recitals.** All Recitals set forth above are hereby incorporated into and made a part of this Rider.

2. **Rider to Franchise Agreement.** This Rider supplements, modifies and amends the Franchise Agreement only to the extent set forth herein. In the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control. Capitalized terms used herein, which are not otherwise defined, shall have the meaning ascribed to such terms in the Franchise Agreement.

3. **Grant of Right.** Franchisor hereby grants to Franchisee the right to offer and perform SARAH At-Home Services, using the System and Franchisor’s Proprietary Marks in accordance with this Rider and the Franchise Agreement (the “Additional Grant”). Franchisee specifically acknowledges that the Additional Grant permits Franchisee to perform SARAH At-Home Services

in the Protected Area only. Notwithstanding, Franchisee may solicit and/or service a client that resides outside of the Protected Area, provided that (i) the client does not reside in an area serviced by Franchisor or another SARAH franchisee, and (ii) Franchisee did not solicit the client in violation of the Franchise Agreement, this Rider or the Operations Manual.

4. Additional Grant Fee. In consideration of the Additional Grant to Franchisee by Franchisor, Franchisee shall pay Franchisor an Additional Grant Fee of Twenty-Five Thousand Dollars (\$25,000.00), in full, when Franchisee signs this Rider. The Additional Grant Fee is non-refundable and is deemed fully earned upon payment in consideration of administrative and other expenses Franchisor incurs in granting the Additional Grant and for Franchisor's lost or deferred opportunity to grant such rights to others.

5. Term. The term ("Term") of this Rider, the Additional Grant pursuant to Paragraph 3 above, and the rights and obligations of the parties set forth herein, shall commence on the Effective Date and shall expire, unless sooner terminated, upon termination or expiration of the Franchise Agreement; provided however, those provisions, which by their nature survive the termination or expiration of this Rider, shall so survive. **Franchisee acknowledges and accepts that (i) Franchisor makes no representation that Franchisee's Additional Grant to perform SARAH At-Home Services will be successful or profitable during the Term, and (ii) Franchisor, in its sole discretion, may decline to extend or renew the Additional Grant or may cease offering SARAH At-Home Services as part of the SARAH franchise system or otherwise at the end of the Term.**

6. Operational Requirements. Franchisee shall perform SARAH At-Home Services in strict conformity with Franchisor's standards, methods, policies, and procedures specified in the Operations Manual and as from time to time otherwise prescribed in writing. Prior to Franchisee's provision of SARAH At-Home Services, Franchisee shall: (i) obtain all additional required licenses, permits and insurance to offer SARAH At-Home Services, (ii) complete all additional training required by Franchisor, and (iii) hire all staff necessary to provide SARAH At-Home Services in accordance with Franchisor's specifications. Franchisee shall file all state and/or local reports that may be required for the provision of SARAH At-Home Services and shall submit such reports to Franchisor, upon Franchisor's request.

7. Inclusion Under Applicable Terms. All references in the Franchise Agreement to the Franchised Business shall be deemed to include Franchisee's Additional Grant and provision of SARAH At-Home Services pursuant to this Rider. Accordingly, all of Franchisee's obligations with regard to the Franchised Business are applicable to Franchisee's Additional Grant and provision of SARAH At-Home Services, including, but not limited to, Franchisee's insurance and indemnification obligations and Franchisee's obligations to record Gross Sales at, from and through the provision of SARAH At-Home Services and to pay Royalty Fees thereon. Franchisee's default of any obligation, whether set forth in this Rider or in the Franchise Agreement, as such may relate to the Additional Grant and provision of SARAH At-Home Services, shall be a default of the Franchise Agreement and all rights and obligations of Articles 16 and 17 of the Franchise Agreement shall apply.

8. Royalty Fee. Notwithstanding any rate to the contrary set forth in Section 9B of the Franchise Agreement, Franchisee shall pay a monthly Royalty Fee of five percent (5%) of Gross

Sales generated monthly from and through the provision of SARAH At-Home Services. Franchisee shall keep a separate accounting of Gross Sales realized from the provision of SARAH At-Home Services and shall submit to Franchisor a separate Royalty report of SARAH At-Home Services earnings within the time period set forth in Section 9D of the Franchise Agreement.

9. Additional Insurance. Franchisee shall carry appropriate liability insurance for the provision of SARAH At-Home Services, in no less than the minimum amounts required by Franchisor, and shall make Franchisor and Franchisee's affiliates additional named insureds under such coverage. Franchisee's policy shall contain a provision that, although named as an insured, Franchisor shall nevertheless be entitled to recover under such policy for any loss occasioned by Franchisor, Franchisor's affiliates and/or either's servants, agents or employees by reason of Franchisee's negligence or that of Franchisee's servants, agents or employees. Franchisee shall provide Franchisor a copy of the policy's declarations page evidencing this coverage.

10. Default. In the event that Franchisee (i) fails to pay any amount due to Franchisor pursuant to the Franchise Agreement or this Rider, (ii) fails to maintain insurance as required, (iii) otherwise breaches any covenant of Franchisee set forth herein, or (iv) defaults under the Franchise Agreement, Franchisee shall be in default hereunder without opportunity to cure, and upon notice by Franchisor, the Additional Grant shall immediately terminate.

11. Release. Franchisee hereby forever releases and discharges Franchisor, Franchisor's affiliates and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and Franchisor'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, that Franchisee, or Franchisee's heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever occurring at any time prior to the Effective Date of this Rider and arising out of or related to the Franchised Business or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

12. No Transfer. The terms of this Rider and Additional Grant given hereunder are personal to Franchisee and are not transferable to any other party.

13. Effect. Except as modified by this Rider, the Franchise Agreement and all of the covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified, confirmed and incorporated herein. The parties hereto have duly executed this Rider to the Sarah Adult Day Services, Inc. Franchise Agreement on the date first above written.

FRANCHISOR:
SARAH ADULT DAY SERVICES, INC.

By:_____

Merle Griff, President
(Print Name, Title)

FRANCHISEE:

By:_____

_____,
(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

RIDER TO FRANCHISE AGREEMENT

THIS RIDER TO FRANCHISE AGREEMENT (this “Rider”) is entered into, effective as of _____ (the “Effective Date”), by and between Sarah Adult Day Services, Inc., an Ohio corporation with its principal place of business located at 4942 Higbee Avenue NW, Suite H, Canton, Ohio, 44718 (the “Franchisor”) and _____, a(n) _____, with its principal place of business located _____ and _____’s principal(s) _____, an individual residing at _____ and _____, an individual residing at _____ (“Principal(s)”). _____ and Principal(s) shall be collectively referred to in this Rider as the “Franchisee”.

WITNESSETH:

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement dated _____ which grants Franchisee the rights to operate a SarahCare Center in _____, (the “Franchised Business”) in accordance with said agreement (the “Franchise Agreement”);

WHEREAS, Franchisor has developed the proprietary programs for senior physical fitness (“Studio 55”) and cognitive fitness (“Brain Gym”) using Franchisor’s trademarks (collectively “Supplemental Program(s)”)

WHEREAS, Franchisee desires to offer one or more Supplemental Program(s) at the Franchised Business premises operated pursuant to the Franchise Agreement; and

WHEREAS, Franchisor agrees to permit Franchisee to offer one or more Supplemental Program(s) at the Franchised Business premises, subject to the terms and conditions contained herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the mutual promises and covenants herein contained and in the Franchise Agreement, the parties hereto, intending to be legally bound hereby, do covenant and agree as follows:

1. **Recitals.** All Recitals set forth above are hereby incorporated into and made a part of this Rider.

2. **Rider to Franchise Agreement.** This Rider supplements, modifies and amends the Franchise Agreement only to the extent set forth herein. In the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control. Capitalized terms used herein, which are not otherwise defined, shall have the meaning ascribed to such terms in the Franchise Agreement.

3. **Grant of Right.** Franchisor hereby grants to Franchisee the right to offer and perform the following Supplemental Program(s), using the System and Franchisor’s Proprietary Marks in accordance with this Rider and the Franchise Agreement (the “Additional Grant”):

_____ Studio 55

_____ Brain Gym

4. **Initial Fee.** In consideration of the Additional Grant to Franchisee by Franchisor, Franchisee shall pay Franchisor an Additional Grant Fee of Twelve Thousand Five Hundred Dollars (\$12,500.00) for the grant of **either** Studio 55 **or** Brain Gym, or Twenty Thousand Dollars (\$20,000.00) for the grant of both, in full, when Franchisee signs this Rider. The Additional Grant Fee is non-refundable and is deemed fully earned upon payment in consideration of administrative and other expenses Franchisor incurs in granting the Additional Grant and for Franchisor's lost or deferred opportunity to grant such rights to others.

5. **Term.** The term ("Term") of this Rider, the Additional Grant pursuant to Paragraph 2 above, and the rights and obligations of the parties set forth herein, shall commence on the Effective Date and shall expire, unless sooner terminated, upon termination or expiration of the Franchise Agreement; provided however, those provisions, which by their nature survive the termination or expiration of this Rider, shall so survive. **Franchisee acknowledges and accepts that (i) Franchisor makes no representation that Franchisee's Additional Grant to offer Studio 55 and/or Brain Gym will be successful or profitable during the Term, and (ii) Franchisor, in its sole discretion, may decline to extend or renew the Additional Grant or may cease offering the Studio 55 and/or Brain Gym program(s) as part of the SARAH franchise system or otherwise at the end of the Term.**

6. **Operational Requirements.** Franchisee shall offer Supplemental Program(s) in strict conformity with Franchisor's standards, methods, policies, and procedures specified in the Operations Manual and as from time to time otherwise prescribed in writing. Prior to Franchisee's provision of and Supplemental Program(s), Franchisee shall; (i) obtain all required licenses, permits and insurance to offer Supplemental Program(s), (ii) complete all additional training required by Franchisor, and (iii) hire all staff necessary to provide Supplemental Program(s) in accordance with Franchisor's specifications.

7. **Equipment Purchase.** Franchisee shall, at Franchisee's sole expense, purchase any additional equipment and/or software Franchisor requires to provide the Supplemental Program(s). Franchisee shall make such purchases only from those supplier(s) approved or designated by Franchisor. Franchisee's failure to use approved or designated supplier(s) shall be a material default of the Franchise Agreement.

8. **Inclusion Under Applicable Terms.** All references in the Franchise Agreement to the Franchised Business shall be deemed to include Franchisee's offer and provision of Supplemental Program(s) pursuant to this Rider. Accordingly, all of Franchisee's obligations with regard to the Franchised Business are applicable to Franchisee's offer and provision of Supplemental Program(s), including, but not limited to, Franchisee's insurance and indemnification obligations and Franchisee's obligations to record Gross Sales from and through the provision of Supplemental Program(s) and to pay Royalty Fees thereon. Franchisee's default of any obligation, whether set forth in this Rider or in the Franchise Agreement, as such may relate to the Additional Grant and provision of Supplemental Program(s), shall be a default of the Franchise Agreement and all rights and obligations of Articles 16 and 17 of the Franchise Agreement shall apply.

9. **Royalty Fee.** Notwithstanding any rate to the contrary set forth in Section 9B of the Franchise Agreement, Franchisee shall pay a monthly Royalty Fee on all Gross Sales generated monthly from and through Supplemental Program(s), as follows:

_____ Five percent (5%) of Gross Sales for Studio 55

_____ Three percent (3%) of Gross Sales for Brain Gym

_____ Seven percent (7%) of Gross Sales for both Studio 55 & Brain Gym

Franchisee shall keep a separate accounting of Gross Sales realized from Studio 55 and Brain Gym, as applicable, and shall submit to Franchisor a separate Royalty report of Studio 55 and/or Brain Gym earnings within the time period set forth in Section 9D of the Franchise Agreement.

9. **Additional Insurance.** Franchisee shall carry appropriate liability insurance for the provision of the Studio 55 and/or Brian Gym, in no less than the minimum amounts required by Franchisor, and shall make Franchisor and Franchisee's affiliates additional named insureds under such coverage. Franchisee's policy shall contain a provision that, although named as an insured, Franchisor shall nevertheless be entitled to recover under such policy for any loss occasioned by Franchisor, Franchisor's affiliates and/or either's servants, agents or employees by reason of Franchisee's negligence or that of Franchisee's servants, agents or employees. Franchisee shall provide Franchisor a copy of the policy's declarations page evidencing this coverage.

10. **Default.** In the event that Franchisee (i) fails to pay any amount due to Franchisor pursuant to the Franchise Agreement or this Rider, (ii) fails to maintain insurance as required, (iii) otherwise breaches any covenant of Franchisee set forth herein, or (iv) defaults under the Franchise Agreement, Franchisee shall be in default hereunder without opportunity to cure, and upon notice by Franchisor, the Additional Grant shall immediately terminate.

11. **Release.** Franchisee hereby forever releases and discharges Franchisor, Franchisor's affiliates and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and Franchisor'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, that Franchisee, or Franchisee's heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever occurring at any time prior to the Effective Date of this Rider and arising out of or related to the Franchised Business or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

12. **No Transfer.** The terms of this Rider and Additional Grant given hereunder are personal to Franchisee and are not transferable to any other party.

13. **Effect.** Except as modified by this Rider, the Franchise Agreement and all of the covenants, agreements, terms and conditions thereof shall remain in full force and effect and are hereby in all respects ratified, confirmed and incorporated herein.

The parties hereto have duly executed this Rider to the Sarah Adult Day Services, Inc. Franchise Agreement on the date first above written.

The parties hereto have duly executed this Rider to the Sarah Adult Day Services, Inc. Franchise Agreement on the date first above written.

FRANCHISOR:
SARAH ADULT DAY SERVICES, INC.

By:_____

Merle Griff, President
(Print Name, Title)

FRANCHISEE:

By:_____

_____,
(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

EXHIBIT E
TURNKEY AGREEMENT



SarahCare Franchise Turnkey Agreement

THIS TURNKEY AGREEMENT (this "**Agreement**") is made and entered into this day of _____, between **SARAH ADULT DAY SERVICES, INC.**, an Ohio corporation ("**Franchisor**"), with an address of 4942 Higbee Avenue NW, Suite H, Canton, Ohio 44718 and _____, a(n) _____ with an address at _____ ("**Franchisee**").

WITNESSETH:

WHEREAS, Franchisor and Franchisee are parties to a franchise agreement dated _____ which grants Franchisee the rights to operate a SarahCare Center in _____, in accordance with said agreement (the "**Franchise Agreement**");

WHEREAS, Franchisee desires to engage the services of Franchisor to construct Franchisee's SarahCare Center; and

WHEREAS, Franchisor agrees to provide such services the terms and conditions contained herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the mutual promises and covenants herein contained and in the Franchise Agreement, the parties hereto, intending to be legally bound hereby, do covenant and agree as follows:

1. Upon execution of this Agreement, Franchisee shall pay to Franchisor a TurnKey Services Fee of Seventy Thousand Dollars (\$70,000.00). This Fee is non-refundable.

2. Franchisor will provide the following scope of services in each pre-opening phase of development of a new SarahCare Center. Franchisee acknowledges and agrees that all project costs such as architectural fees, share of cost of tenant improvements, and furniture, fixtures and equipment ("FF&E") will be borne by Franchisee.

Phase I – Design and Pre-Construction Phase

- Identify local real estate broker and coordinate efforts to identify a site.
- Negotiate lease terms including cost of tenant improvements. Obtain approval of Franchisee for final lease terms.
- Conduct 3-4 focus groups with potential referral sources. These groups would include certified elder law attorneys, financial managers, geriatric care managers, geriatricians, targeting physician groups, discharge planners, rehabilitation therapists, and other stakeholders. Data collected will be compiled and unmet needs for program and services.

- Utilize data to develop need for unique offerings such as Brain Gym, Studio 55, and intergenerational centers.
- Coordinate requirements with local fire and health inspectors
- Finalize programs and services including space and functionality needs
- Coordinate order for FF&E
- Complete business plan, if needed

The following functions are included in the Franchise Fee:

- Site visit, if needed, to approve final site selection. Coordinate with architect of record on final plan to ensure compliance with state regulations.
- Finalize conceptualization of mission, vision, target population, and intake criteria (Included in Owner's Training)
- Template business plan

Phase II – Construction Phase

- Two field visits during construction
- Write all state specific written policies and procedures required by state licensing agency and funding sources
- Finalize all job descriptions according to state guidelines
- Develop orientation and training programs for all staff levels, including on-line, complete with certifications specific to state and funding requirements.
- Obtain approval for final Personnel Manual
- Develop technology strategies including SOP
- Optimize bid process and finalize orders for local vendors for items such as telephone systems, internet, hazardous waste removal, and office furniture
- Finalize orders with preferred vendors
- Initiate bid process if preferred vendors are not used
- Initiate process for all required licensure and funding
- Conduct transportation study including identification of existing services

The following is included in the Franchise Fee:

- Review equipment lists for all programs and services including nursing, activity, office, and infection control supplies

Phase III – Pre-Opening Activities

- Finalize individual landing page on SarahCare website
- Initiate pre-opening marketing strategy including hiring of Community Outreach Coordinator
- Plan and implement Grand Opening
- Arrange for final printing of marketing collateral
- Interview and hire staff require for opening
- Conduct training and orientation for all staff as hired and commence working in the center
- Conduct all background and license checks as required for initial staff

- Initiate process for transfer of utilities, technology implementation and training including software
- Coordinate chart of accounts and billing process
- Customize all intake forms as required
- Participate in all surveys and inspections when required

The following is included in the Franchise Fee:

- Conduct mock survey
- Provide marketing collateral
- 5-day Operations Training of Executive Director, Nurse, Community Outreach Coordinator (travel and related expenses are not included)
- Train appropriate staff on use of the HUB (intranet site)

3. Franchisee acknowledges that, except as otherwise expressly provided in the Franchise Agreement, Franchisor's provision of services pursuant to this Agreement: is for Franchisee's convenience only; does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that any professional service provider retained by Franchisor, including but not limited to, a real estate broker, architect and/or contractor, is properly licensed or competent and/or that such provider's services are free of error; and cannot, and does not, create a liability for Franchisor.

4. Franchisee acknowledges that all of Franchisee's insurance and indemnification obligations set forth in the Franchise Agreement are in no way affected by this Agreement and such obligations are applicable to the development of the SarahCare Center as contemplated herein.

The parties hereto have duly executed this TurnKey Agreement on the date first above written.

FRANCHISOR:

SARAH ADULT DAY SERVICES, INC.

By: _____

Merle Griff, President

(Print Name, Title)

FRANCHISEE:

By: _____

(Print Name, Title)

EXHIBIT F
MANAGEMENT SERVICES AGREEMENT

ADULT DAY CARE MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (the "*Agreement*"), dated as of _____, 20____, is entered into by and between Sarah Adult Day Services, Inc., an Ohio corporation ("*Manager*"), and _____ an _____ limited liability company ("*Owner*"). Manager and Owner are each also sometimes referred to herein each as "Party" and together as the "Parties".

BACKGROUND

A. Owner is the owner of the real property with an address of _____, which is intended to be developed into an adult day care facility (such real property as improved, together with the equipment and supplies to be located therein, is hereinafter called the "Adult Day Care Center").

B. Owner desires to engage Manager to manage and operate the Adult Day Care Center.

C. Manager is in the business of operating and managing adult day care centers including the design, construction and operation of adult day care centers, and Manager is willing to provide management services with respect to the Adult Day Care Center on the basis, terms and conditions set forth below.

TERMS

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements set forth below, and intending to be legally bound, Manager and Owner agree as follows:

SECTION 1: APPOINTMENT OF MANAGER. Subject to the terms of this Agreement, Owner hereby appoints and employs Manager as operating manager of the Adult Day Care Center, and Manager agrees to act as operating manager of the Adult Day Care Center to supervise, direct and control the day to day business activities, and all phases of the operations of the Adult Day Care Center in the name of and on behalf of Owner and for Owner's account during the term of this Agreement.

SECTION 2: TERM. The term of this Agreement shall commence on the date of execution and shall continue for a period of ten (10) years from the date the Adult Day Care Center is opened to receive clients ("Commencement Date"). After the expiration of the initial ten year term, or any subsequent term, this Agreement shall automatically renew itself in one (1) year period increments. This Agreement shall only be terminated in accordance with Section 10 hereof.

SECTION 3: RESPONSIBILITIES OF MANAGER. Owner and Manager acknowledge and agree that the Manager shall provide the services set forth below regarding the Adult Day Care Center:

3.1 Operation and Affairs. Manage the operations and business affairs of the Adult Day Care Center, including but not limited to marketing, the provision of services and assistance to residents/clients of the Adult Day Care Center, staffing, accounting services (but not audit services), billing, collection, rate-setting and general on-site administration, and evaluating and determining suitable residents/clients for the Adult Day Care Center. In addition, the following services shall be provided by Manager in the operation of the Adult Day Care Center.

3.1(a) Management and Employees. Hire, discipline, terminate, supervise and train, in Manager's reasonable discretion, an adequate staff, as required by program regulations and by law. Such employees shall be employees of the Owner unless otherwise agreed.

3.1(b) Billing, Accounting and Collections. Collect when due charges for supportive services, and other accounts receivable and monies owed to Owner in connection with services provided at the Adult Day Care Center; issue bills for services and materials furnished by the Adult Day Care Center; design and maintain accounting, billing and collection records; and, to the extent applicable, prepare and file, or supervise the preparation and filing of Medicaid and any and all other necessary or desirable billings, applications, reports and claims related to revenue production. Owner expressly constitutes Manager, to the extent permitted by applicable law, as its agent to administer, process and collect, on Owner's behalf and in its name, any third-party receivables. Manager shall have the right to enforce Owner's rights as creditor under any contract relating to the Adult Day Care Center or in connection with rendering any services at the Adult Day Care Center for the purposes of collecting accounts receivable and monies owed the Owner, and Manager shall use diligent efforts to collect all such receivables and monies at Owner's expense.

3.1(c) Repairs and Improvements. Plan, supervise and conduct a program of regular maintenance and repair, at Owner's expense, except that any single physical improvement or series of related improvements (other than budgeted capital items or budgeted maintenance and repair items) costing more than Two Thousand Five Hundred Dollars (\$2,500) for the Adult Day Care Center or exceeding the budgeted amount shall be subject to the prior written approval of Owner, which approval shall not be unreasonably withheld and shall be given by Owner within five (5) business days of the receipt of the request of Manager.

3.1(d) Supplies and Materials. Purchase food, beverage, cleaning and other supplies, equipment, furniture and furnishings necessary for the operation and maintenance of the Adult Day Care Center and contract for all necessary services at the expense of and for the account of Owner, except that the purchase of any single item or series of related items of equipment, furniture or furnishings

(other than budgeted or emergency items at Manager's discretion) which cost more than Two Thousand Five Hundred Dollars (\$2,500) for the Adult Day Care Center shall be subject to the prior written approval of Owner, which approval shall not be unreasonably withheld and shall be given by Owner within five (5) business days of the receipt of the request of Manager.

3.1(e) Payment Services. Provide for the payment of accounts payable, employee payroll, taxes, insurance premiums and other obligations of the Adult Day Care Center at the expense of and for the account of Owner. All and any payments due or paid under this agreement will be made from Owner's funds and Manager is not obligated to make any payments from its own funds.

3.1(f) Community Relations. Establish and carry out appropriate public and community relations programs.

3.1(g) Manuals. Develop and implement policy manuals discussing aspects of the operation of the Adult Day Care Center and provide revisions to such policy manuals from time to time.

3.1(h) Agreements. Negotiate and enter into, in the name of and on behalf of Owner, such agreements, contracts and orders, as Manager may deem necessary or advisable for the furnishing of services, concessions and supplies for the operation and maintenance of the Adult Day Care Center provided that such agreements, contracts and orders shall remain subject to the annual Budget and the direction of the Owner and are not entered into with an Affiliate of the Manager. In the event any such agreements, contracts or orders are for the commitment of funds in excess of Ten Thousand Dollars (\$10,000), or are not terminable on sixty (60) days or less notice, then such contracts shall require Owner's prior written consent, which shall not be unreasonably withheld.

3.1(i) Employee Relations. Handle and settle Adult Day Care Center employee relation matters at the expense of and for the account of Owner, however, that any agreement or employment related contract must be submitted to Owner for its prior approval and provided, further, that the institution of any employee litigation and any settlement thereof involving sums in excess of Two Thousand Five Hundred Dollars (\$2,500) and/or having a material impact upon the operations of the Adult Day Care Center must be approved by Owner in writing, which approval shall not be unreasonably withheld.

3.1(j) Marketing/Sales. Establish and implement a marketing and sales program for the Adult Day Care Center.

3.1(k) Evaluations. Make periodic evaluations of the performances of the Adult Day Care Center and provide written notification to Owner in the event of any material substandard performances.

3.1(l) Accounting and Control Systems. Implement and maintain accounting and internal control systems using accounts and classifications

consistent with those used in other similar adult day care centers operated by Manager and which are designed to prevent fraud, abuse and embezzlement.

3.1(m) Quality Control. Implement and maintain a program to provide objective measurements of the quality of services provided at the Adult Day Care Center, which may utilize resident/client questionnaires and interviews, periodic inspection, and such other techniques, as Manager may reasonably deem necessary to maintain the quality of services at the Adult Day Care Center.

3.1(n) Reporting. Provide to Owner such reports as may reasonably be requested by Owner with respect to accounting matters, budget, operations or such other matters relative to the operation of the Adult Day Care Center as Owner may deem necessary. Such reports, as requested by Owner, are to be produced and delivered by Manager in the timeframe reasonably requested by Owner.

3.1(o) Compliance With All Laws. Implement such policies and procedures so as to cause the operation of the Adult Day Care Center to comply with all applicable federal, state, local, and administrative laws, orders, and guidelines including, without limitation, compliance with all Medicaid laws, rules, and policies, Social Security requirements, privacy and security laws and regulations, and the Health Insurance Portability and Accountability Act of 1996. Manager shall not enter into any agreement with another party which will constitute an illegal referral or kickback arrangement under the federal Medicare/Medicaid Anti-Fraud and Kickback Statute or any other applicable federal or state law or regulation. Nothing contained in this Agreement shall constitute an agreement for referrals or an agreement to offer or receive anything of value as an inducement for referrals. The terms of this Agreement are not dependent upon the amount or volume of resident/client arrangement referrals. The Parties recognize that compensation under this Agreement is based solely on the fair market value of the services rendered. Neither Party shall make or offer or accept any resident/client referrals or arrange or offer to arrange referrals, or provide services or products to residents/clients on any other basis than the fair market value for such products or services rendered.

3.1(p) Manager Cooperation. Manager will reasonably cooperate with Owner in every respect to allow Owner to perform its obligations under this Agreement. Manager will furnish to Owner all information reasonably requested by Owner to perform its obligations hereunder and to allow Owner to comply with the terms and conditions of the project loan documents ("*Records*"). Manager will allow Owner at its request to examine and copy Records in the possession or control of Manager regarding the operations of the Adult Day Care Center.

SECTION 4: RESPONSIBILITIES OF OWNER. Owner makes the following covenants, which are material covenants, and upon which Manager relies as an inducement to enter into this Agreement:

4.1 Cooperation. Owner will reasonably cooperate with Manager to allow Manager to perform its services under this Agreement and will furnish Manager with all information reasonably required by it for the performance of its services under this Agreement. Owner will permit Manager full access to the Adult Day Care Center and, upon written request, will allow Manager to examine and copy, within a reasonable time period of the request, any data not otherwise considered confidential, proprietary, privileged or otherwise limited from disclosure in Owner's reasonable discretion, in the possession and control of Owner affecting management and/or operation of the Adult Day Care Center and, to the extent not protected by HIPAA, state privacy or security regulations, or Adult Day Care Center policies and procedures, the records and other information of the residents.

4.2 Inspection of Documents. Owner will examine documents submitted by Manager and render reasonable decisions pertaining thereto, promptly, to avoid unreasonable delay in the progress of Manager's work. In an emergency situation (as defined below in the last sentence of this Section 4.2), Manager shall not be required to seek or obtain Owner's approval for any actions which Manager, in its reasonable judgment, deems necessary or appropriate to respond to such situations, provided Manager, promptly thereafter reports such action to Owner in writing. Owner shall execute and deliver all applications and other documents that may reasonably be, in the course of fair dealing, best business practices, and in good faith, determined by Manager to be necessary or proper to be executed by Owner in connection with the operation of the Adult Day Care Center. For purposes of this Agreement, an "emergency" shall be deemed to exist in any situation which a reasonable person would find to pose an imminent threat to life, health or property.

4.3 Proprietary Property. Owner agrees that Manager retains all ownership and other rights in all confidential or trade secret information, including proprietary systems, policy and other manuals, materials and other information, in whatever form, developed by Manager in the performance of its services under this Agreement (collectively, "*Manager Property*"). Nothing contained in this Agreement shall be construed as a license or transfer of such information or any other intellectual property (trademarks, patents, etc.) of the Manager or any of its Affiliates to Owner either during the term of this Agreement or otherwise. Upon termination of this Agreement or earlier upon Manager's request, Owner shall immediately return all such information to Manager, provided, however, that in no event will Manager remove such systems or information that is confidential or proprietary to the Owner or residents of the Adult Day Care Center. In connection with the performance of the obligations hereunder, Manager acknowledges that it will have access to "Confidential Information" (as such term is defined below). Manager shall treat such Confidential Information as proprietary to Owner and private, and shall preserve the confidentiality thereof and not disclose, or cause or permit its employees, agents or contractors to disclose, such Confidential Information. Notwithstanding the foregoing, Manager shall have the right to disclose Confidential Information if and only to the extent it is required by court order to disclose any Confidential Information. If Manager or anyone to whom Manager transmits Confidential Information pursuant to this Agreement becomes legally compelled to disclose any of the Confidential Information, Manager shall provide Owner with prompt notice thereof so that

Owner may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Agreement. If such protective order or other remedy is not obtained by Owner or Owner waives compliance with the provisions of this Agreement, Manager shall furnish or cause to be furnished only that portion of the Confidential Information which Manager is required by contract to furnish, and will exercise commercially reasonable efforts to obtain reliable assurances that confidential treatment is accorded the Confidential Information so furnished. All Confidential Information shall remain the property of Owner and Manager shall have no ownership interest therein. "Confidential Information" shall mean the books, records, business practices, methods of operations, computer software, financial projections, financial information, policies and procedures, and all other information relating to Owner and the Adult Day Care Center (excluding any Manager Property), which is not available to the public.

SECTION 5: MANAGEMENT FEES.

5.1 Monthly Management Fee. For the services described in Section 3.1, Owner shall pay to Manager a monthly fee equal to ten percent (10%) of the gross revenue generated by the Adult Day Care Center from all sources during the previous calendar month (the "Management Fee"). Manager shall present to Owner a calculation of the Management Fee each month, and Owner shall pay such Management Fee within five (5) business days after delivery of said calculation to Owner.

5.2 Annual Bonus. Following the commencement of each fiscal year of the Adult Day Care Center during the term of this Agreement, Owner shall pay to Manager a bonus payment equal to [___%] of the amount by which the gross revenue generated by the Adult Day Care Center from all sources during the immediately preceding fiscal year exceeded the budgeted gross revenue for such year as set forth in the Annual Budget (the "Annual Bonus"). Manager shall present to Owner a calculation of the Annual Bonus within 60 days following the commencement of each fiscal year during the term of this Agreement, and Owner shall pay such Annual Bonus within five (5) business days after delivery of said calculation to Owner.

5.3 Other Fees and Reimbursements. In addition to the Management Fee, Owner shall reimburse Manager on demand for all costs incurred by Manager in the operation of the Adult Day Care Center, including those expenses associated with the services set forth in Section 3.1 of this Agreement and, including, without limitation, travel expenses incurred on behalf of the Adult Day Care Center, supply items purchased on behalf of the Adult Day Care Center and budgeted or otherwise approved employment costs and tax contests. Reimbursement of costs incurred by Manager in representing Owner in connection with any and all audits, reviews and Medicaid reimbursement disputes, if applicable, will be separately negotiated and agreed to by and between the Owner and Manager at the time of their occurrence. Notwithstanding the foregoing, Manager shall be solely responsible for costs incurred as a result of Manager's or Owner's cooperation with and defense of investigations, audits, findings, orders, overpayments, or other adverse event by the government or other third party, including but not limited to

repayments, penalties, fines, and other monetary expenditures, as a result of Manager's gross negligence or fraudulent acts.

5.4 Overdue Invoices. Owner shall pay Manager interest on any amounts due to Manager hereunder which are not paid within thirty (30) days of their due date at a rate of one percent (1.0%) per month on the past due balance.

SECTION 6: BUDGETS AND REPORTS.

6.1 Annual Budget. Within ninety (90) days of the date of this Agreement, and no later than sixty (60) days prior to the commencement of each fiscal year of the Adult Day Care Center, Manager shall submit to Owner an annual budget (each an "*Annual Budget*") covering the operations of and proposed capital expenditures to be made with respect to the Adult Day Care Center for the next fiscal year (or the remainder of the current fiscal year, in the case of the initial budget). Owner shall approve or disapprove the Annual Budget submitted by Manager no later than thirty (30) days after submission of Annual Budget by Manager. Unless and until Owner approves the Annual Budget for any year, Manager shall operate the Adult Day Care Center on the basis of the prior year's approved Annual Budget (excluding any extraordinary items) increased by the percentage change in the consumer price index ("*CPI*") released by the United States Department of Labor, Bureau of Labor Statistics in the previous twelve (12) months. If the CPI shall no longer be published or cannot be readjusted, then another index, generally recognized as authoritative, shall be substituted by agreement between the Parties.

6.2 Capital Expenditures. The Annual Budget shall include a capital budget (the "*Capital Budget*") outlining a program of capital expenditures as may be required by applicable law, any lender to Owner or in Manager's reasonable business judgment during the next fiscal year (or the remainder of the current fiscal year, in the case of the initial budget), in which each proposed capital expenditure will be designated as either mandatory, highly recommended or desirable. Owner may approve or reject, in its discretion, each proposed capital expenditure. Manager shall be responsible for designating as a "mandatory capital expenditure" any expenditure which, if not made would, in Manager's judgment, (a) cause the Adult Day Care Center to lose or put at risk its license; (b) place at risk the safety of an Adult Day Care Center resident or employee; (c) cause the ineligibility of the Adult Day Care Center under any third-party payor program applicable to the Adult Day Care Center; (d) cause the issuance of a formal notice that the operating license for the Adult Day Care Center, or any substantial portion of the Adult Day Care Center, will be revoked or suspended or qualified in any material adverse respect; or (e) subject Owner or Manager to criminal prosecution. If Owner disagrees with Manager's designation of an expenditure as a mandatory capital expenditure or otherwise refuses to make funds available for a mandatory capital expenditure, then Manager shall be free to terminate this Agreement on ninety (90) days prior written notice to Owner (or upon fewer days' notice if Manager has reason to believe that Owner's failure to make such mandatory capital expenditure will cause the Adult Day Care Center to be in violation of applicable law).

6.3 Operating Budget. The Annual Budget shall include an operating budget (the “*Operating Budget*”) setting forth an estimate of operating revenues and expenses for the Adult Day Care Center for the next fiscal year (or the remainder of the current fiscal year (or the remainder of the current fiscal year, in the case of the initial budget), together with an explanation of anticipated changes in the Adult Day Care Center. Manager shall provide to the Owner upon written request such other reports, including a cost comparison report, and all appropriate Medicaid reports as may be required under these programs, as are normally provided by Manager to the owners of other similar assisted Adult Day Care Centers managed by Manager.

6.4 Adherence to Budget. Except in the case of an emergency, as defined in Section 4.2 of this Agreement, Manager’s expenditures for the operation and maintenance of the Adult Day Care Center shall not exceed the line item amounts budgeted for such expenditures as set forth in the Annual Budget, unless such additional expenditures are consented to by Owner in writing, such consent not to be unreasonably withheld and shall be given within five (5) business days of receipt of the request from Manager. Notwithstanding the foregoing, in the event that there are savings in budgeted line item amounts (other than capital reserves), then such savings may be transferred to other line items. Manager shall notify Owner of any non-budgeted, emergency expenditure exceeding Five Thousand Dollars (\$5,000) within forty-eight (48) hours following such expenditure.

6.5 Reports. As soon as available and in any event within thirty (30) days after the end of each month, Manager shall provide to Owner a report reconciling the actual operating expenses incurred during such month to the operating expenses shown on the Operating Budget for such month. If actual operating expense has exceeded budgeted operating expenses for the pertinent period, Manager’s report shall advise Owner of the reasons for the discrepancy and set forth Manager’s suggestions for avoiding similar shortfalls in the future. At no additional cost to Owner, Manager shall also furnish (a) monthly census information of the Adult Day Care Center as of the end of such month; and (b) an aged accounts receivable report from the Adult Day Care Center in sufficient detail to show amounts due from each class of patient-mix by the account age classifications of 30 days, 60 days, 90 days, 120 days, and over 120 days. Manager shall provide from time to time such additional reports as may reasonably be requested by Owner concerning the Adult Day Care Center and its operations.

SECTION 7: BANK ACCOUNTS AND WORKING CAPITAL.

7.1 Operating Account. Manager, in the Adult Day Care Center’s name and on behalf of Owner, shall transfer all operating revenues of the Adult Day Care Center for deposit into a bank account established exclusively for that purpose by Owner (“*Deposit Account*”). Owner, in the Adult Day Care Center’s name, shall establish a bank account established for operating expenses (“*Operating Account*”). Owner shall transfer from the Deposit Account to the Operating Account to the extent available, an amount equal to all payments required to be made before the next deposit to be made, in accordance with the terms of this Agreement. Manager shall supervise the disbursements from the Operating Account on behalf of the Owner of such amounts and at such times as the

same are required in Manager's reasonable business judgment. Manager shall discharge such supervisory responsibilities in accordance with reasonable and customary business standards and practices, and in accordance with any reasonable guidelines established from time to time by Owner. All costs and expenses (including Manager's Management Fee and other amounts due Manager and its Affiliates) incurred in the operation of the Adult Day Care Center shall be paid out of the Operating Account. Manager shall specify, with the written approval of Owner, which approval shall not be unreasonably withheld, the signatory or signatories of Manager required on all checks or other documents of withdrawal submitted by Manager on the Operating Account, but a signatory designated by Owner may also be an authorized signatory on the Operating Account. Manager shall give Owner reasonable prior written notice when Operating Account funds are beginning to run low and it is reasonably expected that additional funds will be needed to pay operating expenses of the Adult Day Care Center within thirty (30) to sixty (60) days. If at any time the funds in the Operating Account are insufficient to pay the current operating expenses of the Adult Day Care Center (a "*Deficit*"), the Owner shall within five (5) business days after receipt of notice from Manager identifying such Deficit, deposit into such Operating Account an amount equal to the Deficit; provided, that Manager shall with such notice provide adequate supporting documentation to substantiate such Deficit, and provided further that all such current operating expenses shall have been incurred consistent with the terms of this Agreement.

7.2 Taxes. Any federal, state or local taxes, assessments or other governmental charges imposed on the Adult Day Care Center and arising from Owner's period of ownership are the obligations of Owner, not of Manager, and shall be paid out of the Operating Account of the Adult Day Care Center. With the Owner's prior written consent, Manager may (and at Owner's discretion, Manager shall) contest the validity or amount of any such tax or imposition on the Adult Day Care Center. Manager shall be responsible for any taxes due on any fees received by it for services rendered pursuant to this Agreement.

SECTION 8: LICENSES, PERMITS, CERTIFICATIONS AND CONTESTS.

8.1 Licenses, Permits and Approvals. Manager, as agent of Owner, shall identify, advise Owner with respect to, and assist Owner in obtaining and maintaining, all necessary licenses, permits and approvals to operate the Adult Day Care Center to comply substantially with all applicable laws, rules and regulations and, to the extent applicable, to be eligible for participation in _____.

8.2 Government Actions. Neither Owner nor Manager shall take any reasonable action or fail to take any reasonable action which such Party knows will cause any governmental authority having jurisdiction over the operation of the Adult Day Care Center to institute any proceeding for the suspension, rescission or revocation of any necessary license, permit, certification or approval. Manager shall not take any action or fail to take action, which Manager knows will adversely affect the Owner's right to accept and obtain payments under Medicaid or any other public or private third party medical payment programs. Manager shall provide Owner with copies of all notices of governmental action threatened or imposed against the Adult Day Care Center. Such

actions include, but are not limited to: (i) certification survey results; (ii) Medicaid audit reports; (iii) correspondence or notices potentially affecting the certification of the Adult Day Care Center; and (iv) correspondence or notices affecting the Adult Day Care Center's ability to bill for Waiver services or other government payor programs.

8.3 Legal Proceedings. With the written approval of and at the cost of Owner, Manager shall, on behalf of Owner, contest or institute by appropriate legal proceedings, diligently conducted in good faith in the name of Owner, the validity or application of any agreement, law, ordinance, rule, ruling, regulation, order or requirement of any governmental agency having jurisdiction over the operation of the Adult Day Care Center. In such event, Owner shall fully cooperate with Manager with regard to the contest and Owner shall pay from the Operating Account all reasonable attorneys' fees incurred with regard to the contest. Counsel for any such contest may be selected by Manager, with Owner's advice and written approval, or selected by Owner. With the written consent of Owner and at Owner's expense, Manager shall process all third-party payment claims and appeals for the services provided at the Adult Day Care Center, including without limitation exhaustion of all applicable administrative proceedings or procedures, adjustments and denials by governmental agencies or their fiscal intermediaries and other third-party payors.

8.4 Compliance with Laws. Owner and Manager shall comply with all federal, state and local laws, rules and regulations and requirements which are applicable to the Adult Day Care Center; provided, however, that Owner, subject to indemnification by Manager pursuant to Section 5.3 (last sentence) and Section 12.3 of this Agreement, shall have the right to contest by proper legal proceedings the validity, so far as applicable to it, of any such law, rule, regulation or requirement that is the result of the gross negligence, willful breach or misconduct of Manager.

SECTION 9: REPRESENTATIONS AND WARRANTIES. Owner and Manager make the following representations and warranties to the other Party:

9.1 Status. The representing Party is duly organized and validly existing in good standing under the laws of its state of formation, and has all necessary power to carry on its business as now being conducted, to operate its properties as now being operated, to carry on its contemplated business, to enter into this Agreement and to observe and perform its terms.

9.2 Authority and Due Execution. The representing Party has full power and authority to execute and to deliver this Agreement and all related documents and to carry out the transactions contemplated by this Agreement. The execution of this Agreement by such Party will not, with the passing of time, the giving of notice, or both, result in a default under or a breach or violation of such Party's (a) organizational documents; or (b) any law, regulation, court order, injunction or decree of any court, administrative agency or governmental body; or (c) any mortgage, note, bond, indenture, agreement, lease, license, permit or other instrument or obligation to which such Party is now a Party or by which such Party or any of its assets may be bound or affected. This Agreement constitutes a valid and binding obligation of the representing Party,

enforceable against such Party in accordance with its terms, except to the extent that its enforceability is limited by applicable bankruptcy, reorganization, insolvency, receivership or other laws of general application or equitable principles relating to or affecting the enforcement of creditors' rights.

9.3 Litigation. There is no litigation, claim, investigation, challenge or other proceeding pending or, to the knowledge of the representing Party, threatened against such Party or its properties which could prohibit it from entering into this Agreement or adversely impact the other Party with regard to this Agreement.

9.4 Program Representations. With respect to any federal health care program as defined in Section 1128B of the Social Security Act (43 U.S.C. 1320a-7b(f)) or any State health care program as defined in Section 1128B of the Social Security Act (42 U.S.C. 1320a-7b(h)) (collectively, the "*Programs*"), neither Party, nor any individual with a direct or indirect ownership or central interest of five percent (5%) or more of such Party, nor any director, officer, agent or employee of such Party, has ever (a) been debarred, suspended or excluded from any Program; (b) been sanctioned under any Program; or (c) had a civil monetary penalty levied under any Program. Each Party covenants to immediately notify the other in writing if it falls out of or is not in compliance with this Section 9.4.

SECTION 10: TERMINATION.

10.1 Termination for Cause.

a. Bankruptcy, Etc. If (i) either Party is dissolved or liquidated, or shall apply for or consent to the appointment of a receiver, trustee or liquidator of it or all or a substantial part of its assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or take advantage of any insolvency law, or if (ii) an order, judgment or decree shall be entered by a court of competent jurisdiction, on the application of a creditor, adjudicating such Party a bankrupt or insolvent or approving a petition seeking reorganization of such Party or appointing a receiver, trustee or liquidator for such Party or all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for a period of ninety (90) days; then in case of any such event, this Agreement shall immediately terminate at the other Party's option and upon written notice to the first Party.

b. Default. If Owner or Manager shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by it, and such default shall continue for a period of thirty (30) days after written notice by the non-defaulting Party specifying the default in question and requesting that the default be cured, then in case of any such event and upon the expiration of any applicable period of grace this Agreement shall expire at the option of the non-defaulting Party on ten days further written notice to the other Party, provided that except with respect to monetary defaults of Owner or Manager, if the defaulting Party (i) has commenced to cure within such ten (10) day period, (ii) demonstrates to the

continuing satisfaction of the non-defaulting Party that it is diligently pursuing all necessary actions to cure such default and that the same will be cured within a reasonable time without damage or expense to the non-defaulting Party, and (iii) diligently pursues and completes such cure within such reasonable time and in any event not later than sixty (60) days following the issuance of the written notice of default, then the right to give such ten day notice of termination shall be suspended for the time necessary to effect such cure, but in no event more than sixty (60) days from the date of the original notice of default. Such termination by Manager shall be without prejudice to Manager's right to receive all of the fees and reimbursements accrued but unpaid through the date of termination (including reimbursements for the cost of employees of the Adult Day Care Center). Any termination by either Party hereto in accordance with the provisions of this Section 10.1(b) shall be without prejudice to such Party's other rights and remedies pursuant to this Agreement or applicable law.

c. Destruction of Property. Owner or Manager have the option to terminate this Agreement upon thirty (30) days prior written notice to the other if the Adult Day Care Center or any material portion of the Adult Day Care Center is damaged or destroyed to the extent that in the written opinion of an independent architect or engineer acceptable to both Parties (i) it is not practicable or desirable to rebuild, repair or restore the Adult Day Care Center to its condition immediately preceding such damage within a period of twelve (12) months or (ii) the conduct of normal operations of the Adult Day Care Center would be prevented for a period of twelve (12) months or more.

d. Adult Day Care Center Sale. Owner or Manager have the option to terminate this Agreement upon thirty (30) days written notice to the other if the Owner sells the Adult Day Care Center to an unaffiliated third Party. If Owner sells the Adult Day Care Center within one year of the Commencement Date, to an unaffiliated third Party, or if this Agreement is terminated by reason of Owner's default (after any applicable notice and grace as described in Section 10.1(b) hereof) and Manager does not have the ability to continue to manage Adult Day Care Center for the initial year of the Agreement, then Owner shall pay to Manager a termination fee equal to an amount that would represent the Management Fee for the remaining period of the first year of operation (determined by annualizing Management Fees paid to the date of termination). Manager is entitled to minimum one year of Management Fees in case of any third Party sale prior to the one-year anniversary of the Commencement Date.

e. Other Causes. In addition to its rights set forth above, Owner shall have the right after thirty (30) days prior written notice to Manager to terminate this Agreement, if, for reasons unrelated to Owner's default hereunder or Owner's negligence, willful breach or misconduct, there has been a formal notice by the appropriate governmental or regulatory agency (the "Notice"), that the operating license for the Adult Day Care Center will be revoked, suspended, or qualified in any material adverse respect, which Notice is not rescinded, vacated or stayed by action of Manager (or otherwise) within thirty (30) days of its issuance.

10.2 Effect of Termination. Upon any termination of this Agreement for any reason whatsoever, all amounts earned and payable to Manager and/or its Affiliates from

Owner under this Agreement and under any other agreements between Owner and Manager or its Affiliates pertaining to the Adult Day Care Center shall be immediately due and payable. In the event either Party is required to institute arbitration or legal proceedings on account of the breach of the other Party, then the prevailing Party shall be entitled to collect, in addition to any and all other amounts required to be paid hereunder, its expenses and costs incurred, including reasonable attorney fees.

SECTION 11: NOTICES. Any notice, communication or demand requiring or permitted to be given under this Agreement shall be in writing (including email communications) and shall be sent by first-class mail, or by nationally-recognized overnight courier, or by email transmission or by personal delivery. All notices shall be sent to the applicable Party at the following addresses:

To Owner, by addressing the same to:

With a copy to:

To Manager, by addressing the same to:

Sarah Adult Day Services, Inc.
4942 Higbee Avenue NW
Suite H
Canton, OH 44718
Attn: Merle D. Griff, Ph.D.
Email: mgriff@sarahcare.com

and

Buckingham, Doolittle & Burroughs, LLC
3800 Embassy Parkway
Suite 300
Akron, OH 44333-8398
Attn: Jon Stefanik
Email: jstefanik@bdblawn.com

Any such properly given notice shall be effective on the earliest to occur of a confirmed email transmission, one (1) business day after delivery to a nationally recognized

overnight courier, or five (5) business days after deposit in the mail, return receipt requested. In the event of a change of its mailing address, Owner or Manager shall give notice to the other of its new or forwarding address in the manner provided herein, whereupon subsequent notices shall be sent to such new or forwarding address.

SECTION 12: COSTS AND EXPENSES; INDEMNITY AND INSURANCE.

12.1 Costs and Fees. Except as otherwise expressly provided in this Agreement, all fees, costs, expenses and purchases arising out of, relating to or incurred in the operation of the Adult Day Care Center, including without limitation the fees, costs and expenses of consultants and professionals, shall be the sole responsibility of Owner, unless such fees, costs, and expenses arise or occur on account of default or gross negligence of Manager, in which case such fees, costs, and expenses shall be the sole responsibility of Manager. Except as aforesaid, Manager, by reason of the execution of this Agreement or the performance of its services under this Agreement, shall not be liable for or deemed to have assumed any liability for such fees, costs and expenses, or any other liability or debt of Owner whatsoever, arising out of our relating to the Adult Day Care Center or incurred at any of its administrative offices in the performance of its obligations hereunder. Manager shall have no obligations to advance any sums required to maintain necessary licenses and permits and to otherwise keep the Adult Day Care Center operating as an Adult Day Care Center.

12.2 Indemnification by Owner. Owner shall defend, indemnify and hold Manager harmless from and against any and all claims, investigations, losses, costs, damages, and liabilities, including reasonable attorneys' fees (collectively, "*Damages*"), incurred, caused or occasioned by, in connection with or arising out of (a) negligence, willful breach or misconduct of Owner, its agents, employees or contractors, including without limitation Owner's violation of state or federal labor or other laws pertaining to employees, if and to the extent applicable, or (b) Owner's violation or failure to perform, or misrepresentation with respect to, any of the terms, covenants or conditions of this Agreement; in each case except to the extent that such Damages are attributable to or arising from the gross negligence, willful breach or intentional misconduct of Manager. Owner shall promptly notify Manager of any claims against Owner or Manager related to the Adult Day Care Center. Manager shall cooperate with Owner and, upon reasonable request, shall attend hearings and trials and assist in effecting settlements, securing and giving evidence and obtaining the attendance of witnesses in the conduct of suits. Manager shall not voluntarily settle any suit, make any payment, assume any obligation or incur any expense without the express written consent of Owner.

12.3 Indemnification by Manager. The Manager shall indemnify, protect, defend (with legal counsel approved by Owner) and hold harmless Owner and Owner's members, together with their respective officers, directors, agents, employees and affiliates (collectively "*Indemnitees*") from and against any and all Damages incurred by any Indemnatee as a result of (i) any act by Manager (or any officer, agent, employee or contractor of Manager) clearly outside the scope of Manager's authority hereunder, (ii) any act or failure to act by Manager (or any officer, agent, employee or contractor of Manager) constituting gross negligence, willful misconduct, fraud or intentional breach of

this Agreement; in each case other than Damages that (A) are covered by Owner's insurance and to the extent Owner's insurance is available (and Owner must make commercially reasonable efforts to pursue all available insurance recoveries); or (B) are caused by, arise from, or are attributable to the gross negligence, willful misconduct or intentional breach of Owner.

12.4 Insurance.

(a) Manager shall obtain and maintain, at Owner's sole cost and expense throughout the term of this Agreement, policies of insurance ("Policies") providing coverage for policies listed on Exhibit AA, and upon such terms and conditions as are outlined in Exhibit AA, subject to modification by Owner. All insurance carriers must be rated A-IX or better, as designated by A.M. Best & Company (risk retention group or captive placement require a fronting insurance company with an A. M. Best rating of A-IX or better). The Policies provided hereunder shall be non-cancelable unless notice in writing is given to Owner not less than thirty (30) days prior to the effective date of any cancellation or amendment. Such notice shall not derogate from the continuing obligation to maintain insurance pursuant to this Agreement. A duplicate original of each policy to which Owner is listed as a named insured in Exhibit AA shall be provided to the Owner. Manager shall also provide to Owner a Certificate of Insurance as proof of coverage, including terms and conditions, and all declared additional insured's ownership interests as required. If any policy is a claims made policy and not an occurrence policy, either appropriate claims made or tail insurance shall be maintained in full force for a period of five years after termination or expiration of this Agreement to ensure continued insurance protection to Owner and Manager pursuant to this Agreement with respect to occurrences prior to the termination of this Agreement.

(b) Manager shall carry commercial general liability insurance and excess/umbrella liability insurance policies with combined limits of not less than \$1,000,000.00 per occurrence and in the aggregate, such policies shall be written on an occurrence basis, and include contractual liability and other provisions as Owner shall reasonably require. Manager shall furnish Owner with copies of all such endorsements and with Certificates of Insurance evidencing such policies and the renewals thereof.

(c) Notwithstanding the provisions of Section 12.4(a) hereof, Owner may choose to obtain casualty insurance for the Adult Day Care Center from its own insurer at commercially reasonable rates. The types and amounts of all insurance coverages to be maintained with respect to the operation of the Adult Day Care Center, as well as the identity of the carriers and the costs therefor, shall be subject to the written approval of Owner and Manager, which shall not be unreasonably withheld or delayed by either Party. To the extent costs for such coverages are payable or reimbursable by Owner, any and all premium rebates, returns, dividends or other premium repayments which Manager actually receives from the insurer due to volume buying, favorable claims experience or other reasons shall be returned to or credited to Owner. In the event such coverages are maintained under blanket policies, Owner shall be entitled only to such portion of such rebate as is reasonably allocable to the Adult Day Care Center.

SECTION 13: MISCELLANEOUS.

13.1 Government Regulations. In accordance with its obligations under this Agreement, Owner and Manager shall operate and maintain the Adult Day Care Center in compliance with the requirements of any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Adult Day Care Center. The Parties acknowledge that the Owner has engaged Manager in part because of Manager's expertise and knowledge of the adult day care field. Manager agrees to provide notice to the Owner of any changes in the law, or proposed changes in the law, that may affect the Adult Day Care Center, their operations, or employees. Notwithstanding anything to the contrary contained in this Agreement, in the event that any Medicaid law, rule, regulation or payment policy, or any other applicable law or regulation, or any interpretation thereof, at any time, is modified, implemented, threatened to be implemented, or determined to prohibit, restrict or in any way materially change the terms of this Agreement, or by virtue of the existence of this Agreement has or will have a material adverse effect on either Party, then Owner and Manager agree to negotiate in good faith to amend this Agreement, if possible, in a manner consistent with such change and the intent of the Parties.

13.2 Good Faith Effort by Manager. Manager shall act in good faith and use diligent efforts to perform its obligations under this Agreement, but shall have no liability to Owner for any decisions made with respect to or any actions taken or in the omission of any actions in connection with the Adult Day Care Center's operations, so long as such decisions, actions or omissions were made or taken in good faith, without gross negligence, willful breach or misconduct, and met the standard of care set forth herein. Any action taken or omitted by Manager in reliance on written advice from reputable accountants with respect to financial reporting matters or reputable legal counsel with respect to legal questions shall conclusively be deemed to have been taken in good faith. The liability of either Party to the other is limited to actual damages suffered by the other of them as a direct and proximate result of a Party's breach under any provision of this Agreement. Each Party waives the right to seek incidental, consequential, special, or punitive damages. Manager makes no warranties, express or implied, and shall not assume any financial or other responsibilities to third parties in connection with its obligations under this Agreement, except as specifically provided in this Agreement. Manager shall be responsible for managing the Adult Day Care Center and all of its assets and services with the same diligence and skill as is employed by prudent owners and managers in the management of similar assisted living facility, and consistent with the provisions of this Agreement and in substantial compliance with all obligations imposed on Owner which are known to Manager. Nothing in this section is meant to limit the Parties' rights and obligations under the indemnification Sections 12.2 and 12.3.

13.3 Assignment. Neither Manager nor Owner shall assign its rights or obligations under this Agreement without prior written consent of the other, except that (a) Manager may at any time assign its rights and obligations under this Agreement to an Affiliate (as defined in Section 13.15(a) hereof) of Manager (but Manager shall not be relieved of any liability hereunder by reason of such assignment) or any Party acquiring substantially all of its assets or stock, and (b) Owner may at any time assign its rights and

obligations under this Agreement to an Affiliate of Owner or any Party acquiring substantially all of its assets, stock, membership or partnership interests, provided that the acquiring Party confirms in writing its assumption of all obligations of Owner hereunder, whereupon Owner shall have no further liability hereunder except for amounts previously billed to or owing by Owner and (c) Owner may assign this Agreement to a successor owner of the Adult Day Care Center. If Owner assigns this Agreement to a successor owner of the Adult Day Care Center, such assignment shall constitute a novation, releasing Owner of all rights and obligations hereunder.

13.4 Retention of Control by Owner. Anything herein to the contrary notwithstanding, the performance of all activities hereunder shall be on behalf of Owner; Owner and its governing board shall have retained ultimate authority and legal responsibility for the operation and control of the Adult Day Care Center; and Owner has not delegated to Manager, under this Agreement, any powers, duties or responsibilities that are not authorized by law to be delegated by Owner.

13.5 Books and Records. Throughout the term of this Agreement, Manager shall make available to Owner for inspection and copying by Owner, upon request, all books and records and financial data relating to the Adult Day Care Center. Manager shall provide Owner with copies of all licensure and/or certification surveys conducted at the Adult Day Care Center.

13.6 Force Majeure. Manager shall not be deemed to be in violation of this Agreement if it is prevented from performing any of its obligations under this Agreement for any reason beyond its control, including without limitation strikes, lockouts, acts of God, pandemics, epidemics, unavailability of residents, personnel or supplies, or unforeseen changes in statutes, regulations or rules of appropriate governmental or other regulatory authorities.

13.7 Binding Agreement. The terms, covenants, conditions, provisions and agreements contained in this Agreement shall be binding upon and inure to the benefit of Owner and Manager, their successors and permitted assigns.

13.8 Relationship of Parties. Nothing contained in this Agreement shall constitute or be construed to be or to create a partnership, franchise, joint venture or lease between Owner and Manager with respect to the Adult Day Care Center. It is expressly understood that Manager is retained by Owner to manage the Adult Day Care Center on behalf of the Owner, and Manager is the agent and representative of Owner only for the purpose of carrying out its obligations under this Agreement. Manager and Owner are at all times independent contractors under this Agreement.

13.9 Entire Agreement; Amendments. This Agreement contains the entire agreement between the Parties hereto with respect to the subject matter, and no prior oral or written and no contemporaneous oral, representations or agreements between the Parties with respect to the subject matter of this Agreement shall be of any force and effect. Any additions, amendments or modifications to this Agreement shall be of no force and effect unless in writing and signed by both Owner and Manager.

13.10 Governing Law. This Agreement is made under, and shall be construed and enforced in accordance with, the laws of the State of Ohio applicable to agreements made and to the performed solely therein, without giving effect to principles of conflicts of law.

13.11 Interpretation. The captions used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope or the intent of this Agreement. The singular includes the plural and vice-versa, and the masculine, feminine, and neuter are interchangeable, where the context so requires or suggests.

13.12 Arbitration of Accounting Matters. If any controversy should arise between the Parties in the performance, interpretation and application of this Agreement which involves accounting matters, either Party may serve upon the other a written notice stating that such Party desires to have the controversy reviewed by an arbitrator, who shall be a representative of a firm specializing in accounting in the assisted living facility industry. If the Parties cannot agree upon the selection of such an arbitrator within fifteen (15) days from the service of such notice, the arbitrator shall be selected or designated by the American Arbitration Association upon the written request of either Party hereto. Arbitration of such controversy, disagreement or dispute shall be conducted in accordance with the rules then in force of the American Arbitration Association, and the decision and award of the arbitrator so selected shall be binding upon Owner and Manager.

13.13 Further Assurances. At any time and from time to time during the term of this Agreement, at either Party's request, each Party shall promptly execute and deliver all such further agreements, certificates, instruments and documents, including a certificate of Owner in a form reasonably satisfactory to Manager stating that this Agreement is in effect with respect to, and is binding against, Owner, and each Party shall perform such further actions as the other Party may reasonably request in order to fully consummate the transactions contemplated by this Agreement and carry out the purposes and intent of this Agreement.

13.14 Certain Definitions.

(a) Affiliate. The term "Affiliate," as used in this Agreement, means a person that, directly or indirectly, controls or is controlled by, or is under common control with, the person specified.

(b) Person. The term "person," as used in this agreement means any individual, sole proprietorship, joint venture, corporation, partnership, governmental body, regulatory agency or other entity of any nature.

13.15 Severability. If any provision of this Agreement is construed to be invalid, illegal or unenforceable, then the remaining provisions hereof shall not be affected thereby and shall be enforceable without regard thereto.

13.16 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original hereof, and it shall not be necessary in making proof of this Agreement to produce or account for more than one original counterpart hereof.

13.17 Subordination and Non-Disturbance. If required by any construction or permanent lender providing financing for the Adult Day Care Center from time to time, Manager shall execute and deliver a subordination, non-disturbance and attornment agreement in form reasonably acceptable to Manager, providing for subordination of this Agreement to the rights of the lender under the relevant loan documents and containing non-disturbance and attornment provisions in the event the lender exercises its remedies under such loan documents.

13.18 Expenses. In the event of any controversy, claim or dispute between the Owner and Manager, arising out of or relating to this Agreement, the prevailing Party shall be entitled to recover from the non-prevailing Party its reasonable expenses, including attorneys' fees and costs.

13.19 Service of Process. Manager acknowledges that it is not authorized to accept service of process or any other notice on behalf of Owner. Manager shall not make representations or provide information to any person that is inconsistent with the foregoing.

(signature page follows)

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on their behalf their duly authorized representatives, as of the day and year first above written.

OWNER:

an _____

By: _____
Its _____

By: _____

MANAGER:

Sarah Adult Day Services, Inc.
an Ohio limited liability company

By: _____
Merle D. Griff, Ph.D
President and CEO

EXHIBIT AA

Insurance Requirements

Given the nature of the affordable assisted living projects, there are a number of insurance coverage's that must be maintained for each project. The following chart lists the required policy, the expected coverage, the named insured and the additional insured's.

Policy Type	Coverage Amount	Named Insured	Additional Insureds

All insurance carriers must be rated A-IX or better, as designated by A.M. Best & Company. Risk Retention Group or Captive placement requires a fronting insurance company, with an A. M. Best rating of A-IX or better.

* Applicable for any facility (regardless of number of residents) having a dedicated vehicle for transportation per Service Plan Agreement. Vehicle ownership title OR lease agreement is to be in the name of Manager.

Proof of the aforementioned coverage's must be provided prior to the Adult Day Care Center opening and accepting residents. If the required coverage will not be provided the Parties must agree to alternative coverage in writing.

EXHIBIT G
FINANCIAL STATEMENTS

SARAH ADULT DAY SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024



INDEPENDENT AUDITORS' REPORT

To the Stockholders' of
Sarah Adult Day Services, Inc.

Opinion

We have audited the accompanying financial statements of Sarah Adult Day Services, Inc. (an Ohio corporation), which comprise the balance sheet as of June 30, 2024, and the related statements of operations, changes in stockholders' deficit and cash flows for the year 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 Sarah Adult Day Services, Inc. as of June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Sarah Adult Day Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A stylized, handwritten signature in black ink that reads "Astra Audit & Advisory LLC". The script is fluid and cursive, with the company name written in a single line.

Tampa, Florida
November 1, 2024



INDEPENDENT AUDITORS' REPORT

To the Stockholders' of
Sarah Adult Day Services, Inc.

Opinion

We have audited the accompanying balance sheet of Sarah Adult Day Services, Inc. (an Ohio corporation), as of June 30, 2023.

In our opinion, the balance sheet referred to above present fairly, in all material respects, the financial position of Sarah Adult Day Services, Inc. as of June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Sarah Adult Day Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Accell Audit & Compliance, PA

Tampa, Florida
October 31, 2023

SARAH ADULT DAY SERVICES, INC.
BALANCE SHEETS

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 52,883	\$ 71,049
Trade receivables, net	71,830	67,171
Prepaid expenses	1,245	2,250
Due from related parties	141,769	-
Due from parent	178,949	223,949
Total current assets	446,676	364,419
Property and equipment, net	1,941	3,736
Intangible assets, net	-	2,722,524
Right-of-use asset	51,246	13,388
Goodwill	-	248,064
Total Assets	<u>\$ 499,863</u>	<u>\$ 3,352,131</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 658,918	\$ 659,264
Due to related parties	-	25,641
Notes payable, related parties	158,502	158,502
Current portion of operating lease obligation	10,022	13,388
Current portion of capital lease obligation	-	946
Total current liabilities	827,442	857,741
Operating lease obligation	44,951	-
Line of credit	72,810	43,077
Total liabilities	945,203	900,818
STOCKHOLDERS' (DEFICIT) EQUITY		
Common stock - 8,500 shares authorized, issued and outstanding, no par value	4,671,570	4,671,570
Retained deficit	(5,116,910)	(2,220,257)
Total stockholders' (deficit) equity	(445,340)	2,451,313
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	<u>\$ 499,863</u>	<u>\$ 3,352,131</u>

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENT OF OPERATIONS

	Year Ended June 30, 2024
REVENUE	
Franchise fees	\$ 661,516
Initial franchise fees	37,060
	698,576
 OPERATING EXPENSES	
Personnel expenses	370,360
General and administrative expenses	171,826
Sales and marketing expenses	44,588
Depreciation and amortization expense	10,945
Total operating expenses	597,719
 Income from operations	 100,857
 OTHER INCOME (EXPENSE)	
Other income	2,311
Interest expense	(34,493)
Loss on impairment of intangible assets	(2,959,218)
Total other income (expense)	(2,991,400)
 Loss before income taxes	 (2,890,543)
 Income tax expense (benefit)	 -
 Net loss	 \$ <u><u>(2,890,543)</u></u>

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
For the Year Ended June 30, 2024

	Common Stock		Retained		Total
	Shares	Amount	Deficit		
Balance June 30, 2023	8,500	\$ 4,671,570	\$ (2,220,257)	\$	2,451,313
Owner draws	-	-	(6,110)		(6,110)
Net income	-	-	(2,890,543)		(2,890,543)
Balance June 30, 2024	<u>8,500</u>	<u>\$ 4,671,570</u>	<u>\$ (5,116,910)</u>	<u>\$</u>	<u>(445,340)</u>

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENT OF CASH FLOWS

	Year Ended June 30, 2024
Cash Flows from Operating Activities	
Net income	\$ (2,890,543)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	10,945
Loss on impairment of intangible assets	2,959,218
Changes in operating assets and liabilities	
Amortization of right-of-use	2,781
Trade receivables, net	(4,659)
Prepaid expenses	1,005
Accrued payable and accrued expenses	(346)
Net advances to parent	45,000
Cash flows from operating activities	<u>123,401</u>
Cash Flows from Investing Activities	
Due from related party activity, net	(141,769)
Due to related parties activity, net	<u>(23,421)</u>
Cash flows from investing activities	<u>(165,190)</u>
Cash Flows from Financing Activities	
Owner draws	(6,110)
Line of credit activity, net	<u>29,733</u>
Cash flows from financing activities	<u>23,623</u>
Change in cash	(18,166)
Cash at beginning of period	71,049
Cash at end of period	<u>\$ 52,883</u>
Supplemental Cash Flow Information	
Cash paid for interest	\$ <u>-</u>
Cash paid for income taxes	\$ <u>-</u>

See accompanying notes to unaudited financial statements

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Sarah Adult Day Services, Inc. (the Company) is a franchisor that provides health care related services and companionship for older adults aged 60 and above, and adults aged 18 to 60 in need of health-related care and supervision. The Company is a wholly owned subsidiary of Innovative MedTech, Inc (“IMTH”).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The principal conditions or events that raised doubt about the Company's ability to continue as a going concern is negative working capital, historical net losses and current year net losses. The Company's historical net losses were partially due to the global pandemic, which the Company has slowly been recovering from, and in the current year the Company had net income from operations, and positive cash flows from operations. The Company has evaluated the previously mentioned conditions, and noted that the Company's historical net losses were partially due to the global pandemic, which the Company has slowly been recovering from, and in the current year had net income from operations, and positive cash flows from operations. In addition, to mitigate the risk of the previously mentioned conditions, the Company has obtained a guarantee from a board member of the parent company to continue to fund operations through the next fiscal year. Based on evaluation of the conditions above, and mitigating factors, management has determined the risk of going concern to be alleviated

Use of Estimates

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

Trade Receivables

The allowance for uncollectible accounts totaled \$77,179 and \$76,271 at June 30, 2024 and 2023, respectively. The allowance is based upon management's review of outstanding accounts and an assessment of each customer's ability to pay. Specific accounts are written off when management obtains evidence of the franchise's insolvency or otherwise determines that the account is uncollectible. The Company wrote off \$0 of trade receivables against the allowance for uncollectible accounts during the year ended June 30, 2024.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the related assets.

Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

The Company reviews its investment in property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the property and equipment is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property. There were no impairment losses recognized for the year ended June 30, 2024.

Goodwill

Goodwill represents the excess of acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized but is tested for impairment at the reporting unit level annually or when events or circumstances arise, such as adverse changes in the business climate, that would more likely than not reduce the fair value of the reporting unit below its carrying value. The Company's methodology for conducting this goodwill impairment testing contains both a qualitative and quantitative assessment. The Company has the option to initially perform an assessment of qualitative factors in order to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other company and reporting unit-specific events. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, it then performs the impairment evaluation using a more detailed quantitative assessment. The Company could also directly perform this quantitative assessment for any reporting unit, bypassing the qualitative assessment. The Company's methodology for conducting the quantitative goodwill impairment testing is fundamentally based on the measurement of fair value for its reporting units, which inherently entails the use of significant management judgment. The Company applied acquisition push-down accounting under ASC 805.

For valuation, the Company uses a combination of the income approach (discounted cash flows) and market approach (market multiples) in estimating the fair value of its reporting units. During the year ended June 30, 2024, the Company fully impaired goodwill in the amount of \$248,064.

Intangible Assets

Certain intangible assets arose from the acquisition by Innovative MedTech, Inc. on March 25, 2021 and consist of the following, which have been or are being amortized on a straight-line basis over the following estimated useful lives unless they have an indefinite life:

Asset	Estimated Useful Life
Customer Relationships	3
Non-Compete Agreement	3
Franchise Agreements	Indefinite

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. The Company applied acquisition push-down accounting under ASC 805. During the year ended June 30, 2024, the Company fully impaired the intangible assets in the amount of \$2,711,154.

Federal Income Taxes

The Company has adopted ASC 740-10, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Pre-Opening Expenses

The cost associated with the opening of new franchises is expensed in the year incurred.

Concentrations

As of June 30, 2024, the Company had approximately 61% of its trade receivables from three franchises. As of June 30, 2023, the Company had approximately 64% of its trade receivables from two franchises.

Approximately 60% of the accounts payable balance as of June 30, 2024, was due to one vendor.

Advertising Costs

The Company participates in various advertising and promotional programs. All costs related to advertising and promoting prospective franchisees of the Company are expensed in the period incurred. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2024 amounted to \$6,952.

Revenue Recognition

The Company's primary revenue stream is royalty income, which is based on a percentage of each franchise's monthly gross sales. This income is for allowing the franchise to use the Company's system and "marks" (trademarks, service marks, and other commercial symbols). The royalty income is to be received by the tenth of each month for the previous month's gross sales. Revenue is recognized based on when the gross sales occurred.

When the Company sells a franchise, it collects an initial franchise fee, as defined in the franchise agreement. In return for this fee, the Company provides pre-opening services which include such things as assistance with site selection and training on the franchise owner and manager. The pre-opening services are deemed to be a single performance obligation, and revenue is recognized upon completion of these services.

Subsequent Events

The Company has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Equipment	\$ 98,004	\$ 98,004
Less: Accumulated depreciation	(96,063)	(94,268)
Equipment, net	<u>\$ 1,941</u>	<u>\$ 3,736</u>

Depreciation expense was \$1,795 for the year ended June 30, 2024.

NOTE 4. INTANGIBLE ASSETS

	June 30, 2024	June 30, 2023
Customer relationships	\$ -	\$ 20,000
Non-Compete Agreement	-	500
Franchise Agreements	-	2,710,000
Website Development	-	12,592
Less: accumulated amortization	-	(20,568)
Intangible assets - net	<u>\$ -</u>	<u>\$ 2,722,524</u>

During the year ended June 30, 2024, Company recorded amortization expense in the amount of \$9,150. During the year ended June 30, 2024, the Company fully impaired the intangible assets in the amount of \$2,711,154.

NOTE 5. RELATED PARTY TRANSACTIONS

The Company shares certain costs with Sarah Day Care Centers, Inc. ("SDCC"), which is related to the Company through common ownership. The nature of these costs relates to shared services which occur throughout the year. The Company and SDCC sometimes make cash advances to the other entity for operating needs. As of June 30, 2024 and 2023, the Company has a balance owed to SDCC in the amount of \$0 and \$25,641, respectively. As of June 30, 2024 and 2023, the Company has a balance owed from SDCC in the amount of \$141,769 and \$0, respectively.

At June 30, 2024 and 2023, the Company had a note payable to stockholders totaling \$158,502. The note matured June 3, 2021 and is in default bearing interest at 10% annually. As of June 30, 2024, this note is considered in default and is guaranteed.

At June 30, 2024, the Company is owed \$178,949, from the parent company Innovative MedTech, Inc.

The above amount and terms are not necessarily what third parties would agree to.

NOTE 6. LINE OF CREDIT

The Company has a line of credit with an interest rate of 12.05%. During the year ended June 30, 2024, the Company drew down \$34,000 on the line of credit. During the year ended June 30, 2024, the Company repaid \$4,277 towards the line of credit. As of June 30, 2024, the line of credit balance was \$72,810.

NOTE 7. OPERATING LEASES

The Company leased certain office space and office equipment under non-cancellable operating leases expiring on various dates through September 2023. During the year ended June 30, 2024, the Company recorded rent expense in the amount of \$39,410.

Operating right of use assets are summarized below:

	June 30, 2024	June 30, 2023
Office Lease	\$ 60,115	\$ 130,441
Less accumulated amortization	(8,869)	(117,053)
Right-of-use, net	<u>\$ 51,246</u>	<u>\$ 13,388</u>

Operating lease liabilities are summarized below:

	June 30, 2024		June 30, 2023
Office Lease	\$ 54,973	\$	13,388
Less: current portion	<u>(10,022)</u>		<u>(13,388)</u>
Long term portion	<u>\$ 44,951</u>	\$	<u>-</u>

NOTE 8. FINANCE LEASE

	June 30, 2024		June 30, 2023
Finance lease obligation, monthly installments of \$409, secured by equipment, maturing August 2023	\$ -	\$	946
Less current portion	<u>-</u>		<u>946</u>
	<u>\$ -</u>	\$	<u>-</u>

NOTE 9. LITIGATION

The Company is involved in various legal proceedings and litigation arising in the ordinary course of business. In the opinion of management and counsel, the outcome of such proceedings and litigation will not materially affect the Company's financial position.

NOTE 10. SUMMARY OF FRANCHISE LOCATIONS

The following is a summary of the changes in the number of United States franchised locations as of June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Total franchises in operation – beginning of year	26	28
New franchises sold and opened during the year	-	-
Franchises closed during a prior year and re-opened during the year	-	-
Franchises closed during the year	(1)	-
Locations related to franchisor through common ownership no longer considered franchises	-	-
	<u>-</u>	<u>(2)</u>
Total franchises in operation at the end of year	25	26
 New franchises sold during the year and not opened at year end	 1	 -
New franchises sold during a prior year and not opened at year end	<u>2</u>	<u>2</u>
 Total franchises sold at the end of the year	 28	 28

NOTE 11. INCOME TAXES

The Company adopted the provisions of uncertain tax positions as addressed in ASC 740-10-65-1. As a result of the implementation of ASC 740-10-65-1, the Company recognized no increase in the liability for unrecognized tax benefits. As of June 30, 2024, the Company had net operating loss carry forwards of approximately \$5,295,859 that may be available to reduce future years' taxable income in varying amounts through 2030. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

The valuation allowance at June 30, 2024 was approximately \$1,112,130. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

The components of the net deferred tax asset (liability) at June 30, 2024 and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

	June 30, 2024
Net operating loss	\$ 1,112,130
Less: valuation allowance	(1,112,130)
Net Deferred Tax Asset (Liability)	\$ -

Income tax benefit resulting from applying statutory rates in jurisdictions in which we are taxed (Federal and State of Delaware) differs from the income tax provision (benefit) in our financial statements. The following table reflects the reconciliation for the year ended June 30, 2024:

	June 30, 2024
Benefit at federal and statutory rate	(21)%
Change in valuation allowance	21%
Effective tax rate	0%

The Company periodically evaluates the likelihood of the realization of deferred tax assets and adjusts the carrying amount of the deferred tax assets by the valuation allowance to the extent the future realization of the deferred tax assets is not judged to be more likely than not. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income or loss, the carryforward periods available to the Company for tax reporting purposes, and other relevant factors.

Future changes in the unrecognized tax benefit will have no impact on the effective tax rate due to the existence of the valuation allowance. The Company estimates that the unrecognized tax benefit will not change significantly within the next twelve months. The Company will continue to classify income tax penalties and interest as part of general and administrative expense in its consolidated statements of operations. There were no interest or penalties accrued as of June 30, 2024.

SARAH ADULT DAY SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023



INDEPENDENT AUDITORS' REPORT

To the Stockholders' of
Sarah Adult Day Services, Inc.

Opinion

We have audited the accompanying financial statements of Sarah Adult Day Services, Inc. (an Ohio corporation), which comprise the balance sheet as of June 30, 2023, and the related statements of operations, changes in stockholders' deficit and cash flows for the year 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 Sarah Adult Day Services, Inc. as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Sarah Adult Day Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Accell Audit & Compliance, PA

Tampa, Florida
October 31, 2023

SARAH ADULT DAY SERVICES, INC.
BALANCE SHEETS

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 71,049	\$ 102,695
Trade receivables, net	67,171	47,886
Prepaid expenses	2,250	-
Notes receivable, current portion	-	17,994
Due from parent	223,949	240,949
Total current assets	<u>364,419</u>	<u>409,524</u>
Property and equipment, net	3,736	9,262
Intangible assets, net	2,722,524	2,721,869
Right-of-use asset	13,388	63,731
Goodwill	248,064	248,064
Total Assets	<u>\$ 3,352,131</u>	<u>\$ 3,452,450</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 659,264	\$ 522,203
Due to related parties	25,641	279,427
Notes payable, related parties	158,502	158,502
Current portion of operating lease obligation	13,388	50,343
Current portion of capital lease obligation	946	4,904
Total current liabilities	<u>857,741</u>	<u>1,015,379</u>
Line of credit	43,077	-
Operating lease obligation, net of current portion	-	13,388
Capital lease obligation, net of current portion	-	946
Total liabilities	<u>900,818</u>	<u>1,029,713</u>
STOCKHOLDERS' EQUITY		
Common stock - 8,500 shares authorized, issued and outstanding, no par value	4,671,570	4,671,570
Accumulated deficit	(2,210,257)	(2,248,833)
Total stockholders' equity	<u>2,451,313</u>	<u>2,422,737</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,352,131</u>	<u>\$ 3,452,450</u>

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENT OF OPERATIONS

	Year Ended June 30, 2023
REVENUE	
Royalty income	\$ 641,594
	<u>641,594</u>
OPERATING EXPENSES	
Personnel expenses	393,620
General and administrative expenses	153,487
Sales and marketing expenses	75,846
Depreciation and amortization expense	17,463
Total operating expenses	<u>640,416</u>
Income from operations	1,178
OTHER INCOME (EXPENSE)	
Other income	58,933
Interest expense	(23,939)
Total other income (expense)	<u>34,994</u>
Income before taxes	36,172
Income tax expense	<u>7,596</u>
Net income	\$ <u><u>28,576</u></u>

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
For the Year Ended June 30, 2023

	Common Stock		Accumulated		
	Shares	Amount	Deficit		Total
Balance June 30, 2022	8,500	\$ 4,671,570	\$ (2,248,833)	\$	2,422,737
Net income	-	-	28,576		28,576
Balance June 30, 2023	<u>8,500</u>	<u>\$ 4,671,570</u>	<u>\$ (2,210,257)</u>	<u>\$</u>	<u>2,451,313</u>

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENT OF CASH FLOWS

	Year Ended June 30, 2023
Cash Flows from Operating Activities	
Net income	\$ 28,576
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	17,463
Changes in operating assets and liabilities	
Amortization of right-of-use	(4,904)
Trade receivables, net	(19,285)
Prepaid expenses	(2,250)
Accrued payable and accrued expenses	137,061
Cash flows from operating activities	<u>156,661</u>
Cash Flows from Investing Activities	
Due from related party activity, net	34,994
Due to related parties activity, net	(253,786)
Intangible expenditures	(12,592)
Cash flows from investing activities	<u>(231,384)</u>
Cash Flows from Financing Activities	
Line of credit activity, net	43,077
Cash flows from financing activities	<u>43,077</u>
Change in cash	(31,646)
Cash at beginning of period	102,695
Cash at end of period	\$ <u><u>71,049</u></u>
Supplemental Cash Flow Information	
Cash paid for interest	\$ <u><u>2,097</u></u>
Cash paid for income taxes	\$ <u><u>-</u></u>

See accompanying notes to unaudited financial statements

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Sarah Adult Day Services, Inc. (the Company) is a franchisor that provides health care related services and companionship for older adults aged 60 and above, and adults aged 18 to 60 in need of health-related care and supervision.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Trade Receivables

The allowance for uncollectible accounts totaled \$76,271 and \$77,271 at June 30, 2023 and 2022, respectively. The allowance is based upon management's review of outstanding accounts and an assessment of each customer's ability to pay. Specific accounts are written off when management obtains evidence of the franchise's insolvency or otherwise determines that the account is uncollectible. The Company wrote off \$0 of trade receivables against the allowance for uncollectible accounts during the year ended June 30, 2023.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the related assets.

Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

The Company reviews its investment in property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the property and equipment is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property. There were no impairment losses recognized for the year ended June 30, 2023.

Goodwill

Goodwill represents the excess of acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized but is tested for impairment at the reporting unit level annually or when events or circumstances arise, such as adverse changes in the business climate, that would more likely than not reduce the fair value of the reporting unit below its carrying value. The Company's methodology for conducting this goodwill impairment testing contains both a qualitative and quantitative assessment. The Company has the option to initially perform an assessment of qualitative factors in order to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other company and reporting unit-specific events. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, it then perform the impairment evaluation using a more detailed quantitative assessment. The Company could also directly perform this quantitative assessment for any reporting unit, bypassing the qualitative assessment. The Company's methodology for conducting the quantitative goodwill impairment testing is fundamentally based on the measurement of fair value for its reporting units, which inherently entails the use of significant management judgment.

For valuation, the Company uses a combination of the income approach (discounted cash flows) and market approach (market multiples) in estimating the fair value of its reporting units. There were no goodwill impairments for the year ended June 30, 2023.

Intangible Assets

Certain intangible assets arose from the acquisition by Innovative MedTech, Inc. on March 25, 2021 and consist of the following, which have been or are being amortized on a straight-line basis over the following estimated useful lives unless they have an indefinite life:

Asset	Estimated Useful Life
Customer Relationships	3
Non-Compete Agreement	3
Franchise Agreements	Indefinite

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. For the year ended June 30, 2023 there were no impairment losses.

Federal Income Taxes

The Company has adopted ASC 740-10, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Pre-Opening Expenses

The cost associated with the opening of new franchises is expensed in the year incurred.

Concentrations

As of June 30, 2023 and 2022, the Company had approximately 64% and 63% of its trade receivables from two franchises.

Approximately 60% of the accounts payable balance as of June 30, 2023, was due to one vendor.

Advertising Costs

The Company participates in various advertising and promotional programs. All costs related to advertising and promoting prospective franchisees of the Company are expensed in the period incurred. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2023 amounted to \$16,668.

Revenue Recognition

The Company's primary revenue stream is royalty income, which is based on a percentage of each franchise's monthly gross sales. This income is for allowing the franchise to use the Company's system and "marks" (trademarks, service marks, and other commercial symbols). The royalty income is to be received by the tenth of each month for the previous month's gross sales. Revenue is recognized based on when the gross sales occurred.

When the Company sells a franchise, it collects an initial franchise fee, as defined in the franchise agreement. In return for this fee, the Company provides pre-opening services which include such things as assistance with site selection and training on the franchise owner and manager. The pre-opening services are deemed to be a single performance obligation, and revenue is recognized upon completion of these services.

Subsequent Events

The Company has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 3. NOTES RECEIVABLES

	June 30, 2023	June 30, 2022
Note receivable from a franchise, due in monthly installments of \$1,999, no interest, maturing March 2023.	\$ -	\$ 17,994
Less current portion	-	(17,994)
	<u>\$ -</u>	<u>\$ -</u>

During the year ended June 30, 2023, the Company received repayment in full of the note receivable.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Equipment	\$ 98,004	\$ 98,004
Less: Accumulated depreciation	(94,268)	(88,742)
Equipment, net	<u>\$ 3,736</u>	<u>\$ 9,262</u>

Depreciation expense was \$5,526 for the year ended June 30, 2023.

NOTE 5. INTANGIBLE ASSETS

	June 30, 2023	June 30, 2022
Customer relationships	\$ 20,000	\$ 20,000
Non-Compete Agreement	500	500
Franchise Agreements	2,710,000	2,710,000
Website Development	12,592	-
Less: accumulated amortization	(20,568)	(8,631)
Intangible assets - net	<u>\$ 2,722,524</u>	<u>\$ 2,721,869</u>

During the year ended June 30, 2023, the Company finalized the purchase accounting from the acquisition by Innovative MedTech, Inc. As a result, the intangible assets (i.e. customer relationships, trademarks, non-compete agreement, CARF Accreditation and Franchise Agreements) amounting to \$2,730,500 arose from the acquisition. This amount was reallocated from goodwill. The Company is amortizing these intangibles over their respective remaining useful lives. The Company recorded amortization expense in the amount of \$11,937 for the year ended June 30, 2023.

NOTE 6. RELATED PARTY TRANSACTIONS

The Company shares certain costs with Sarah Day Care Centers, Inc. ("SDCC"), which is related to the Company through common ownership. The nature of these costs relates to shared services which occur throughout the year. The Company and SDCC sometimes make cash advances to the other entity for operating needs. As of June 30, 2023 and 2022, the Company has a balance owed to SDCC in the amount of \$25,641 and \$279,427, respectively.

At June 30, 2023 and 2022, the Company had a note payable to stockholders totaling \$158,502. The note matured June 3, 2021 and is in default bearing interest at 10% annually.

At June 30, 2023 and 2022, the Company is owed \$223,949 and \$240,949, respectively, from the parent company Innovative MedTech, Inc.

NOTE 7. LINE OF CREDIT

The Company has a line of credit with an interest rate of 12.05%. During the year ended June 30, 2023, the Company drew down \$45,000 on the line of credit. During the year ended June 30, 2023, the Company repaid \$1,923 towards the line of credit. As of June 30, 2023, the line of credit balance was \$43,077.

NOTE 8. OPERATING LEASES

The Company leases certain office space and office equipment under non-cancellable operating leases expiring on various dates through September 2023. During the year ended June 30, 2023, the Company recorded rent expense in the amount of \$41,882.

Operating right of use assets are summarized below:

	June 30, 2023		June 30, 2022
Office Lease	\$ 130,441	\$	130,441
Less accumulated amortization	(117,053)		(66,710)
Right-of-use, net	\$ 13,388	\$	63,731

Operating lease liabilities are summarized below:

	June 30, 2023		June 30, 2022
Office Lease	\$ 13,388	\$	63,731
Less: current portion	(13,388)		(50,343)
Long term portion	\$ -	\$	13,388

Future maturities of the finance lease obligation is as follows at June 30, 2023:

		June 30, 2023
Year ending June 30, 2023	\$	13,500
Less imputed interest		(112)
	\$	13,388

NOTE 9. FINANCE LEASE

	June 30, 2023	June 30, 2022
Finance lease obligation, monthly installments of \$409, secured by equipment, maturing August 2023	\$ 946	\$ 5,850
Less current portion	946	4,904
	\$ -	\$ 946

Future maturities of the finance lease obligation is as follows at June 30, 2023:

Year Ended June 30, 2023	\$	946
--------------------------	----	-----

NOTE 10. LITIGATION

The Company is involved in various legal proceedings and litigation arising in the ordinary course of business. In the opinion of management and counsel, the outcome of such proceedings and litigation will not materially affect the Company's financial position.

NOTE 11. SUMMARY OF FRANCHISE LOCATIONS

The following is a summary of the changes in the number of United States franchised locations as of June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Total franchises in operation – beginning of year	28	26
New franchises sold and opened during the year	-	-
Franchises closed during a prior year and re-opened during the year	-	-
Franchises closed during the year	-	-
Locations related to franchisor through common ownership no longer considered franchises	-	-
	(2)	(2)
Total franchises in operation at the end of year	26	24
New franchises sold during the year and not opened at year end	-	-
New franchises sold during a prior year and not opened at year end	2	2
Total franchises sold at the end of the year	28	26

NOTE 13. INCOME TAXES

The Company adopted the provisions of uncertain tax positions as addressed in ASC 740-10-65-1. As a result of the implementation of ASC 740-10-65-1, the Company recognized no increase in the liability for unrecognized tax benefits. As of June 30, 2023, the Company had net operating loss carry forwards of approximately \$466,254 that may be available to reduce future years' taxable income in varying amounts through 2030. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

The valuation allowance at June 30, 2023 was approximately \$466,254. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

The components of income tax expense for the year ended June 30, 2023 is as follows:

	June 30, 2023
Income before taxes	\$ <u>36,172</u>
Income tax expense at statutory rate of 21%	\$ <u><u>7,596</u></u>

The components of the net deferred tax asset (liability) at June 30, 2023 and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

	June 30, 2023
Net operating loss	\$ 466,254
Less: valuation allowance	(466,254)
Net Deferred Tax Asset (Liability)	\$ -

Income tax benefit resulting from applying statutory rates in jurisdictions in which we are taxed (Federal and State of Delaware) differs from the income tax provision (benefit) in our financial statements. The following table reflects the reconciliation for the year ended June 30, 2023:

	June 30, 2023
Benefit at federal and statutory rate	(21)%
Change in valuation allowance	21%
Effective tax rate	0%

The Company periodically evaluates the likelihood of the realization of deferred tax assets and adjusts the carrying amount of the deferred tax assets by the valuation allowance to the extent the future realization of the deferred tax assets is not judged to be more likely than not. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income or loss, the carryforward periods available to the Company for tax reporting purposes, and other relevant factors.

Future changes in the unrecognized tax benefit will have no impact on the effective tax rate due to the existence of the valuation allowance. The Company estimates that the unrecognized tax benefit will not change significantly within the next twelve months. The Company will continue to classify income tax penalties and interest as part of general and administrative expense in its consolidated statements of operations. There were no interest or penalties accrued as of June 30, 2023.

SARAH ADULT DAY SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022



INDEPENDENT AUDITORS' REPORT

To the Stockholders' of
Sarah Adult Day Services, Inc.

Opinion

We have audited the accompanying financial statements of Sarah Adult Day Services, Inc. (an Ohio corporation), which comprise the balance sheet as of June 30, 2022, and the related statements of operations, changes in stockholders' deficit and cash flows for the period 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 Sarah Adult Day Services, Inc. as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Sarah Adult Day Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Accell Audit & Compliance, PA

Tampa, Florida
November 11, 2022

SARAH ADULT DAY SERVICES, INC.
BALANCE SHEETS

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 102,695	\$ 9,402
Trade receivables, net	47,886	40,896
Notes receivable, current portion	17,994	29,989
Due from parent	<u>240,949</u>	<u>200,949</u>
Total current assets	409,524	281,236
Property and equipment, net	9,262	13,865
Intangible assets, net	2,721,869	-
Right-of-use asset	63,731	87,084
Goodwill	<u>248,064</u>	<u>1,185,087</u>
Total Assets	\$ <u>3,452,450</u>	\$ <u>1,567,272</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 522,203	\$ 456,296
Due to related parties	279,427	150,547
Notes payable, related parties	158,502	158,502
Current portion of operating lease obligation	50,343	47,897
Current portion of capital lease obligation	<u>4,904</u>	<u>4,904</u>
Total current liabilities	1,015,379	818,146
Payroll protection program loan	-	85,920
Operating lease obligation, net of current portion	13,388	39,187
Capital lease obligation, net of current portion	<u>946</u>	<u>3,397</u>
Total liabilities	<u>1,029,713</u>	<u>946,650</u>
STOCKHOLDERS' DEFICIT		
Common stock - 8,500 shares authorized, issued and outstanding, no par value	4,671,570	2,868,526
Retained deficit	<u>(2,248,833)</u>	<u>(2,247,904)</u>
Total Stockholders' Deficit	<u>2,422,737</u>	<u>620,622</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ <u>3,452,450</u>	\$ <u>1,567,272</u>

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENTS OF OPERATIONS

	For the six months ended June 30, 2022
REVENUE	
Royalty income	\$ 253,319
OPERATING EXPENSES	
Personnel expenses	192,366
General and administrative expenses	107,241
Sales and marketing expenses	18,894
Depreciation and amortization expense	13,234
Total operating expenses	331,735
Loss from operations	(78,416)
OTHER INCOME (EXPENSE)	
Gain on forgiveness of PPP loan	85,920
Interest expense	(8,433)
Total other income (expense)	77,487
Net loss	\$ (929)

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Six Months Ended June 30, 2022

	<u>Shares</u>	<u>Common Stock Amount</u>	<u>Retained Deficit</u>	<u>Total</u>
Balance December 31, 2021	8,500	\$ 2,868,526	\$ (2,247,904)	\$ 620,622
Adjustment to push-down accounting	-	1,803,044	-	1,803,044
Net loss	-	-	(929)	(929)
Balance June 30, 2022	<u>8,500</u>	<u>\$ 4,671,570</u>	<u>\$ (2,248,833)</u>	<u>\$ 2,422,737</u>

See accompanying notes to financial statements

SARAH ADULT DAY SERVICES, INC.
STATEMENTS OF CASH FLOWS

	For the six months ended June 30, 2022
Cash Flows from Operating Activities	
Net loss	\$ (929)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	13,234
Right-of-use	7,116
Gain on forgiveness of PPP loan	(85,920)
Changes in operating assets & liabilities	
Trade receivables, net	(6,990)
Accrued payable and accrued expenses	65,907
Cash flows from operating activities	<u>(7,582)</u>
Cash Flows from Investing Activities	
Net payments to parent	(28,005)
Related party advances	128,880
Cash flows from investing activities	<u>100,875</u>
Increase in cash	93,293
Cash at beginning of period	9,402
Cash at end of period	<u><u>\$ 102,695</u></u>
Supplemental Cash Flow Information	
Cash paid for interest	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>
Non-cash investing and financing activities:	
Adjustment to goodwill for push-down accounting	<u><u>\$ 1,803,044</u></u>

See accompanying notes to unaudited financial statements

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Sarah Adult Day Services, Inc. (the Company) is the franchisor that provides health care related services and companionship for older adults aged 60 and above, and adults aged 18 to 60 in need of health-related care and supervision.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Trade Receivables

The allowance for uncollectible accounts totaled \$77,271 and \$81,621 at June 30, 2022 and December 31, 2021, respectively. The allowance is based upon management's review of outstanding accounts and an assessment of each customer's ability to pay. Bad debt recovery from unrelated franchises was \$4,350 for the six months ended June 30, 2022. Specific accounts are written off when management obtains evidence of the franchise's insolvency or otherwise determines that the account is uncollectible. The Company wrote off \$0 of trade receivables against the allowance for uncollectible accounts during the six months ended June 30, 2022.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the related assets.

Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

The Company reviews its investment in property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the property and equipment is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property. There were no impairment losses recognized for the six months ended June 30, 2022.

Goodwill

Goodwill represents the excess of acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized but is tested for impairment at the reporting unit level annually or when events or circumstances arise, such as adverse changes in the business climate, that would more likely than not reduce the fair value of the reporting unit below its carrying value. Our methodology for conducting this goodwill impairment testing contains both a qualitative and quantitative assessment. We have the option to initially perform an assessment of qualitative factors in order to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other company and reporting unit-specific events. If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we then perform the impairment evaluation using a more detailed quantitative assessment. We could also directly perform this quantitative assessment for any reporting unit, bypassing the qualitative assessment. Our methodology for conducting the quantitative goodwill impairment testing is fundamentally based on the measurement of fair value for our reporting units, which inherently entails the use of significant management judgment.

For valuation, we use a combination of the income approach (discounted cash flows) and market approach (market multiples) in estimating the fair value of our reporting units. During the year ended December 31, 2021 the Company recorded a loss on goodwill impairment in the amount of \$276,245.

Goodwill was originally allocated at \$1,175,220. During the six month ended June 30, 2022, the Company adjusted goodwill by \$1,793,477 to as a result of push-down accounting.

Intangible Assets

Certain intangible assets arose from the acquisition by Innovative MedTech, Inc. on March 25, 2021 and consist of the following, which have been or are being amortized on a straight-line basis over the following estimated useful lives unless they have an indefinite life:

Asset	Estimated Useful Life
Customer Relationships	3
Non-Compete Agreement	3
Franchise Agreements	Indefinite

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. For the six months ended June 30, 2022 there were no impairment losses.

Federal Income Taxes

The Company has adopted ASC 740-10, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Pre-Opening Expenses

The cost associated with the opening of new franchises is expensed in the year incurred.

Concentrations

As of June 30, 2022 and December 31, 2021, the Company had approximately 63% and 46% of its trade receivables from two franchises.

Approximately 72% of the accounts payable balance as of June 30, 2022, was due to one vendor.

Advertising Costs

The Company participates in various advertising and promotional programs. All costs related to advertising and promoting prospective franchisees of the Company are expensed in the period incurred. Advertising costs are expensed as incurred. Advertising expense for the six months ended June 30, 2022 amounted to \$1,959.

Revenue Recognition

The Company's primary revenue stream is royalty income, which is based on a percentage of each franchise's monthly gross sales. This income is for allowing the franchise to use the Company's system and "marks" (trademarks, service marks, and other commercial symbols). The royalty income is to be received by the tenth of each month for the previous month's gross sales. Revenue is recognized based on when the gross sales occurred.

When the Company sells a franchise, it collects an initial franchise fee, as defined in the franchise agreement. In return for this fee, the Company provides pre-opening services which include such things as assistance with site selection and training on the franchise owner and manager. The pre-opening services are deemed to be a single performance obligation, and revenue is recognized upon completion of these services.

Subsequent Events

The Company has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 3. NOTES RECEIVABLES

	June 30, 2022	December 31, 2021
Note receivable from a franchise, due in monthly installments of \$1,999, no interest, maturing March 2023.	\$ 17,994	\$ 29,989
Less current portion	<u>(17,994)</u>	<u>(29,989)</u>
	<u>\$ -</u>	<u>\$ -</u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Equipment	\$ 98,004	\$ 98,004
Less: Accumulated depreciation	<u>(88,742)</u>	<u>(84,139)</u>
Equipment, net	<u>\$ 9,262</u>	<u>\$ 13,865</u>

Depreciation expense was \$4,603 for the six months ended June 30, 2022.

NOTE 5. INTANGIBLE ASSETS

	June 30, 2022	December 31, 2021
Customer relationships	\$ 20,000	\$ -
Non-Compete Agreement	500	-
Franchise Agreements	2,710,000	-
Less: accumulated amortization	(8,631)	-
Intangible assets - net	<u>\$ 2,721,869</u>	<u>\$ -</u>

During the six months ended June 30, 2022, the Company finalized the purchase accounting from the acquisition by Innovative MedTech, Inc.. As a result, the intangible assets (i.e. customer relationships, trademarks, non-compete agreement, CARF Accreditation and Franchise Agreements) amounting to \$2,721,869 arose from the acquisition. This amount was reallocated from goodwill. The Company is amortizing these intangible over their respective remaining useful lives. The Company recorded amortization expense in the amount of \$8,631 for the six months ended June 30, 2022.

NOTE 6. RELATED PARTY TRANSACTIONS

The Company shares certain costs with Sarah Day Care Centers, Inc. (“SDCC”), which is related to the Company through common ownership. The nature of these costs relates to shared services which occur throughout the year. The Company and SDCC sometimes make cash advances to the other entity for operating needs. As of June 30, 2022 and December 31, 2021, the Company has a balance owed to SDCC in the amount of \$279,427 and \$116,300, respectively.

At June 30, 2022 and December 31, 2021, the Company had notes payable to stockholders totaling \$158,502. The note at December 31, 2021 matured June 3, 2021 and is in default bearing interest at 10% annually. The notes as of December 31, 2020 were settled as part of the acquisition.

At June 30, 2022 and December 31, 2021, the Company is owed \$240,949 and \$200,949, respectively, from the parent company Innovative MedTech, Inc.

NOTE 7. NOTES PAYABLE

In February 2021, the Company received a loan of \$85,920 through the Paycheck Protection Program (“PPP”), administered by the U.S. Small Business Administration (SBA), and created by the Coronavirus Aid, Relief and Economic Security (CARES) Act. Provisions of the PPP allow for partial or full forgiveness of the loan provided the proceeds are used for covered expenditures and certain other requirements are met.

The Company applied for forgiveness of the loan and was notified by the SBA on January 13, 2022 that the entire balance was forgiven. In accordance with GAAP, the forgiveness in the amount of \$85,920 was recorded as income during the six months ended June 30, 2022.

NOTE 8. OPERATING LEASES

The Company leases certain office space and office equipment under non-cancellable operating leases expiring on various dates through September 2023. During the six months ended June 30, 2022, the Company recorded rent expense in the amount of \$21,746.

Operating right of use assets are summarized below:

	June 30, 2022		December 31, 2021
Office Lease	\$ 130,441	\$	130,441
Less accumulated amortization	(66,710)		(43,357)
Right-of-use, net	\$ 63,731	\$	87,084

Operating lease liabilities are summarized below:

	June 30, 2022		December 31, 2021
Office Lease	\$ 63,731	\$	87,084
Less: current portion	(50,343)		(47,897)
Long term portion	\$ 13,388	\$	39,187

Future maturities of the finance lease obligation is as follows at June 30, 2022:

	June 30, 2022
Year ending December 31, 2022	\$ 54,000
Year ending December 31, 2023	13,500
Total future minimum lease payments	67,500
Less imputed interest	(3,769)
	\$ 63,731

NOTE 9. FINANCE LEASE

	June 30, 2022	December 31, 2021
Finance lease obligation, monthly installments of \$409, secured by equipment, maturing August 2023	\$ 5,850	\$ 8,301
Less current portion	4,904	4,904
	\$ 946	\$ 3,397

Future maturities of the finance lease obligation is as follows at June 30, 2022:

Year Ended December 31, 2022	\$ 2,453
Year Ended December 31, 2023	3,397
	\$ 5,850

NOTE 10. LITIGATION

The Company is involved in various legal proceedings and litigation arising in the ordinary course of business. In the opinion of management and counsel, the outcome of such proceedings and litigation will not materially affect the Company's financial position.

NOTE 11. SUMMARY OF FRANCHISE LOCATIONS

The following is a summary of the changes in the number of United States franchised locations as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Total franchises in operation – beginning of year	26	25
New franchises sold and opened during the year	-	1
Franchises closed during a prior year and re-opened during the year	-	-
Franchises closed during the year	-	-
Locations related to franchisor through common ownership no longer considered franchises	(2)	(2)
Total franchises in operation at the end of year	24	24
New franchises sold during the year and not opened at year end	-	-
New franchises sold during a prior year and not opened at year end	2	2
Total franchises sold at the end of the year	26	26

NOTE 13. INCOME TAXES

The Company adopted the provisions of uncertain tax positions as addressed in ASC 740-10-65-1. As a result of the implementation of ASC 740-10-65-1, the Company recognized no increase in the liability for unrecognized tax benefits. As of June 30, 2022, the Company had net operating loss carry forwards of approximately \$245,927 that may be available to reduce future years' taxable income in varying amounts through 2030. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

The valuation allowance at June 30, 2022 was approximately \$279. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

The components of the net deferred tax asset (liability) at June 30, 2022 and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

	June 30, 2022
Net operating loss	\$ 279
Less: valuation allowance	(279)
Net Deferred Tax Asset (Liability)	\$ -

Income tax benefit resulting from applying statutory rates in jurisdictions in which we are taxed (Federal and State of Delaware) differs from the income tax provision (benefit) in our financial statements. The following table reflects the reconciliation for the six months ended June 30, 2022:

	June 30, 2022
Benefit at federal and statutory rate	(21)%
Change in valuation allowance	21%
Effective tax rate	0%

The Company periodically evaluates the likelihood of the realization of deferred tax assets and adjusts the carrying amount of the deferred tax assets by the valuation allowance to the extent the future realization of the deferred tax assets is not judged to be more likely than not. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income or loss, the carryforward periods available to the Company for tax reporting purposes, and other relevant factors.

Future changes in the unrecognized tax benefit will have no impact on the effective tax rate due to the existence of the valuation allowance. The Company estimates that the unrecognized tax benefit will not change significantly within the next twelve months. The Company will continue to classify income tax penalties and interest as part of general and administrative expense in its consolidated statements of operations. There were no interest or penalties accrued as of June 30, 2022.

EXHIBIT H

GUARANTY AND ASSUMPTION OF OBLIGATIONS

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20____, by _____

_____ (**"Guarantor"**).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date (the **"Agreement"**) by SARAH Adult Day Services, Inc. (the **"Franchisor"**), and with _____ a(n) _____ corporation, each of the _____ undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and as provided in the Agreement, that _____ (**"Franchisee"**) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) his/her direct and immediate liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Guarantor hereby consents and agrees that:

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other owners of Franchisee;

(b) Guarantor shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Franchise Agreement by a trustee or Franchisee. Neither Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt collection of amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

(f) This Guaranty shall be construed and enforced in accordance with the laws of the State of Ohio. Venue shall be Stark County, Ohio.

IN WITNESS WHEREOF, each of the undersigned has affixed his/her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN
FRANCHISEE

EXHIBIT I

OPERATIONS MANUAL TABLE OF CONTENTS

2. TABLE OF CONTENTS

<u>Section</u>	<u>Description</u>	<u>Pages</u>
0	Cover	1
1	Confidentiality Agreement	4
2	Table of Contents	6
3	Introduction	5
	3.1 Copyright notification	
	3.2 Policy regarding the Operations Manual	
	3.3 Our philosophy and mission statement	
	3.3.1 Mission statement	
4	The Industry	6
	4.1 Industry overview	
	4.1.1 National/State Census Data	
	4.2 Adult day services definition	
	4.3 Caregiver demographics	
	4.4 History and current trends in adult day services	
	4.4.1 Development of adult day care centers	
	4.4.2 Models of service for adult day centers	
	4.4.3 NOCA and NADSA goals of adult day services	
	4.5 National and state organizations and their roles	
	4.5.1 National	
	4.5.2 State	
	4.6 Voluntary programs of national scope	
	4.6.1 Accreditation by CARF	
	4.6.2 Certification of program assistants	
5	The Franchisor	8
	5.1 Our company history	
	5.2 Our market position	
	5.3 Our outlook	
	5.4 Business description	
	5.5 Facilities description	
	5.6 Services mix	
	5.7 Market/customer mix	
	5.8 Operational policies, procedures, practices	
	5.9 Training program	
	5.10 Support services	

2. TABLE OF CONTENTS

<u>Section</u>	<u>Description</u>	<u>Pages</u>
	5.11 Granting use of trademark	
	5.12 Distinguishing characteristics	
6	The Franchise	10
	6.1 Franchise overview	
	6.2 The SarahCare® franchise	
	6.2.1 Franchise license-related matters	
	6.3 Determining the need for different models of service	
	6.3.1 Needs assessment tools	
	6.3.2 Demographic data: accessing and retrieving	
	6.3.3 Surveys	
	6.3.4 Questionnaire surveys	
	6.3.5 Individual interviews	
	6.3.6 Focus groups or group interviews	
	6.3.7 Summary	
	6.4 Location	
	6.4.1 Near a nursing facility or assisted living complex	
	6.4.2 Shared site or co-located sites	
	6.4.3 Zoning and building codes	
	6.5 Physical Facility	
	6.5.1 State licensing board and local fire and health department regulatory oversight	
	6.5.2 ADA (Americans with Disabilities Act)	
	6.5.3 Interior space	
	6.5.4 Outdoor spaces	
7	Franchisee Responsibilities	13
	7.1 Operating policies, procedures, practices	
	7.2 Training program	
	7.3 Compliance	
	7.4 Franchisee obligations	
	7.5 Financial responsibility	
	7.5.1 Initial franchise fee	
	7.5.2 Marketing and sales promotion	
	7.5.3 Monthly royalty and service fee	
	7.5.4 Reports	
	7.5.5 Insurance	
	7.6 Complaints and suggestions	
	7.7 Pre-opening details	
	7.8 Business operating practices after opening	

2. TABLE OF CONTENTS

Section	Description	Pages
8	Facilities and Administration	6
8.1	Building site/location	
8.2	Guidelines for facility interior	
8.3	Guidelines for facility grounds	
8.4	Architectural design	
8.5	General contractor services and construction	
8.6	Building and facility permits	
8.7	Sign requirements	
8.8	Utility and telecommunication services	
8.9	Personal computer hardware/software	
8.10	Equipment installation	
8.11	Business records and warranties	
9	Fundamentals of Customer Service	7
9.1	Participant service	
9.2	Key success factors in today's participant-driven marketplace	
9.2.1	Exceed expectations	
9.2.2	Magic words	
9.2.3	Participant/Family complaints	
9.2.4	Handling participant/family complaints with positive results	
9.3	Time management	
9.3.1	Effective time management	
9.4	Communication skills	
9.4.1	Effective speaking skills	
9.4.2	Effective listening skills	
9.4.3	Effective phone contact skills	
9.4.4	Effective voicemail skills	
9.4.5	Effective email and fax skills	

2. TABLE OF CONTENTS

<u>Section</u>	<u>Description</u>	<u>Pages</u>
10	Business Matters	3
	10.1 Professional counsel	
	10.2 Trademark and logo authorization, usage	
	10.3 Licenses and permits	
	10.4 Insurance: property, liability	
	10.5 Personnel manual legal review	
	10.6 Contracts	
	10.7 Leases	
11	Financial Plans and Services	19
	11.1 Business plan resource	
	11.2 Strategic plan	
	11.3 Capital costs	
	11.4 Summary of recommended furniture, furnishings, and equipment	
	11.5 Personnel costs	
	11.6 Operating budget preparation	
	11.7 Determining breakeven points	
	11.8 Calculating and using FTEs in budgeting	
	11.9 Accounting system	
	11.10 Sales tax collection and payment	
	11.11 Cash and check acceptance procedures	
	11.12 Fiscal performance inspections and audits	
	11.13 Monthly FTE/sales/royalty report and royalty payments	
	11.14 P&L statement, balance sheet, and cash flow	
12	Financial Planning and Records	5
	12.1 Financial books and business records	
	12.2 Risk management program	
	12.3 Bookkeeping procedures	
	12.4 Payroll books and employee records	
	12.5 Fixed and variable expenses	
	12.6 Accounts receivable and cash receipts	
	12.7 Cash flow	
	12.8 Financial fraud	

2. TABLE OF CONTENTS

Section	Description	Pages
13	Marketing, Sales Promotion and Selling	4
	13.1 Marketing and Sales Promotion	
	13.2 Marketing plan	
	13.3 Marketing planning	
14	Human Resources	4
	14.1 Personnel Manual	
	14.2 Staffing needs, staff/participant ratios	
	14.3 Employment Ads	
	14.4 Job description samples	
	14.5 Interviews, criminal background checks, etc.	
15	Operating Standards	5
	15.1 Facilities appearance and maintenance	
	15.2 Associates appearance, grooming, dress code, and uniforms	
	15.3 Safety standards and procedures	
	15.4 Security policies, procedures, measures, and systems	
	15.5 Accidents and accident reporting	
	15.6 Emergency/disaster plans	
	15.6.1 Sample plans for fire, tornado, and major disaster	
	15.6.2 Portable emergency file development and maintenance	
	15.7 Infection control plan	
16	Purchasing Management: Supplies and Service	2
	16.1 Approved specifications	
	16.2 Opening inventory	
	16.3 Inventory control	
	16.4 Equipment service, repair, and warranty records	
17	Daily Opening and Closing Procedures	4
	17.1 Opening and closing times	
	17.2 Sample attendance records	
	17.3 Participant absences	
	17.3.1 Participant no call/no show	
	17.4 Greeting participants and their families	
	17.5 Staff communication with families	
	17.6 Communicating changes to staff	
	17.7 Activity planning for varied arrivals/departures	

2. TABLE OF CONTENTS

Section	Description	Pages
18	Staff Preparation	4
	18.1 Orientation program	
	18.2 Code of ethics	
	18.3 In-service training requirements	
	18.4 Volunteers	
	18.5 Practicum students	
19	Participant Enrollment and Intake Procedures	2
	19.1 Admission criteria	
	19.2 Interdisciplinary team roles	
20	Participant Records	4
	20.1 Confidentiality	
	20.1.1 Who does HIPAA apply to	
	20.1.2 Avoiding HIPAA violations	
	20.2 Records access, release, retention, and storage	
21	Plan of Care	2
	21.1 Purpose	
	21.2 Updates to the Plan of Care	
	21.3 Role of interdisciplinary team members	
22	Therapeutic Activity Program	3
	22.1 Therapeutic milieu/relationship to Plan of Care	
	22.2 Activity analysis	
	22.3 Keeping an activity file	
	22.4 Using activity tracks to meet participant needs	
	22.5 Role of participant councils	
	22.6 Activity and program ideas	
23	Therapeutic and Ancillary Services	2
	23.1 Social services	
	23.2 Music therapy	
	23.3 Art therapy	
	23.4 Intergenerational programs	

2. TABLE OF CONTENTS

Section	Description	Pages
24	Health-Related Services	3
	24.1 Nursing	
	24.2 Additional services	
	24.3 Issues in providing health-related services	
25	Participant Issues	5
	25.1 Criteria for discharge	
	25.2 Development of a discharge plan	
	25.3 Follow-up to discharge	
	25.4 Death of a participant	
26	Outcome Measurement	3
	26.1 CARF standards	
	26.2 Definitions and terms	
	26.3 Measures	
	26.4 How do you know what to measure?	
	26.5 How should I use the results?	
	26.6 Outcomes and measures	

EXHIBIT J

FRANCHISEE ACKNOWLEDGEMENT STATEMENT

SARAHCARE FRANCHISEE ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement. Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

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.

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise

Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

Initial

7. Franchisee acknowledges that it has received the Sarah Adult Day Services, Inc. Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE SARAH ADULT DAY SERVICES, INC., SARAH DAY CARE CENTERS, INC., AND ANY OF ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF.

Initial

FRANCHISEE:

By: _____

_____,
(Print Name, Title)

Date: _____

PRINCIPAL:

(Print Name)

Date: _____

PRINCIPAL:

(Print Name)

Date: _____

EXHIBIT K

**STATE-SPECIFIC ADDITIONAL DISCLOSURES AND
FRANCHISE AGREEMENT RIDERS**

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
SARAH ADULT DAY SERVICES, INC.**

The following are additional disclosures for the Franchise Disclosure Document of SARAH Adult Day Services, Inc. required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO
THE INDIANA FRANCHISE DISCLOSURE LAW AND THE
INDIANA DECEPTIVE FRANCHISE PRACTICES ACT**

The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-2-2.7 (1985) (collectively referred to as the “Acts”). To the extent that (a) the jurisdictional requirements of the Acts are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

(a) To the extent the Franchise Agreement contains provisions allowing the establishment of franchisor-owned outlets that are inconsistent with the Indiana Deceptive Franchise Practices Act § 23-2-2.7(2), the requirements of this section of the Indiana Act will control.

(b) The franchisor may not make any substantial modification of the Franchise Agreement without the franchisee’s written consent.

(c) To the extent any provision regarding renewal or termination of the Franchise Agreement is inconsistent with the Indiana Deceptive Franchise Practices Act §§ 23-2-2.7(7) and (8), the provisions of these sections of the Indiana Act will control.

(d) Any requirement in the Franchise Agreement that requires the franchisee to prospectively assent to a release, assignment, novation, wavier or estoppel shall not relieve any person from liability arising under the Acts.

(e) To the extent the covenants not to compete upon expiration or termination of the Franchise Agreement are inconsistent with the Indiana Deceptive Franchise Practices Act § 23-2-2.7(9), the provisions of this section of the Indiana Act will control.

(f) To the extent that any provision of the Franchise Agreement would be deemed unenforceable pursuant to the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10), as this section of the Indiana Act is interpreted and applied, such provision of the Franchise Agreement shall be so deleted therefrom.

EXHIBIT L

FORM OF GENERAL RELEASE

SARAH ADULT DAY SERVICES, INC.

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

SARAH Adult Day Services, Inc. (“we,” “us,” or “our”) and the undersigned franchisee, _____ (“you” or “your”), currently are parties to _____ (____) Franchise Agreements (the “Franchise Agreements”) dated _____ for the operation of SARAH Businesses in _____ and _____. You have asked us to take the following action or to agree to the following request: (1) **To allow _____, one of your current owners, to transfer _____ ownership interest in you to _____ and/or _____, your other current owners, and to withdraw from any further involvement with Franchisee, and (2) except for the confidentiality, non-competition, and dispute resolution provisions in the Franchise Agreements (to which _____ will remain bound), to release _____ from the Guaranty and Assumption of Obligations with respect to all claims arising or accruing after the date of this consent.** We have the right under the Franchise Agreements to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our current and former officers, directors, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “_____ Parties”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now have, ever had, or, but for this document, hereafter would or could have against any of the _____ Parties (1) arising out of or related to the _____ Parties’ performance of their obligations under the Franchise Agreements before the date of your signature below or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the _____ Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the _____ Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue your owners. By his, her, or their separate signatures below, your transferring owners likewise grant to us the release and covenant not to sue provided above.

[Signature Page Follows]

SARAH ADULT DAY SERVICES, INC.,
an Ohio corporation

By: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Title: _____

Date: _____

[Signature]

Date: _____

[Signature]

Date: _____

[Signature]

Date: _____

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registrations in the following states having franchise disclosure laws, with the following effective dates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
Indiana	July 12, 2024

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 M

RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF SARAH ADULT DAY SERVICES, INC.

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Sarah Adult Day Services, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 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 Sarah Adult Day Services, Inc. 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, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Dr. Merle Griff 4942 Higbee Avenue NW Suite H Canton, Ohio 44718, 330-454-3200		
--	--	--

Issuance Date: November 1, 2024

I received a Disclosure Document dated November 1, 2024, that included the following Exhibits:

EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
EXHIBIT B: List of Franchisees
EXHIBIT C: Franchise Agreement with Attachments
EXHIBIT D: Riders
EXHIBIT E: Turnkey Agreement
EXHIBIT F: Management Services Agreement
EXHIBIT G: Financial Statements of Sarah Adult Day Services, Inc.
EXHIBIT H: Guaranty and Assumption of Obligations
EXHIBIT I: Operations Manual Table of Contents
EXHIBIT J: Franchisee Acknowledgement Statement
EXHIBIT K: State Addenda
EXHIBIT L: General Release
EXHIBIT M: Receipts

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

**Please return signed receipt to Sarah Adult Day Services, Inc.
4942 Higbee Avenue NW, Suite H
Canton, Ohio 44718**

RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF SARAH ADULT DAY SERVICES, INC.

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Sarah Adult Day Services, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 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 Sarah Adult Day Services, Inc. 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, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Dr. Merle Griff 4942 Higbee Avenue NW Suite H Canton, Ohio 44718, 330-454-3200		
--	--	--

Issuance Date: November 1, 2024

I received a Disclosure Document dated November 1, 2024, that included the following Exhibits:

EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
EXHIBIT B: List of Franchisees
EXHIBIT C: Franchise Agreement with Attachments
EXHIBIT D: Riders
EXHIBIT E: Turnkey Agreement
EXHIBIT F: Management Services Agreement
EXHIBIT G: Financial Statements of Sarah Adult Day Services, Inc.
EXHIBIT H: Guaranty and Assumption of Obligations
EXHIBIT I: Operations Manual Table of Contents
EXHIBIT J: Franchisee Acknowledgement Statement
EXHIBIT K: State Addenda
EXHIBIT L: General Release
EXHIBIT M: Receipts

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

KEEP FOR YOUR RECORDS