

## FRANCHISE DISCLOSURE DOCUMENT

BrightStar Senior Living Franchising, LLC  
(an Illinois limited liability company)  
1125 Tri-State Parkway, Suite 700  
Gurnee, IL 60031  
Telephone: 888.684.8250 / Facsimile: 866.360.0393  
www.brightstarfranchise.com  
email: franchise@brightstarseniorliving.com



The franchise offered in this disclosure document is to operate an 8-to-12-bed assisted-living and memory-care community under the “BRIGHTSTAR CARE HOMES™” trademark providing various services for seniors and other individuals in need, including residential assisted-living, memory-care, and ancillary services.

The total investment necessary to begin operation of an 8-to-12-bed BRIGHTSTAR CARE HOMES™ Community franchise is \$1,147,916 to \$1,762,720 (if you intend to buy the Community’s land and building) and \$184,700 to \$305,590 (if you intend to lease the Community’s land and building). This includes \$50,000 to \$55,000 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.**

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 the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date of this Franchise Disclosure Document: March 31, 2022

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in the franchisor's home state (currently Illinois). Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in the franchisor's home state (currently Illinois) than in your own state.
2. **Spousal Liability.** Your spouse must also sign a personal guarantee making your spouse individually liable for your financial obligations under the Franchise Agreement. The guarantee will place your spouse's marital and personal assets at risk if your franchise fails.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
5. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
6. **Unregistered Trademark.** One of the primary trademarks that you will use in your business is not federally registered. If the Franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the Franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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.

- (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 good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

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

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE 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 Williams Building  
525 West Ottawa, Lansing, Michigan 48933  
(517) 335-7567

Despite subparagraph (f) above, we intend to enforce fully the provisions of the arbitration section contained in our Franchise Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration section. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement will govern our relationship with you, including the specific requirements of the arbitration section.

## TABLE OF CONTENTS

	<u>Page</u>
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....	1
ITEM 2 BUSINESS EXPERIENCE .....	4
ITEM 3 LITIGATION.....	5
ITEM 4 BANKRUPTCY .....	7
ITEM 5 INITIAL FEES.....	8
ITEM 6 OTHER FEES.....	8
ITEM 7 ESTIMATED INITIAL INVESTMENT.....	15
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	22
ITEM 9 FRANCHISEE’S OBLIGATIONS .....	27
ITEM 10 FINANCING.....	29
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	29
ITEM 12 TERRITORY .....	41
ITEM 13 TRADEMARKS.....	44
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	46
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	47
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	49
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	50
ITEM 18 PUBLIC FIGURES.....	56
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....	56
ITEM 20 OUTLETS AND FRANCHISE INFORMATION.....	62
ITEM 21 FINANCIAL STATEMENTS .....	66
ITEM 22 CONTRACTS.....	66
ITEM 23 RECEIPTS .....	66

## EXHIBITS

- A. List of State Administrators and Agents for Service of Process
- B. BRIGHTSTAR CARE HOMES Community Franchise Agreement
- C. Operations Manual Table of Contents
- D. Confidentiality, Non-Disclosure and Non-Competition Agreement
- E. State Specific Addenda
- F. Financial Statements
- G. List of Franchisees
- H. Release of Claims
- I. Microsoft Teams/One-Drive/Web Version Office Package Opt-in Addendum  
State Effective Dates
- J. Receipts (2 copies)

**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “we,” “us,” and “our” refer to BrightStar Senior Living Franchising, LLC, the franchisor. “You” means the entity that acquires the franchise and, where noted, includes your owners. We refer to your prospective BRIGHTSTAR CARE HOMES Community as the “Community.”

A. The Company, Our Predecessors and Affiliates.

We are an Illinois limited liability company with our principal offices at 1125 Tri-State Parkway, Suite 700, Gurnee, Illinois 60031. We were organized on March 28, 2013, and have offered franchises for BRIGHTSTAR CARE HOMES Communities since August 2021 and for BrightStar Senior Living Communities since January 2015. BrightStar Senior Living Communities provide the same services as BRIGHTSTAR CARE HOMES Communities but in a larger facility (anywhere from a 36 to 44-unit facility as opposed to the 8 to 12-bed BRIGHTSTAR CARE HOMES Community). We have never operated a BRIGHTSTAR CARE HOMES Community or a BrightStar Senior Living Community and do not operate, and have not offered franchises in, any other business. Our affiliates currently operate BrightStar Senior Living Communities in Mason, Ohio and Fort Wayne, Indiana. (The BrightStar Senior Living Community franchise opportunity is offered in a separate franchise disclosure document.) We do not have any predecessors.

We began offering the BRIGHTSTAR CARE HOMES Community franchise opportunity in August 2021. We initially offered the franchise opportunity only to certain experienced BrightStar Care Agency program franchisees (described below) operating in certain states/venues. However, in 2022 we also began offering the BRIGHTSTAR CARE HOMES Community franchise opportunity to candidates who are not existing BrightStar Care Agency franchisees.

Our affiliate BrightStar Franchising, LLC (“BrightStar Franchising”), whose principal business address is the same as ours, has offered franchises for BrightStar Care agencies since August 2005. BrightStar Care agencies offer 4 principal services to clients: in-home Non-Medical (Companion) care services; in-home Medical Personal Care services; in-home Medical Skilled Care services; and Supplemental Healthcare Staffing. Some BrightStar Care franchisees offer all four services, and some do not. (The BrightStar Care agency program franchise opportunity is offered in a separate franchise disclosure document.) BrightStar Franchising had granted 368 BrightStar Care agency franchises as of January 2, 2022. BrightStar Franchising never has operated or offered franchises for BrightStar Senior Living Communities. However, as part of the initial pilot of the BRIGHTSTAR CARE HOMES Community concept, BrightStar Franchising granted (beginning in 2017) one existing BrightStar Care franchisee the right to open and operate BRIGHTSTAR CARE HOMES Communities under an amendment to its existing BrightStar Care Franchise Agreement. BrightStar Franchising has not offered franchises in other lines of business.

Our parent is BrightStar Group Holdings, Inc., a Delaware corporation formed on September 29, 2010 (“BrightStar Holdings”) whose principal offices are the same as ours. Other than serving as

our parent (and the parent of our affiliated entities), BrightStar Holdings does not operate any business and does not offer, and has not offered, franchises in any line of business.

We have 2 affiliates besides BrightStar Franchising that we must disclose in this Item 1: 24-7 Bright Star Healthcare, LLC (“Bright Star Nevada”) and BrightStar Technology Group, LLC (“BrightStar Technology”), whose principal offices are the same as ours.

Bright Star Nevada owns the “BrightStar” trademarks (among other intellectual property) and, as described further in Item 13 below, licenses us the right to use and sublicense those trademarks. Bright Star Nevada has never operated a BRIGHTSTAR CARE HOMES Community or a BrightStar Senior Living Community or offered franchises in any line of business.

BrightStar Technology may provide you with ongoing support and assistance with respect to technology, branded email, and the website and intranet. If so, you will pay BrightStar Technology all fees associated with its technology support. BrightStar Technology does not operate any other business. BrightStar Technology has not previously offered franchises in any line of business.

Our agents for service of process are listed in Exhibit A to this disclosure document.

#### B. The BRIGHTSTAR CARE HOMES Community Franchise.

You will develop and operate up to 3 senior-living and memory-care or full memory-care Communities under the BRIGHTSTAR CARE HOMES trademark providing various services for seniors and other individuals in need, including residential assisted-living, memory-care, and ancillary services, according to the administrative and operational components noted in your Franchise Agreement (Exhibit B) (the “BrightStar Program” or “Program”). The BRIGHTSTAR CARE HOMES franchise opportunity involves the acquisition, construction, development, and operation of one or more homes in a residential setting, each of which will provide supervised care for up to 8 to 12 residents. Our Franchise Agreement grants you the right to construct, develop, and operate up to 3 BRIGHTSTAR CARE HOMES Communities under the System and Marks at locations to be identified. Unless this disclosure document must in certain contexts distinguish among the 3 BRIGHTSTAR CARE HOMES Communities that you are entitled to construct, develop, and operate under the Franchise Agreement, all references to “a Community” or “the Community” will be deemed to mean each of your Communities, and all references to “Communities” will be deemed to mean all of your Communities. The Franchise Agreement governs your construction, development, and operation of each and all of your Communities.

We identify the BrightStar Program by certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the marks “BRIGHTSTAR CARE HOMES,” distinctive trade dress, and such other trade names, trademarks, and service marks we now, or in the future may, designate in writing for use in the BrightStar Program (the “Marks”). We and our affiliates continue to develop, use, and control the use of the Marks in order to identify for the public the source of services and products marketed under the BrightStar Program and represent the Program’s high standards of quality, appearance, and service.

If we deem it necessary for the operation of BRIGHTSTAR CARE HOMES Communities, the BrightStar Program in the future may include one or more aspects of our or our affiliate's proprietary technology (the "System Proprietary Technology"). System Proprietary Technology may encompass an integrated-management system providing various technology solutions, including client-relationship management, staff-relationship management, billing management, web management, franchise management, and all modifications.

It is not necessary that you have experience in the healthcare or senior-housing industry before acquiring your BRIGHTSTAR CARE HOMES Community franchise. You must obtain and maintain during the franchise term all licensure, licenses, and permits required to operate a BRIGHTSTAR CARE HOMES Community.

Your Communities will provide various services for seniors and other individuals in need, including residential assisted-living, memory-care, and ancillary services, or the Communities may only provide services for those with a memory-care need. You must have qualified healthcare professionals on staff and available to your clients at all times. You will offer your services throughout the year (24 hours a day, 7 days a week); your business is not seasonal.

#### C. Competition.

You will compete with other businesses providing similar services, including franchise programs competing with BRIGHTSTAR CARE HOMES Communities, non-franchised chains, and "individual" residences of this type. The principal market for the services of BRIGHTSTAR CARE HOMES Communities is the population of aging persons who may require some assistance with the activities of daily living or require care due to conditions such as Alzheimer's or dementia and therefore can benefit from a communal-living environment and the meals and maintenance services of BRIGHTSTAR CARE HOMES Communities. The market is a growing market driven by the aging of the general population.

#### D. Specialized Industry Laws.

You must comply with all wage and hour laws and regulations as well as all federal, state, and local laws and regulations that apply to your operations, including those pertaining to the health care industry, professional and community licensing, workers' compensation, corporate, tax, environmental, sanitation, insurance, no smoking, EEOC, HIPAA, OSHA, non-discrimination, employment, and sexual harassment. You must obtain and maintain any health care or employment-related permits, licenses, certifications, or other indications of authority necessary to operate your BRIGHTSTAR CARE HOMES Communities to the fullest extent of the model possible within the spectrum of residential assisted-living and memory-care services available in the state in which the BRIGHTSTAR CARE HOMES Community operates, including, for example, a Community Based Residential Community license. A Clinical Laboratory Improvement Amendment waiver ("CLIA" waiver) might be required if you perform services requiring a CLIA waiver. We may require you to obtain a particular permit, license, or accreditation. Some states have imposed a moratorium on issuing assisted-living licenses or may

require a Certificate of Need. You must investigate the availability and requirements for obtaining all necessary licenses in your state.

While we have resources available as a reference to you, you are solely responsible for investigating, understanding, and complying with the laws, regulations, and requirements applicable to you and your BRIGHTSTAR CARE HOMES Communities. You may not participate in Medicare, Medicaid, or other governmental payor programs.

## **ITEM 2 BUSINESS EXPERIENCE**

### Shelly Sun – Founder, CEO and Managing Member, CPA and Certified Franchise Executive (CFE)

Shelly A. Sun has been our CEO and Managing Member since our inception in March 2013. Ms. Sun also is: (i) the CEO and Managing Member of BrightStar Franchising of Gurnee, IL since its inception in January 2005, having served as its President from January 2005 through November 2010; (ii) the CEO of BrightStar Group Holdings, Inc. of Gurnee, IL and has held that position since September 2010; and (iii) the CEO and Managing Member of BrightStar Technology Group, LLC of Gurnee, IL and has held that position since August 2009.

### James Kearns – Chief Operating Officer and Chief Experience Officer

James Kearns has been our Chief Operating Officer and Chief Experience Officer since March 2019. Mr. Kearns also has been the Chief Operating Officer and Chief Experience Officer of BrightStar Franchising and BrightStar Holdings of Gurnee, IL since March 2019. Mr. Kearns was Chief Technology Officer for us, BrightStar Franchising, BrightStar Technology, and BrightStar Holdings, all of Gurnee, IL, from October 2014 through March 2019.

### Dean Ulizio – Chief Strategy Officer

Dean Ulizio has been our Chief Strategy Officer since January 2020 and has held the same position with BrightStar Franchising of Gurnee, IL since that date. Mr. Ulizio was our Executive Vice President of Global Strategic Development, and held the same position with BrightStar Franchising, from September 2016 through December 2019.

### Pete First – Chief Development Officer

Pete First has been our Chief Development Officer since March 2022 and has held the same position with BrightStar Franchising of Gurnee, IL since that date. Mr. First was Senior Vice President of Franchise Development for both us and BrightStar Franchising from March 2020 through March 2022 and Vice President of Franchise Development from September 2018 through March 2020. From April 2004 through September 2018, Mr. First was Director of Franchise Development with Winmark Corporation in Minneapolis, Minnesota.

David Pallaschke – Chief Financial Officer

David Pallaschke has been our Chief Financial Officer since November 2019 and has held the same position with BrightStar Franchising of Gurnee, IL since that date. From March 2015 through November 2019, Mr. Pallaschke was Senior Vice President Finance/Clinic Performance & Analytics for ATI Physical Therapy of Bolingbrook, IL.

Teresa Celmer – Senior Vice President Marketing

Teresa Celmer has been our Senior Vice President Marketing since March 2020 and has held the same position with BrightStar Franchising of Gurnee, IL since that date. From July 2019 through April 2020, Ms. Celmer was Vice President of Marketing for both us and BrightStar Franchising. From June 2015 through June 2019, Ms. Celmer was Brand Director, Consumer Marketing for Ace Hardware Corporation in Oak Brook, Illinois.

Josie Rhoades – Vice President Clinical Operations

Josie Rhoades has been our Vice President Clinical Operations since January 2021 and has held the same position with BrightStar Franchising of Gurnee, IL since that date. From August 2020 through December 2020, Ms. Rhoades was on hiatus. From June 2019 until July 2020, Ms. Rhoades was Director Population Health at Next Level Health Partners in Chicago, Illinois. From June 2014 until April 2019, Ms. Rhoades was Director Clinical Outcomes for BioScrip, Inc. in Denver, Colorado.

Brad Jacobsen – Director, Senior Living Project Development

Brad Jacobsen has been our Director of Senior Living Project Development since September 2018. Mr. Jacobsen was Executive Director, Assisted Living & Memory Care with Arboria of Long Grove, LLC in Long Grove, IL from September 2016 through June 2018. Mr. Jacobsen was on hiatus in July and August 2018 before joining us.

**ITEM 3  
LITIGATION**

The following litigation involves the operations of our affiliated BrightStar Care agency franchise system and BrightStar Franchising. No litigation about us must be disclosed in this Item.

Starcatcher Healthcare, LLC vs. BrightStar Franchising, LLC and Shelly Sun (No. CV 13-02051-PHX-MEA, filed on October 8, 2013, in the United States District Court for the District of Arizona). Starcatcher Healthcare (“Starcatcher”), a now-former franchisee that operated 2 BrightStar Care businesses, filed a lawsuit against BrightStar Franchising and Ms. Sun alleging breach of contract and the implied covenant of good faith and fair dealing, negligent misrepresentation, common law fraud, violation of the Arizona Consumer Fraud Act, and violation of the Illinois Franchise Disclosure Act in connection with its acquisition and operation of its 2

franchises. Starcatcher's claims were based on alleged deficiencies with software, failure to prevent encroachment by another franchisee, and failure to spend the general marketing fund in a manner benefiting Starcatcher. Starcatcher sought declaratory judgment, rescission of the parties' franchise agreements, unspecified damages, and costs and attorneys' fees. After various motions, BrightStar Franchising and Ms. Sun filed an answer denying the allegations.

The parties settled the lawsuit on November 28, 2014, with full mutual releases of all claims. While BrightStar Franchising reimbursed approximately \$137,000 of fees and costs incurred by Starcatcher in the dispute, BrightStar Franchising did not make any lump-sum payment to Starcatcher on the substantive claims it asserted. As part of the settlement, Starcatcher exercised its right under a then-existing area development agreement to acquire a third franchise from BrightStar Franchising for an additional Arizona market. Starcatcher also agreed to contribute to the General Marketing Fund in substantial compliance with current system requirements. BrightStar Franchising and Starcatcher also modified Starcatcher's other 2 existing franchise agreements to reflect that, under a new (2-year minimum) "Pilot Program," Starcatcher's BrightStar Care businesses would be "beta sites" to collaborate with BrightStar Franchising to develop and customize new software and processes to support the managed skilled care portion of the BrightStar Care business. In consideration for Starcatcher's investment of time and money to participate in the Pilot Program, BrightStar Franchising agreed to waive or reduce various fees due under the parties' franchise agreements during and/or after the Pilot Program. Starcatcher dismissed the lawsuit, and the case is over.

Cosmo Fraser and Adam Fraser vs. BrightStar Franchising, LLC, Shelly Sun, Thomas Gilday, Scott Oaks, et al. (American Arbitration Association Case No. 02-16-0005-0209, filed March 15, 2017). The Frasers, former franchisees of BrightStar Franchising who operated one BrightStar Care franchise in Georgia, filed this arbitration against the defendants. They alleged violation of the Illinois Consumer Fraud and Deceptive Practices Act, violation of the Illinois Franchise Disclosure Act, statutory fraud under Georgia law, common law fraud, and negligent representation in connection with the Frasers' acquisition of their franchise. The Frasers alleged that the defendants failed to disclose before granting the franchise that the franchised territory was not a "new" territory, previously had been operated by 2 different franchisees who allegedly had failed, and allegedly was smaller than most franchised territories BrightStar Franchising granted and also allegedly misrepresented the financial performance for first-year franchisees. The Frasers sought rescission of the franchise agreement and rescissionary or compensatory damages in excess of \$500,000, punitive damages, attorneys' fees and costs, and other relief. The parties settled the case on March 1, 2018, in order to avoid further legal proceedings. The defendants paid the Frasers a total of \$215,000, the parties exchanged mutual releases, and the case was dismissed with prejudice.

BrightStar Franchising, LLC, et al. v. Home Care & Staffing Solutions, LLC, William Stinson, Susan Stinson, et al. (Texas District Court, 393<sup>rd</sup> Judicial District, Denton County, Texas, Case No. 21-10096-393, filed November 15, 2021). Our affiliates BrightStar Franchising, BrightStar Group Holdings, and BrightStar Technology commenced this lawsuit against an existing BrightStar Franchising franchisee (Home Care), its 2 owners (William and Susan Stinson), and 2 former Home Care employees (Logan Stinson and Andrew McClung), alleging that the

defendants, in violation of their contractual and other obligations, conspired to form competing home healthcare businesses in direct competition with the BrightStar Care brand and, as part of that conspiracy, siphoned business, contacts, customers, and confidential, proprietary, and trade secret information from our affiliates and other franchisees. BrightStar Franchising claims that the defendants' objective is to avoid royalty and other payment obligations and to ignore territorial client assignments that the BrightStar Care franchise model requires for the benefit of its franchisees. Specifically, BrightStar Franchising alleges that the former employees, while still employed by or affiliated with defendant Home Care, forwarded certain highly-sensitive confidential information belonging to BrightStar Franchising to their personal email accounts and that Home Care, whose owners are the parents of defendant Logan Stinson, facilitated or allowed the sharing of that information, diverted customers and contacts to the competitive home healthcare businesses to the detriment of BrightStar Care franchisees and BrightStar Franchising, and hid their scheme by using alternate billing software (to which BrightStar Franchising has no access) and misleadingly advising BrightStar Franchising that Home Care's declining revenues were caused by market factors.

BrightStar Franchising asserted claims against the defendants for, among other things, breach of contract, fraud by nondisclosure and fraudulent concealment, tortious interference with contract and business relations, misappropriation of trade secrets in violation of the Texas Uniform Trade Secrets Act, and conspiracy. BrightStar Franchising seeks temporary and permanent injunctive relief to prohibit all defendants from violating, or tortiously interfering with, BrightStar Franchising's franchise agreements with Home Care; tortiously interfering with its business relations with clients and other BrightStar Care franchisees, including by diverting business from the BrightStar Care system; and possessing, using, or disclosing its confidential information and trade secrets. BrightStar Franchising also seeks monetary relief exceeding \$1 million (including actual and exemplary damages), disgorgement of profits, attorneys' fees, and litigation costs.

On December 23, 2021, defendant Home Care filed its Original Counterclaim Petition against BrightStar Franchising and its affiliates. It alleges common-law fraud and breach of contract, claiming principally that BrightStar Franchising's technology system, among other things, lacks regulatory compliance, threatens patient safety, and fails to support the submission of bills to commercial insurers for skilled nursing services; BrightStar Franchising unreasonably withheld its consent to Home Care's acquisition of another franchised territory; BrightStar Franchising breached the parties' franchise agreements by requiring Home Care's participation in a "process-based" audit rather than a financial audit; and BrightStar Franchising failed to enforce uniformly among franchisees certain referral and national account standards. Home Care seeks over \$1 million in damages, declaratory relief allowing it to terminate its franchise agreements with BrightStar Franchising, attorneys' fees, and court costs.

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

#### **ITEM 4 BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

The initial franchise fee for the 3 BRIGHTSTAR CARE HOMES Communities that the Franchise Agreement entitles you to develop and operate currently is \$50,000. If you or your affiliate is not an existing BrightStar Care Agency franchisee, the full initial franchise fee is due when you sign the Franchise Agreement. If you choose not to develop the second and/or third BRIGHTSTAR CARE HOMES™ Communities that the Franchise Agreement entitles you to develop and operate, no part of the \$50,000 initial franchise fee is refundable.

If you or your affiliate is an existing BrightStar Care Agency franchisee, you must pay us \$30,000 when you sign the Franchise Agreement. You must pay us an additional \$10,000 when we accept the site for your second Community to be developed under the Franchise Agreement and the final \$10,000 when we accept the site for your third Community to be developed under the Franchise Agreement. The initial franchise fee is not refundable under any circumstances. However, if you choose not to develop (by the applicable deadlines) the second and/or third BRIGHTSTAR CARE HOMES Communities that you are entitled to develop, the additional \$10,000 payments will not be due.

We may make 1 trip to your market at our own cost to visit sites you are considering for your Communities so that we can accept or not accept the sites. If we must make more than 1 on-site evaluation, you must reimburse our reasonable expenses, including the costs of travel, lodging, and meals. We estimate that such expenses will not exceed \$5,000 per visit. This payment is not refundable.

**ITEM 6  
OTHER FEES**

Column 1 Type of fee*	Column 2 Amount**	Column 3 Due Date	Column 4 Remarks
Royalty/Continuing Fee	5% of monthly Net Billings during preceding calendar month (Note 1)	Deducted from your bank account via EFT 10 days after date of our invoice	Note 1 defines “Net Billings.” See also Note 3. We may collect more frequently than monthly on 30 days’ prior notice to you.

Column 1 Type of fee*	Column 2 Amount**	Column 3 Due Date	Column 4 Remarks
General Marketing Fee	Beginning on Community's Opening Date, the greater of 2.5% of the prior month's Net Billings or \$500 per month per Community for up to 3 Communities operating under the Franchise Agreement (Note 2)	Deducted from your bank account via EFT 10 days after date of our invoice	We may collect more frequently than monthly on 30 days' prior notice to you.
Technology & Email Service Fee	Greater of \$250 per month or .83% of the prior month's Net Billings for <u>each</u> Community operating under Franchise Agreement (Note 3)	Deducted on 15 <sup>th</sup> day of each month from your bank account via EFT	We do not yet charge this fee.  Fee applies if we require you to use certain System Proprietary Technology, in whole or in part, in operating your Communities.  Excludes third-party approved solutions (i.e., Hireology, CRM, or WorkBright).
Email Service Fee	\$10 per email per month for each email provided (Note 3)	Deducted on 15 <sup>th</sup> day of each month from your bank account via EFT	This fee will apply if we do not require you to use certain System Proprietary Technology in operating your Communities.
Electronic Client Management Software	\$150 per month per Community for up to 10 clients per Community. An additional \$10 per month for each client over 10 in each Community (Note 4)	Deducted on 15 <sup>th</sup> day of each month from your bank account via EFT	These fees will apply if Systems Proprietary Technology is not required. These fees are collected by BrightStar Technology and then paid on a pass-through basis to the vendor.
Vendor Evaluation	Up to \$5,000 if the vendor is approved.	As incurred	Evaluation of proposed new vendors to support the brand. Due only if we approve the vendor.

Column 1 Type of fee*	Column 2 Amount**	Column 3 Due Date	Column 4 Remarks
Supplemental Additional Training Programs	Not to exceed \$500 per day per attendee	Upon receipt of invoice	We provide initial training for up to 4 people at no additional charge; we may charge you for training replacements if your original trainees cannot complete training, for training additional or newly hired personnel, and for supplemental training programs. We may require your key personnel to attend supplemental training programs at your expense.
Additional On-site Training to be Provided on an as-needed Basis	Not to exceed \$500 per day per trainer, plus travel, meals, hotel, and related expenses for each trainer	Upon receipt of invoice	We may charge you for additional or special guidance, assistance, or training you need or request.
Computer Software and Technology, Support, and Upgrades (in addition to Technology & Email Service Fee)	Not to exceed \$2,000 per month (depending on number of users and locations)	As incurred	We and our affiliates may charge you up-front and ongoing ( <i>e.g.</i> , weekly, monthly, or other) fees for proprietary software or technology licensed to you and related support services; the fee may increase as costs increase. We do not now provide these services and therefore do not have a set charge; we may charge you if we provide these services at a later time and will notify you when we establish the charge.
Annual Meetings	You must pay registration fees whether or not you attend, not to exceed \$2,000 per person per annual meeting, plus travel, room, board, and salary expenses of your attendees	Due upon invoice	We reserve the right to hold annual franchise meetings virtually. If we hold the annual franchise meeting (including branch leadership conference) virtually, you must attend and pay the registration fee regardless of your participation in the virtual annual meetings.

Column 1 Type of fee*	Column 2 Amount**	Column 3 Due Date	Column 4 Remarks
Product and Service Purchases	See Item 8	As incurred	You will buy products and services from us, our affiliates, designated and approved vendors whose items and services meet our standards and specifications, and/or other suppliers to the industry. Prices depend on supplier and item/service involved.
Insurance reimbursement	Out-of-pocket premium cost reimbursement plus 18% administrative fee	As incurred	You must reimburse us if we obtain required insurance for you.
Late Fee	\$250	May be auto-debited from your account	Due for each late or dishonored payment.
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows.	May be auto-debited from your account	Due on all overdue amounts more than 7 days late.
Transfer Fee	\$15,000 plus any fees paid directly to a broker if buyer found through broker	Before or at transfer closing	Due if you transfer Franchise Agreement and Communities or your owners transfer controlling ownership interest in you or your owners.
Step-In Rights	Reimbursement of our costs and overhead while operating Community or Communities plus management fee of up to \$2,000 per day	As incurred	We have the right to operate one or more of your Communities in certain circumstances.
Management Fee	Manager's then-current daily salary plus our direct expenses	As incurred	Due if we manage Community temporarily after Control Person's death or disability.
Indemnification	Varies under circumstances and depends on nature of third-party claim	As incurred	You must reimburse us if we are held liable for claims from your Community's operation or incur costs to defend them (when we are not at fault).

Column 1 Type of fee*	Column 2 Amount**	Column 3 Due Date	Column 4 Remarks
Costs and Attorneys' Fees	Varies under circumstances and depends on nature of your non-compliance	As incurred	Due when we incur costs and expenses to enforce Franchise Agreement against you, whether or not we begin formal legal proceeding.
Microsoft Teams/One-drive/Web version office package Option	Beginning in the month you execute the Microsoft Team/One-drive/Web version office package Opt-in Addendum, you will pay \$7.80 per user per month (subject to change upon written notice)	Deducted monthly from your bank account by us via EFT	This is optional. The per-user, per-month fee is over and above any email fee.
Tax Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us for any taxes we must pay a state taxing authority on account of either your operation or your payments to us (except for our own income taxes).
Re-Inspection Fee	Up to \$2,500	As incurred	Due for each follow-up Community inspection to confirm you have corrected operating deficiencies we brought to your attention.
De-Identification Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse our costs to de-identify your Communities after termination or expiration of Franchise Agreement if you fail to do so as required.
De-Identification Royalty Fee	\$1,000 per day	As incurred	Due if you fail to comply with your Community de-branding and de-identification obligations after Franchise Agreement expires or is terminated.
Termination Damages	Note 5	15 days after effective date of termination	

## NOTES

\* Except for product and service purchases described in Item 8, and except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us. Except as noted above, all fees currently are uniformly imposed. No fee is refundable.

\*\* We have the right during the franchise term to increase certain fixed fees or payments described in the Franchise Agreement. An annual increase may occur only once during any calendar year and may not exceed the corresponding cumulative percentage increase in the Index since the effective date of the Franchise Agreement or, as the case may be, the date on which the last Annual Increase became effective for the particular fixed fee or payment being increased. Annual Increases will be made at the same time during the calendar year. "Index" means the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for all Items (1982 – 1984 = 100), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics or in a successor index. The fixed fees/payments subject to increase during the franchise term are the General Marketing Fee, the late fee, the re-inspection fee, minimum required local marketing expenditures (described in Item 11), transfer fees, the "Step-In" per diem fee, and the de-identification royalty fee.

NOTE 1. Royalty fees are based on a percentage of Net Billings. "Net Billings" means the aggregate of all revenues and other income from whatever source (whether in the form of cash, credit, agreements to pay or other consideration, and barter transactions, and whether or not payment is received at the time of sale, or any amounts prove uncollectible) arising or derived by you or any other person from business conducted by or at, or originating from, the Community. Net Billings also includes all proceeds from any business interruption insurance.

Excluded from Net Billings are: (i) sales and other taxes separately stated that you collect from clients and actually pay to taxing authorities; (ii) the discount value of any coupon, voucher, or other allowance we authorize at the time you redeem the client's coupon, voucher or allowance, and (iii) no-mark-up items such as personal protective equipment or testing costs where the amount billed to client is at the franchisee's cost. All royalties will be collected via EFT 28 days after the end of the weekly billing period.

NOTE 2: In addition to the General Marketing Fee, you must comply with certain local advertising and marketing obligations described in Items 7 and 11 below. If you are a BrightStar Care Agency franchisee, this fee may be combined with your BrightStar Care Agency fees, and no \$250 minimum would apply.

NOTE 3: If we require you to use our System Proprietary Technology (and we currently do not), beginning on the Opening Date (unless we first impose the requirement after your Opening Date, in which case it would start at that time) the Monthly Technology & Email Service Fee will be due and payable to BrightStar Technology or another affiliate via EFT. The Monthly Technology & Email Service Fee excludes any third-party approved solutions (e.g., Accounting/Payroll Software (outside of System Proprietary Technology), Electronic Health Records and Medication Management Software, Hireology, CRM, HR/workforce or WorkBright), which may incur a separate fee, either billed directly by the vendor or billed collectively and passed

through by us. The Monthly Technology & Email Service Fee will be due each month on the 15<sup>th</sup> day of the month. Monthly Technology & Email Service Fees will be the greater of \$250 per month or .83% of the prior month's Net Billings for each Community operating under the Franchise Agreement during the franchise term. If we do not require you to use our System Proprietary Technology, BrightStar Technology will provide you with branded email. The branded email fee will be \$10 per email per user per month and will be due each month on the 15<sup>th</sup> day of the month.

NOTE 4: If we do not require you to use our System Proprietary Technology, then beginning on the Community's Opening Date (unless we first impose the requirement after your Opening Date, in which case it would start at that time), BrightStar Technology will invoice and collect the electronic client management software fee on a pass-through basis and pay the vendor.

NOTE 5: Termination damages are due if you cease operating a Community before the Franchise Agreement expires. The amount depends on the reason why the Community ceased operations and your actions afterward. Termination damages can range from \$100,000 to \$400,000 depending on the circumstances but typically will be calculated to equal the product of (a) either 36 or the number of months then remaining in the initial franchise term as of the effective date of termination (had the Franchise Agreement or your right to operate the particular Community not been terminated), whichever is shorter, multiplied by (b) the sum of the average monthly Royalty/Continuing Fees, plus the average monthly General Marketing Fees, plus the average Monthly Technology & Email Service Fee (if applicable) that were due and payable to us with respect to each affected Community during the 12 months before the month of termination.

NOTE 6: If you or your affiliate is a BrightStar Care Agency franchisee, you or that affiliate must ensure that your or its BrightStar Care Agency continues to receive the necessary attention during the development and operation of your Communities. If the Net Billings of one or more of your or your affiliate's BrightStar Care Agencies decline on a year-over-year basis by 20% or more during the development and operation of your Communities, you or your affiliate must send us a plan within 15 days following our notice to you of the decline with a description of the proposed cure for that decline, which then must be implemented within the following 90 days. The plan must include, at a minimum, additional infrastructure/roles or other revenue-producing activities proposed to support the operations in order to recover or recoup the year-over-year decline. Your or your affiliate's failure to recover or recoup the decline in the performance of the BrightStar Care Agency within 12 months from the date on which we first notify you of the year-over-year decline in Net Billings of at least 20% will be good cause for our termination of your Franchise Agreement.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

(The first table covers your estimated initial investment for an 8 to 12-bed BRIGHTSTAR CARE HOMES Community if you buy the land and building)

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee (1)	\$50,000	Lump Sum	\$50,000 upon signing the Franchise Agreement.  If you or an affiliate is an existing BrightStar Care Agency franchisee, \$30,000 is due upon signing the Franchise Agreement for first Community and an additional \$10,000 for each of the second and third Communities is due when we accept sites for them	Us
Architecture / Engineering / Development Fee & Expenses (2)	\$8,000 - \$32,000	Lump Sum	As invoiced	Third-Party Vendors
Site Demolition	\$0 - \$50,000	Lump Sum	As invoiced	Third-Party Vendors
Legal Expenses (3)	\$1,500 - \$3,000	Lump Sum	As invoiced	Third-Party Vendors
Fees for Applications, Permits Review, and Recording (4)	\$13,000 - \$20,000	Lump Sum	As invoiced	Government Agencies

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Community's Construction (5a)	\$715,000 - \$885,000	Lump Sum	As invoiced	Third-Party Vendors
Land (5b)	\$200,000 - \$450,000	Lump Sum	As invoiced	Third-Party Vendors
Landscape Architect Fees (6)	\$35,000 - \$50,000	Lump Sum	As invoiced	Third-Party Vendors
Furniture, Fixtures & Equipment (7)	\$8,000 - \$32,000	Lump Sum	As invoiced	Third-Party Vendors
Technology/Computer Requirements (8)	\$4,000 - \$12,000	Lump Sum	As invoiced	Third-Party Vendors
Supplies & Materials Inventory (9)	\$15,000 - \$25,000	Lump Sum	As invoiced	Third-Party Vendors
Banking Fees, Interest, and Land Taxes During Construction (10)	\$49,000 - \$53,000	Lump Sum	As invoiced	Third-Party Vendors
Pre-Opening Marketing Costs (11)	\$10,000 - \$15,000	As incurred	Starting no later than 6 months before opening	Third-Party Vendors
Pre-Opening Labor Costs (12)	\$9,000 - \$13,000	As incurred	As incurred	Employees
Employee Travel and Living Expenses Associated with Training (13)	\$4,000 - \$7,500	As incurred	As incurred	Third-Party Vendors
Recruiting Spend (14)	\$900 - \$1,500	Lump Sum	As invoiced	Third-Party Vendors
General Marketing Fee (15)	\$1,500	As invoiced	As invoiced	Us
State Required Licensure (16)	\$1,400 - \$2,050	Lump sum	As incurred	Licensing Authority
Registered Nurse Hired Before Opening (14)	\$0 - \$9,375	\$48,960	As incurred	Employee
Additional Funds – 3 months (18)	\$22,616 - \$50,795	As incurred	As incurred	Third-Party Vendors and Employees
Total Estimated Initial Investment (20)	\$1,147,916- \$1,762,720			

## YOUR ESTIMATED INITIAL INVESTMENT

(The second table covers your estimated initial investment for an 8 to 12-bed BRIGHTSTAR CARE HOMES Community if you lease the land and building)

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee (1)	\$50,000	Lump Sum	\$50,000 upon signing the Franchise Agreement.  If you or an affiliate is an existing BrightStar Care Agency franchisee, \$30,000 is due upon signing the Franchise Agreement for first Community and an additional \$10,000 for each of the second and third Communities is due when we accept sites for them	Us
Legal Expenses (3)	\$1,500 - \$3,000	Lump Sum	As invoiced	Third-Party Vendors
Fees for Applications, Permits Review, and Recording (4)	\$0 - \$7,000	Lump Sum	As invoiced	Government Agencies
Furniture, Fixtures & Equipment (7)	\$8,000 - \$32,000	Lump Sum	As invoiced	Third-Party Vendors
Technology/Computer Requirements (8)	\$4,000 - \$12,000	Lump Sum	As invoiced	Third-Party Vendors
Supplies & Materials Inventory (9)	\$15,000 - \$25,000	Lump Sum	As invoiced	Third-Party Vendors
Pre-Opening Marketing Costs (11)	\$10,000 - \$15,000	As incurred	Starting no later than 6 months before opening	Third-Party Vendors
Pre-Opening Labor Costs (12)	\$9,000 - \$13,000	As incurred	As incurred	Employees

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Employee Travel and Living Expenses Associated with Training (13)	\$4,000 - \$7,500	As incurred	As incurred	Third-Party Vendors
Rent & Lease Deposit	\$47,853 - \$59,817	Lump sum	As invoiced	Lessor
Recruiting Spend (14)	\$900-\$1,500	As incurred	As incurred	Third-Party Vendors
General Marketing Fee (15)	\$1,500	As invoiced	As invoiced	Us
State Required Licensure (16)	\$1,400 - \$2,050	Lump sum	As incurred	Licensing Authority
Registered Nurse Hired Before Opening (17)	\$0 - \$9,375	As incurred	As incurred	Employee
Additional Funds – 3 months (19)	\$31,547 - \$66,848	As incurred	As incurred	Third-Party Vendors, Lessor, and Employees
Total Estimated Initial Investment (20)	\$184,700- \$305,590			

## NOTES

- No expenditure in these tables is refundable.
- The above estimates do not take into consideration any revenue derived during the first 3 months of operation.
- The above estimates are based upon 3 prototype 8-to-12-bed Communities in Idaho operated under a pilot program by a BrightStar Care franchisee with an enclosed home size of approximately 4,000 to 5,500 square feet and a 0.75 to 1-acre parcel of land. If your planned Community’s design deviates in any way from our prototypes (and we consent to the deviations), certain costs described in Item 7 will be higher.

(1) Initial Franchise Fee: We describe the initial franchise fee (and when it is due) in Item 5.

(2) Architect Fees and Expenses: You will need an architect to adapt the prototype to the local site and requirements for new construction or to design the renovations of existing buildings. The architect’s work will include sketches and drawings providing a graphic delineation of the project

with respect to height, bulk, scale, and architectural character of the prototype building and its relationship to surrounding properties. Copies of the architect's work will be made available to us, you, and government agencies having jurisdiction over the proposed site. The cost shown includes the architect's fee, plus estimated reimbursable expenses such as copying, renderings, travel, etc. The low end of this estimate takes into consideration that you utilize a developer, and it may be paying these fees.

Development Fees & Expenses: You may obtain development services from an approved vendor, who would manage the entire building delivery process as your representative. The cost shown includes the vendor's fee, plus estimated reimbursable expenses such as copying, renderings, travel, etc.

- After we approve localized Construction Documents, the vendor will help you obtain either competitive bids or negotiated proposals and determine the successful bid or proposal. During the construction phase, the vendor will:
  - Help you and the general contractor obtain permits and other approvals from agencies having jurisdiction over your project;
  - Review shop drawings, material samples, and other submittals for general conformance with the design concept;
  - Consider requests for substitutions;
  - Provide other construction phase related services such as processing applications for payment, acting upon requests for change orders by contractors, preparing final punch-lists and reviews, etc.; and
  - Work with the general contractor to obtain a Certificate of Occupancy and issue a Certificate of Substantial Completion at the conclusion of the project.

The cost shown includes the vendor's fee. The Architecture and Engineering Services Fees shown above are based on working from prototype building design documents. Modifications requiring additional Architecture and Engineering Services Fees and expenses will include changing configuration of the building, adding or deleting residential units, modifying residential units, adding or deleting amenity spaces, or re-organizing interior space layout. In addition, changes in codes (for example, building, life safety, and health department) and specific jurisdictional requirements might require adjustments to the fees shown above.

(3) Initial legal review of employment documents that should be reviewed annually to ensure they stay current with local and state employment laws.

(4) Fees for Applications, Review, and Recording: Various local government or regulating agencies may impose fees for reviewing your project during the entitlement phase. The low end of this estimate takes into consideration that you utilize a developer, and it may be paying these fees.

(5a) Community Construction: The Community's construction must comply with our then-current specifications. Construction costs vary widely depending on market conditions. The range of construction costs provided represents an estimate based on the actual costs of the Communities in Boise, Idaho. Your costs will depend on market conditions and local government requirements.

(5b) Land: We recommend a parcel of real estate approximately 0.75 to 1 acre in size. Land costs vary widely depending on market conditions. While we believe this to be generally representative of the land costs our franchisees may incur, your costs may differ significantly (higher or lower) from these estimates and will depend on local market conditions.

(6) Landscape Architect Fees: You will obtain landscape services to design your exterior landscape.

(7) Furniture, Fixtures & Equipment: Furnishings include furniture, case goods, lamps, artwork, window treatments, televisions, and accessories to furnish the Community's rooms, common areas, and utility areas. Cost of furnishings also includes equipment for nurse call system, building access control, shelving, and the central kitchen. The estimated costs for Furniture, Fixtures & Equipment differ between the Leasing and Purchase scenarios because, under the Leasing scenario, it is assumed that the Lessor (Developer) would include certain portions of the Furniture, Fixtures & Equipment in its total project cost.

(8) We describe the Technology/Computer Requirements in Item 11, which generally include computer hardware, software, peripheral items, property-management and other electronic-information systems, and technology solutions, including third-party accounting and payroll, electronic health records, medication management, and client relationship management software.

(9) Supplies & Material Inventory: You must purchase supplies, materials, and uniforms for dining services, maintenance, housekeeping, wellness/clinical, and life enrichment.

(10) Banking Fees, Interest, Land Taxes During Construction/Remodeling: You will pay land taxes during construction. You will also pay financing fees and interest to a lending institution if you are financing the project. This amount is approximately a 12-month range.

(11) Pre-Opening Marketing Costs: Pre-Opening Marketing costs include Internet and social media marketing, print, promotional wear, brochures, banners, sales office, promotions, groundbreaking ceremonies, signage, and other costs associated with the Community's opening.

(12) Pre-Opening Labor Costs: Pre-Opening Labor Costs include hiring the leadership team and direct care staff before the Community's opening. If you are an existing BrightStar Care Agency franchisee, some of this cost may be captured under your BrightStar Care Agency.

(13) Employee Travel and Living Expenses Associated with Training: The amount will vary based on the type of accommodations you select, dining preferences, travel preferences, and

differences in compensation arrangements with your employees while the employees are being trained.

(14) Recruiting Spend: You will run 3 ads per month for 3 months. If you are an existing BrightStar Care Agency franchisee, this cost may be captured under your BrightStar Care Agency.

(15) General Marketing Fee: You will begin paying the General Marketing Fee on your Opening Date. If you are an existing BrightStar Care Agency franchisee, part of this cost may be captured under your BrightStar Care Agency.

(16) State Licensure: Licensure requirements vary by state. Your state's requirements will determine your licensure costs. Some states may have Plan Review fees as a part of construction.

(17) Registered Nurse before Opening: Depending on your state's licensure requirement, you might need to hire a Registered Nurse (full or part-time) before Opening to include on your licensure application.

(18) Additional Operating Funds—3 months (Land and Building Purchase Option): This estimates the funds needed to cover your initial expenses for the first 3 months of operation (besides the items identified separately in the table). It does not include any scheduled loan payments for any items you have financed. It includes payroll costs but not any owner's draw or salary.

This is only an estimate, and you might need additional working capital during the Community's first 3 months of operation and for a longer time period afterward. We relied on our affiliate's franchisee's experience in developing and operating the BRIGHTSTAR CARE HOMES Communities in Boise, Idaho to compile this Additional Funds estimate.

(19) Additional Operating Funds—3 months (Leasing Option): This estimates the funds needed to cover your initial expenses for the first 3 months of operation (besides the items identified separately in the table). It includes payroll costs but not any owner's draw or salary. This includes all lines of required insurance except for property/renters' insurance.

This is only an estimate, and you might need additional working capital during the Community's first 3 months of operation and for a longer time period afterward. We relied on our affiliate's franchisee's experience in developing and operating the BRIGHTSTAR CARE HOMES Communities in Boise, Idaho to compile this Additional Funds estimate.

(20) Total: 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 availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### General Comments

You must operate your Communities in strict compliance with the methods, standards, and specifications we prescribe in our confidential operating manual and other confidential materials we prepare for a BRIGHTSTAR CARE HOMES Community (collectively, the “Operations Manual”), all of which we may change. The Operations Manual covers nearly all aspects of your Community’s operation, including processes and procedures, resident service techniques, and administration. You may offer only approved Services and products at the Community, including housing, meals, life enrichment activities, personal care, and medication care.

All fixtures, furnishings, furniture, equipment, signs, other operating assets and supplies, and services you acquire for the Community must meet our standards and specifications. We have the right to require you to buy certain equipment, services, and products (e.g., food service, medical supplies, and office supplies) only from us, our affiliates, or other suppliers or distributors we approve or designate, which in certain instances may be a single-sourced supplier. We have the right to restrict these items’ sources to protect trade secrets and other intellectual property rights, assure quality, assure a reliable supply of products meeting our standards, achieve better terms of purchase and delivery service, control usage of the Marks by third parties, and monitor the manufacture, packaging, processing, and sale of these items.

Currently, you must use our designated suppliers for medical supplies (where alternative sources of supply are unavailable), marketing materials, credit card processing services, payroll services (unless we approve your request to use an alternative supplier), drug screening, insurance brokerage for all types of insurance coverage except employee benefits, operations software, and email. If we do not require you to use our System Proprietary Technology (and we currently do not) or other designated operations software, you must obtain your own accounting software, payroll, Electronic Health Records and Medication Management Software, and CRM for management of your client census as well as the supporting hardware and software necessary to operate your Community. If we require you to use our System Proprietary Technology, you will have the option to request our permission to use an alternative vendor for payroll services. If we grant your written request, you will be allowed to use such vendor’s payroll software. If we require, you must also obtain your accounting software from us or our affiliate (currently BrightStar Technology) or any third party we designate. You must also purchase at your sole expense any software necessary to meet state-specific requirements of a state program or segment of business unique to your location. Any request to use a non-designated supplier must be submitted to us in writing. We will review all written requests and respond within 15 business days. You may not use a non-designated supplier without our express written permission.

We recommend, but do not require you to use, specific suppliers for signage, equipment, and supplies. We may develop certain proprietary products you must buy from us or our affiliates and offer for sale at your Communities. We and our affiliates currently are the designated supplier of

branded email account, website, and intranet administration and content management but are not designated or approved suppliers of any other items.

We will issue and modify standards and specifications based upon the collective experience of our affiliate's franchisee and our principals' experience in operating BRIGHTSTAR CARE HOMES Communities. Standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance. Our Operations Manual or other communications will identify our standards and specifications for you and (where appropriate) suppliers or only for suppliers (in the latter case where, for example, we give our standards and/or specifications to a supplier under a confidentiality agreement). There might be situations where you can obtain items from any supplier who can satisfy our requirements and therefore would be an approved supplier. We may change standards and specifications upon written notice to you or through changes in the Operations Manual. You may incur increased costs to comply with these changes; however, no change will materially alter your fundamental rights under the Franchise Agreement.

Except for those instances where we have designated a single-sourced supplier (which may be us or an affiliate), if you wish to buy any unapproved item or services, including inventory, or acquire approved items or services from an unapproved supplier, you must provide us the proposed supplier's name, address, and telephone number, a description of the item you wish to purchase, and the item's purchase price, if known. At our request, you must provide us, for testing purposes, a sample of the item you wish to purchase. We periodically will establish procedures for your requests and may limit the number of approved items, services and/or suppliers as we think best. We may charge a vendor evaluation fee only if we approve the supplier. We need not, and have no intent to, approve your request if we already have designated specific items, services and/or suppliers or otherwise have restricted the supply system. Supplier approval might depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service and/or a supplier's willingness to pay us, our affiliates and/or our system to do business with our system. We will notify you in writing (via email or otherwise) of our approval or disapproval of a proposed supplier, product, or service within 30 days after receiving all requested information. Supplier approval might be temporary until we evaluate the supplier in more detail. We may revoke our approval of particular products or suppliers when we determine that such products or suppliers no longer meet our standards or for other business reasons, we deem best. You must stop purchasing products from a supplier as soon as you receive our notice. You may not use any unapproved products or services. You must use products purchased from approved suppliers solely for operating your Community and not for any competitive business purpose. We have the absolute right to limit the suppliers with whom you may deal. One of our officers owns an interest in BrightStar Technology. No officer owns an interest in any other supplier.

You must pay the then-current price for the items you purchase from us or our affiliates. In some instances, the cost for the items you purchase from us or our affiliate may be higher than the cost of other similar supplies and products on the market.

You must use only business stationery, business cards, marketing materials, advertising materials, printed materials, and forms we approve in advance and meeting our standards. You must send us at least 15 days before planned publication or use samples of all Marketing you want to use that we have not previously approved. (“Marketing” means marketing, advertising, promotional, client relationship management (CRM), public relations, and brand building and protection activities and programs; recruiting sites; sales training programs and content; advocacy; and training courses based upon discount for system purchase and distribution.) We will notify you in writing within 10 days whether we approve or disapprove the materials. You may not use any Marketing materials we have not expressly approved or have disapproved. (Our failure to respond within 10 days will be deemed disapproval.)

### Insurance

You must carry insurance meeting our minimum coverage conditions. For each line of coverage below, you must (at your own cost) name “BrightStar Group Holdings, Inc., its subsidiaries, officers, directors, and employees, and any other person or entity we designate” as additional insureds. Your current insurance requirements are as follows:

- (a) Professional Liability with limits not less than \$1,000,000 per occurrence / \$3,000,000 aggregate per policy year. If you purchase this coverage on a claims-made policy form, you must purchase a minimum 3-year extended reporting endorsement (aka “tail”) upon sale or closure of your business.
- (b) General Liability with limits not less than \$1,000,000 per occurrence / \$3,000,000 aggregate per policy year. The following minimum sub-limits must be met: \$1,000,000 Personal & Advertising Injury, \$3,000,000 Products/Completed Ops Aggregate, \$100,000 Damage to Rented Premises, and \$5,000 Medical Expense. If you purchase this coverage on a claims-made policy form, you must purchase a minimum 3-year extended reporting endorsement (i.e., “tail”) upon sale or closure of your business.
- (c) Abuse/Molestation Liability with limits not less than \$1,000,000 per occurrence and aggregate per policy year.
- (d) Hired and Non-Owned Automobile coverage not less than \$1,000,000 combined single limit each accident.
- (e) Special Form property insurance in an amount appropriate to cover the full replacement value of the Community (if owned) and its contents. Business Income and Extra Expense must be included at a minimum of 1.5 times annual revenue assuming full occupancy and covering an 18-month period following the loss.
- (f) Workers’ Compensation and Employer’s Liability insurance with minimum limits not less than \$500,000 per accident; \$500,000 policy limit by disease; and \$500,000 per employee by disease or higher limit as required by law in your state.
- (g) \$50,000 Employee Dishonesty and \$50,000 Theft of Client Property.

- (h) Cyber Liability with \$500,000 minimum limit to include both administrative costs of the privacy event and 3<sup>rd</sup> party losses.
- (i) Umbrella Liability with a \$2,000,000 minimum limit to extend over professional liability, general liability, and employer's liability. The umbrella may contain a sub-limit of \$1,000,000 for abuse/molestation.
- (j) Employment Practices Liability (EPL) with \$1,000,000 minimum limit covering indemnification and defense costs for employee allegations of harassment, discrimination, and wrongful termination practices. Coverage must include a "3rd Party Endorsement" to respond to client allegations of similar wrongful acts, to include at minimum \$100,000 for Wage & Hour defense costs. You must purchase a minimum 12-month extended reporting endorsement (i.e., "tail") upon sale or closure of your business.
- (k) Any other insurance not listed here but required by applicable law, rule, regulation, ordinance, or licensing requirements and any updates made from time to time in the operations manuals.
- (l) Policy and Coverage level deductibles may not exceed \$25,000 for any coverages required unless we grant a written waiver.

These insurance specifications represent minimum required coverage and limits. We do not warrant these requirements will cover any and all losses potentially sustained while operating the Community. Additional coverage and/or higher limits might be advisable based upon your Community's location or unique operations. You should explore all available options with your insurance agent to ensure your insurance program is appropriate for your individual risk tolerance and financial position. (You also must comply with your landlord's insurance requirements if different from those described above.)

In order to monitor claims activity on a national level and effectively assess program exposures, you must collect Loss History Statements ("Loss Runs") from the carriers and remit Loss Runs to us when requested. Certain states also require a surety bond for licensure purposes. These minimum amounts may be revised periodically in the Operations Manual to reflect inflation, general industry standards, or our future experience with claims.

The Community must be at a site that we accept. (Item 11 describes the site selection process.) If you will occupy the Community's premises under a lease, you must send us the lease for review and written acceptance before you sign it. We will have 14 calendar days after receiving the lease to accept or reject it. Our acceptance will be conditioned on your execution of a Collateral Assignment of Lease in the form we prescribe and the lease's inclusion of certain terms and conditions.

You are responsible for constructing and developing the Community. We will give you template plans and drawings ("Plans") for a BRIGHTSTAR CARE HOMES Community's physical structure, exterior elements, and interior layout. Plans are not defined as full architectural drawings but will be a package providing enough detail to engage with an architect to create such plans. The

Plans will include mandatory and suggested standards and specifications for, among other things, size, dimensions, design, image, decor, fixtures, equipment, signs, furnishings, and color scheme. However, the Plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for disabled persons. You must hire an architect and/or engineer whom we accept to prepare a site survey and all required construction plans and specifications to suit the site and make sure they comply with our requirements, the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and occupancy requirements and restrictions. Depending on state regulations, the full architectural plans might be owned by the architect and can be separately purchased from the architect. You must send us, for review and acceptance, your site survey and construction plans and specifications before submitting them for permitting and beginning construction and all revised or “as built” plans and specifications during construction. Our review is only to ensure your compliance with our design and layout requirements.

You must identify, and we first must accept, your proposed general contractor before you begin constructing the Community. You alone are responsible for the performance of architects, engineers, contractors, and subcontractors you hire to construct, develop, and maintain the Community and for ensuring that sufficient insurance coverage is in place before, during, and after the construction process.

Except as provided above, there are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Community that you currently must buy or lease from us (or an affiliate) or designated suppliers or in compliance with our standards and specifications. We estimate that the costs of your purchases and leases from designated or approved sources, or according to our standards and specifications, are approximately 88% to 94% of the total cost to establish, and approximately 88% to 96% of the total cost to operate, your Community. Any purchases from us and our affiliates, whether required or voluntary, generally may be at prices exceeding our costs so that we can make a profit (plus applicable taxes and shipping charges) (specific pricing depends on the particular item/service involved).

We and our affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with us, our affiliates, you, and other franchisees and to use all amounts received without restriction for any purposes we and our affiliates deem appropriate. However, we (and our affiliate) did not receive any revenue during 2021 on account of purchases made by a BRIGHTSTAR CARE HOMES Community franchisee directly from us (or it) or from a third-party supplier.

There currently are no purchasing or distribution cooperatives. We and our affiliates currently negotiate purchase arrangements with suppliers (including price terms) for pre-construction evaluations, construction managers, market surveyors, architects, interior decorators, and operations software. In doing so, we and our affiliates seek to promote the overall interests of the franchise system and affiliate-owned operations and our interests as the franchisor. We do not provide material benefits to you (for example, renewal or granting additional franchises) for purchasing particular products or services or using 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	1.2 of Franchise Agreement and Site Selection Addendum (Exhibit H)	7, 8, 11, and 12
b. Pre-opening purchases/leases	1.4, 3.1.2, 6.4, 6.8.1, 6.8.2, 6.8.4, 6.9, and 6.11 of Franchise Agreement	5, 7, 8, and 11
c. Site development and other pre-opening requirements	3.1.2, 6.1, 6.2, 6.3, 6.6, and 6.8.8 of Franchise Agreement	7, 8, and 11
d. Initial and ongoing training	6.5 and 6.16 of Franchise Agreement	6, 7, and 11
e. Opening	6.1 and 6.2 of Franchise Agreement	11 and 17
f. Fees	1.4, 4, 6.5.4, 6.5.5, 6.5.6, 6.5.7, 6.5.8, 6.9.1, 6.9.2, 6.9.4, 6.14, 6.16, 8, 9.3, 10.1, 10.2, 11.2, 13.4.1.8, 13.5.2, 14.9, 15.2, 16.2, 17.4, 19.1, 20.1, and 20.2 of Franchise Agreement	5, 6, and 7
g. Compliance with standards and policies/operating manual	6, 7, and 9 of Franchise Agreement	8 and 11
h. Trademarks and proprietary information	5, 6.17, 8.4, 12.2, and 12.3 of Franchise Agreement	11, 13, and 14
i. Restrictions on products/services offered	1.2, 6.3, and 6.8.3 of Franchise Agreement	8, 11, 12, and 16
j. Warranty and customer service requirements	6.6 of Franchise Agreement	11
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. On-going product/service purchases	1.4, 6.4, 6.8.1, 6.8.2, 6.8.4, 6.9, and 6.11 of Franchise Agreement	6 and 8

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
m. Maintenance, appearance, and remodeling requirements	2.2.1, 6.7, 6.14, 9.1, 9.2, 9.3, and 10.2 of Franchise Agreement	8 and 17
n. Insurance	17 of Franchise Agreement	6, 7, and 8
o. Advertising	1.2, 4.4, 6.3, and 8 of Franchise Agreement	6, 7, 8, and 11
p. Indemnification	20.1 of Franchise Agreement	6
q. Owner's participation/management/staffing	6.5 and 6.6 of Franchise Agreement	11 and 15
r. Records and reports	6.8.5, 6.8.6, 6.8.7, and 11 of Franchise Agreement	Not Applicable
s. Inspections and audits	6.14 and 11.2 of Franchise Agreement	6 and 11
t. Transfer	13 of Franchise Agreement	17
u. Renewal	2.2 of Franchise Agreement	17
v. Post-termination obligations	15 of Franchise Agreement	17
w. Non-competition covenants	12.4, 13.6, and 15.3 of Franchise Agreement	15 and 17
x. Dispute resolution	16 of Franchise Agreement	17
y. Compliance with Anti-Terrorism Laws	27 of Franchise Agreement	17
z. Spousal Consent	26 of Franchise Agreement	15
aa. Personal Data	6.8.7 of Franchise Agreement	Not Applicable
bb. Obtain Licensure	6.8.8 and 6.10 of Franchise Agreement	Not Applicable
cc. Compliance with Pricing Standards and Policies	6.8.9 of Franchise Agreement	16
dd. Condemnation	10 of Franchise Agreement	Not Applicable
ee. Personal Guarantee and Agreement to be Bound	18.3 and Exhibit D of Franchise Agreement	15

## **ITEM 10 FINANCING**

We do not offer direct or indirect financing. 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.**

A. After you sign your Franchise Agreement:

- a. We will give you our site selection criteria for the Community.
- b. We may make 1 trip to your market at our own cost to visit sites you are considering so that we can accept or not accept the sites. If we must make more than 1 on-site evaluation, you must reimburse our reasonable expenses, including the costs of travel, lodging, and meals.

There are certain “milestones” you must satisfy after signing the Franchise Agreement. The over-arching requirement is that you must find and secure a suitable site for your first Community within a designated area within 1 year after signing the Franchise Agreement. The milestones you must satisfy during the 1 year are the following:

1. Acceptance of Community Site Prior to Purchase or Lease
  - a. You must find and secure at your own expense, and we must accept, the land or building for your first Community within 12 months after the Franchise Agreement's effective date. Your failure to do so is a default under the Franchise Agreement which, if not cured, allow us to terminate the Franchise Agreement.
  - b. You must send us the following information when seeking our acceptance of a Community site:
    - i. Site/Building details, including floor plan and/or plot diagram based on survey or plat map.
    - ii. Feasibility analysis of zoning and entitlement for projected number of units, including Homeowners Association or other covenants or restrictions.
    - iii. Documentation of required licensure for the site and whether any special use permit is required.
    - iv. Research into competition within 5 miles of site.
    - v. Initial Pricing Assumptions based on competitive shopping.

We will have 14 calendar days after receiving such information and materials to accept or reject the site as a location for the Community. No proposed site will be deemed accepted unless we have expressly accepted it in writing.

If you will occupy the Community's premises under a lease, you must send us the lease for review and written acceptance before you sign it. We will have 14 calendar days after receiving the lease to accept or reject it. Our acceptance will be conditioned on your execution of a Collateral Assignment of Lease in the form we prescribe and the lease's inclusion of certain terms and conditions. You must give us a copy of the executed lease and Collateral Assignment of Lease within 10 days after signing them.

2. Approval of Architectural Drawings Prior to Start of Construction
  - a. Before starting construction/renovation, you must send us for approval or revision the Community's interior and exterior architectural plans and drawings. The plans should include details on exterior and interior materials, such as siding, windows, roofing, doors, and plumbing, all of which must comply with our then-current BRIGHTSTAR CARE HOMES Community standards. The Community's final as-built construction must be consistent with the approved plans.
3. Passing Pre-Opening Inspection and Addressing Any Identified Deficiencies
  - a. Before your Opening Date and before you accept any residents, you must arrange for our on-site inspection of the finished property and operational readiness (the "Pre-Opening Inspection").
  - b. Any deficiencies identified during the Pre-Opening Inspection must be corrected before the Opening Date and before you accept any residents. We may allow certain deficiencies to be addressed after the Opening Date.

If you do not complete to our satisfaction each of tasks in these 3 steps on or before its respective deadlines (and do not cure the default within any applicable timeframe), we have the right to terminate the Franchise Agreement.

B. After you sign your Franchise Agreement, but before you open your Community, we will:

1. Grant you access to the Operations Manual via our intranet. (Franchise Agreement – Sections 3.1.1 and 7). We may modify the Operations Manual by written or online supplements. Our Operations Manual currently contains a total of 395 pages; its Table of Content is Exhibit C.
2. Give you the plans and drawings for the BRIGHTSTAR CARE HOMES Community's prototype physical structure, exterior elements, and interior layout. These Plans will include mandatory and suggested standards and specifications for, among other

things, size, dimensions, design, image, decor, fixtures, equipment, signs, furnishings, and color scheme. (Franchise Agreement – Section 3.1.2) (These plans and drawings are not your Construction Documents. You will hire a vendor we accept, who will create Construction Documents specific to your Community.) We do not deliver or install items such as equipment, signs, fixtures, opening inventory, and supplies.

3. Help you with goal-setting and business planning. (Franchise Agreement – Section 3.1.3)

4. Provide a training program, described later in this Item. (Franchise Agreement – Sections 3.1.4 and 6.5)

C. During your operation of the Community, we will:

1. Consult with you in response to your inquiries about specific administrative and operating issues. We may decide how best to communicate with you, whether by telephone, in writing, electronically or in person. (Franchise Agreement – Section 3.2.1)

2. Administer the General Marketing Fund described in more detail below and approve advertising you create for your local use. (Franchise Agreement – Sections 3.2.2 and 8.1)

3. Make goods and services available to you either directly or through designated and/or approved suppliers. (Franchise Agreement – Section 3.2.3)

4. Periodically revise the Operations Manual to incorporate new developments and changes in the System and give you electronic access to all updates. (Franchise Agreement – Sections 3.2.4 and 7.3)

5. Let you use confidential information. (Franchise Agreement – Sections 7, 12.2, and 12.3)

6. Let you use the Marks. (Franchise Agreement – Section 5)

### Advertising Services

A. General Marketing Fund (the “Fund”). (Franchise Agreement – Section 8.1)

You must contribute the General Marketing Fee to the Fund. The General Marketing Fee currently is the greater of 2.5% of monthly Net Billings during the preceding calendar month or \$500 per month per community for up to 3 Communities under the Franchise Agreement during the franchise term. BRIGHTSTAR CARE HOMES Communities that we and our affiliates own and operate will contribute to the Fund on the same basis as franchisees (in terms of how the contribution is calculated). We may deposit into the Fund any allowances paid by suppliers doing business with BRIGHTSTAR CARE HOMES Communities. While all franchisees currently will be obligated to contribute at the same rate, the Fund had no operations during 2021.

We will direct all Marketing that the Fund finances, with sole control over the creative concepts, graphics, materials, communication media, and endorsements used and their geographic, market, and media placement and allocation. (As noted above, “Marketing” means marketing, advertising, promotional, client relationship management (CRM), public relations, and brand building and protection activities and programs; recruiting sites; sales training programs and content; advocacy; and training courses based upon discount for system purchase and distribution.)

The Fund may pay for creating, preparing, and producing video, audio, and written materials, graphics, and electronic and social media; developing, implementing, operating, and maintaining the Franchise System Website, Intranet and/or related strategies; administering national, regional, multi-regional, and local Marketing, including, without limitation, purchasing media advertising, conducting direct mail and other direct marketing campaigns, doing on-line Internet advertising and marketing (including paying click-through charges to search engines, banner advertising sources, and advertising host sites), conducting research and other Marketing tactics and using advertising, promotion, CRM, graphic design, marketing, and research agencies and other advisors to provide assistance; supporting public relations, market research, client satisfaction surveys, and other Marketing and research activities; paying dues for membership and participation in franchising and industry associations; paying third-party vendors to customize Marketing materials for local use by franchisees; conducting the Annual Conference, including costs for productions, programs, and materials; and engaging in other brand enhancement activities. The Fund periodically may give you samples of Marketing formats and materials at no cost. We may sell you multiple copies of these materials at our direct production cost, plus any related shipping, handling, and storage charges.

We will account for the Fund separately from our other monies (although we need not keep Fund contributions in a separate bank account) and not use the Fund for our general operating expenses. However, we may use the Fund to pay the expenses we incur in activities reasonably related to directing the Fund and its programs, including market research; public relations; creating, preparing, and producing Marketing materials and collecting and accounting for Fund contributions; reasonable salaries and benefits of personnel who manage and administer the Fund; a management fee for us (or an affiliate); the Fund’s other administrative costs, including taxes we must pay on Fund contributions; travel expenses of personnel while on Fund business; meeting costs; overhead relating to Fund business; and franchisee conferences.

We may assist franchisees to maintain high quality standards through client surveys, customer interviews, and similar initiatives (“Surveys”). The Fund may pay for these Surveys, although we charge you for these costs if your Survey results fall below our minimum standards. We will deposit these amounts into the Fund.

Although the Fund is not a trust, we will hold all Fund contributions for the contributors’ benefit and use contributions only for their permitted purposes (described above). We have no fiduciary obligation to you for administering the Fund or for any other reason. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us, our affiliates, or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. Deficits may be repaid from future contributions. We will use interest earned on Fund contributions to pay costs before using the Fund’s other assets. We may accumulate monies in the Fund for the time

periods we deem best, with no obligation to spend any or all monies received in any fiscal year during that fiscal year. At the end of our fiscal year, any unused Fund contributions will roll over for use during the following fiscal year. If the Fund is in a deficit position from time to time, future contributions to the Fund may be used to cover that deficit.

The Fund will not be used principally to develop materials and programs to solicit franchisees. However, media, materials, and programs, including the Franchise System Website, prepared using Fund contributions may describe the franchise program, reference the availability of franchises and related information, and process franchise leads. We will prepare an annual, unaudited statement of Fund collections and expenses and either give you a copy upon written request or post the statement on the Franchise System Website or Intranet. We may have the Fund audited annually, at the Fund's expense, by an independent certified public accountant we select. We may incorporate the Fund or operate it through a separate entity when we think best. The successor entity will have all of the rights and duties described here.

The Fund is to maximize awareness, and enhance system protection, of the Marks and increase occupancy at BRIGHTSTAR CARE HOMES Communities. Although we will try to use the Fund to develop Marketing materials and execute Marketing activities and programs benefiting all BRIGHTSTAR CARE HOMES Communities, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by BRIGHTSTAR CARE HOMES Communities operating in that geographic area or that any BRIGHTSTAR CARE HOMES Community benefits directly or in proportion to its Fund contributions from the development of Marketing materials or the execution of Marketing activities and programs. (We also have no obligation to advertise in your market area separate from the Fund.) We may use collection agents and institute legal proceedings at the Fund's expense to collect Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce a franchisee's Fund contributions and, upon 30 days' prior written notice to you, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will at our option spend all remaining Fund monies on permitted Marketing or distribute all unspent monies to Fund contributors in proportion to their respective contributions during the preceding 12-month period.

We may use the Fund for joint or collective advertising campaigns with our direct or indirect parent corporations, subsidiaries, or affiliated companies designed to promote the BrightStar Mark and other Marks (including, for example, campaigns and other advertising activities promoting both BRIGHTSTAR CARE HOMES™ Communities and BRIGHTSTAR SENIOR LIVING Communities).

Anyone who buys a franchise after you do and signs a different form of Franchise Agreement might pay a different General Marketing Fee than you pay.

There currently are no local or regional advertising cooperatives and no franchisee advertising councils that advise us on advertising policies. However, we have the power at any time to form, change, dissolve, or merge a franchisee advertising council.

B. Local Advertising. (Franchise Agreement – Sections 6.3, 8.2, 8.3, and 8.5)

Beginning with your required Pre-Sale Activities, you must spend at least \$2,000 for each planned client room in each Community for pre-opening Marketing activities. Beginning on each Community's Opening Date and during each month afterward, you must spend at least \$100 per month for local Marketing for each room in the Community if your occupancy rate is below 85%. If your occupancy rate is 85% or greater, you must spend at least \$50 per month for local Marketing for each room in the community. (We may increase these dollar amounts based on inflation and local market conditions.) Costs related to charges from referral companies (e.g. A Place for Mom, etc.) do not count toward your local Marketing spend requirements. Your local Marketing (including Marketing on social media platforms) must be created from our libraries of approved marketing and advertising materials and be conducted in a dignified manner and conform to our standards and requirements.

You must comply with all exterior local signage regulations. In most instances, a residential neighborhood will not permit business signage.

You must place or display at the Community's premises (interior and exterior) only the signs, emblems, lettering, logos, and displays and Marketing materials we approve in writing. You may not use any Marketing materials unless they are from our libraries of approved marketing and advertising materials. Any Marketing materials not from our approved libraries must be requested from us through a creative brief. If we approve your creation of local Marketing materials, those materials must be submitted for our approval and align with our brand standards. You may not use any Marketing materials we have not expressly approved or have disapproved. (Our failure to respond within 10 days is considered disapproval.) All Marketing must prominently display, and comply with our standards for using, the Marks. We may require you to stop using any Marketing materials within specific timeframes, at your sole cost and expense.

In addition to the Marketing obligations described above, as soon as possible (based upon online directory guidelines and deadlines) after signing the Franchise Agreement, you must post an online listing for the Community in each of these directories: Google My Business, Facebook and Yellowpages.com. The advertisement must conform to our standards and specifications. We may use the Fund to cover online advertising for all franchisees. Until that time, you must pay for online advertising as part of your local Marketing requirement.

You must participate in system-wide and applicable regional promotions and advertising campaigns we originate or approve. These may include promotions via the Internet, e-commerce, electronic media, or other technologically advanced media. You also must participate at your sole expense in, and comply with the rules and procedures of, all client loyalty, gift certificate, and similar programs we create.

C. Website and Intranet Matters. (Franchise Agreement – Section 8.4)

Franchise System Website. You may not without our prior written consent develop, maintain, link to, or authorize any website mentioning or describing you or the Community, or displaying any Mark, other than on a website we host. “Website” means any part of the Internet (including social media platforms) used as a commercial computer network by the public and any successor technology enabling the public to research and/or purchase services or goods by means of electronic commerce. We may establish a website providing information about the System and its Services and products (the “Franchise System Website”).

If we establish a Franchise System Website, we may give you a separate interior webpage (accessible only through the Franchise System Website) referencing your Community and/or otherwise allow you to participate in the Franchise System Website. You must develop your webpage at your own expense using a template we provide. We must pre-approve your webpage before we post it on the Franchise System Website and have the continuing right to monitor and pre-approve your webpage’s form, content, and quality. Your webpage must comply with our System Standards at all times.

We will control, and may use Fund contributions to develop, maintain, operate, update, and market, the Franchise System Website, including your webpage. We will update information or add anything on your webpage as frequently as we deem appropriate. You must notify us whenever any information on your webpage changes or is not accurate. You must pay our then-current fee to participate in the Franchise System Website or as we otherwise require to maintain and operate the Franchise System Website’s various features and functions (if, or to the extent, the Fund does not pay for these costs).

Intranet. We may establish and maintain an Intranet and System standards for the Intranet’s use. If you do not comply with any Intranet System standard, we may temporarily suspend your access to any chat room, bulletin board, list-serve, or similar feature the Intranet includes until you fully cure the breach.

Typical Length of Time Before Opening

First Community

You must open your first Community for business within 550 days after signing the Franchise Agreement. The term “open” means that the Community is fully licensed to operate as an assisted-living/memory-care Community in your market area, the Community is prepared to receive its first residents, and we approve the Community to open. You may not open and begin operating the Community without our prior written consent. We may terminate the Franchise Agreement if you fail to commence operations within 550 days after the Franchise Agreement’s effective date. (Franchise Agreement – Sections 6.1 and 14.4.2) The specific opening timeframe will depend on various factors, including build-out schedule, installing equipment and furniture, completing

required training, obtaining licensure from applicable regulatory agencies, and printing/mailing lead time for pre-opening recruiting plan and material.

You must complete certain steps in the first Community's construction and development process on or before each of the following specific deadlines:

(1) Once we accept the site, you have 6 months to begin construction. If you or your affiliate purchased (or intends to purchase) the real property for the premises and will own the Community's physical structure, the term "Begin Construction" means that (a) you (or your affiliate) have secured all financing required to construct, develop, and operate the Community in compliance with System standards, (b) you (or your affiliate) have selected and formally hired (with a signed contract) a general contractor, (c) you (or your affiliate) have obtained all relevant building permits, and (d) the construction company has taken concrete steps consistent with beginning construction work in earnest, such as erecting a fence or clearing the site. [If you intend to lease (rather than purchase) the real property or building for the premises and the Community's physical structure, the term "Begin Construction" means that (a) the developer has taken concrete steps consistent with beginning construction work in earnest, such as erecting a fence or clearing the site, (b) the developer has approved the lessee, and (c) you have secured all required financing, executed a 20-year lease for the premises, and paid any relevant deposits.

(2) The premises and Community must have reached Complete Construction within 550 days after the Franchise Agreement's effective date. The term "Complete Construction" means that you have received a Certificate of Occupancy from local authorities; and

(3) The Community must Open for business within 30 days after you receive the Certificate of Occupancy (the "Opening Date"). The term "Open" means that (a) the Community is fully licensed to operate as an assisted-living/memory-care Community in your market area, (b) the Community is prepared to receive its first residents, and (c) we approve the Community to open.

You may not open and begin operating any Community without our prior written consent. Your failure to satisfy any of the deadlines identified in clauses (1) through (3) above will be a default under the Franchise Agreement.

### Second and Third Communities

You must comply with our standards and specifications for the construction, development, and opening of your second and third Communities, including the applicable requirements described above for the first Community. In order to retain the exclusive right to establish and operate BRIGHTSTAR CARE HOMES™ Communities whose premises are physically located within the protected territory described in your (or your affiliate's) BRIGHTSTAR CARE® Agency Franchise Agreement(s) or, if you or your affiliate is not an existing BrightStar Care Agency franchisee, within the Site Selection Area described in the Franchise Agreement, you must "Open" your second and third Communities for business by the following deadlines:

(i) the second Community must Open for business on or before the 2-year anniversary of the date on which the first Community actually opens for business; and

(ii) the third Community must Open for business on or before the 18-month anniversary of the date on which the second Community actually opens for business.

Despite the deadlines specified above for you to retain your location exclusivity in the protected territory described in your (or your affiliate's) BRIGHTSTAR CARE® Agency Franchise Agreement(s), your right to construct, develop, and commence operating your second and third Communities expires 5 years after the Franchise Agreement's effective date. You have no right to commence operating an additional Community after the 5-year anniversary of the Franchise Agreement's effective date.

#### Technology/Computer Requirements. (Franchise Agreement – Section 1.4)

You must purchase, license, and use the computer hardware, software, peripheral items, property-management and other electronic-information systems, and technology solutions that we specify for the operation of BRIGHTSTAR CARE HOMES Communities (which may include, upon notice from us, the System Proprietary Technology), including third-party accounting and payroll, electronic health records, medication management, and client relationship management (“CRM”) software. All such technology-related requirements are referred to collectively as the “Technology/Computer Requirements.”

The Technology/Computer Requirements include at minimum 1 desktop computer or laptop running current Microsoft Windows operating system and associated peripherals, including monitors, office suite and other software, local network router, other network accessories, a printer, a scanner, and any installation services to install in your office. We also strongly recommend that all computers utilize disk-encryption software, which on some computer brands is available at no additional cost. The optional mobile tablets and/or laptops for your Director(s) of Nursing to use in conjunction with Accounting/Payroll software, Electronic Health Records and Medication Management Software, CRM, and the Technology/Computer Requirements are used to record and analyze all clinical, business, and accounting information for your Community's operation.

If we require you to use certain Microsoft software products, software vendors may require your acceptance of their license agreements. We reserve the right to designate changes or enhancements to the Technology/Computer Requirements used in your Community, the computer hardware, software, and other equipment. When we designate the change or enhancement to the Technology/Computer Requirements, you might need to make certain payments to us or our designated suppliers. You must procure your accounting software and cash application and collection software from us or any third party we approve and the System Proprietary Technology, if applicable, from us or one of our affiliates. You alone are responsible for maintaining and supporting your local computer equipment and mobile devices.

The initial cost to purchase the Technology/Computer Requirements will range from \$4,000 to \$12,000. The monthly maintenance, repair, or upgrade of System Proprietary Technology, if applicable, and any annual cost for optional or required maintenance, support, upgrades, and

updates to System Proprietary Technology would be covered by the Monthly Technology & Email Service Fee. By contrast, all hardware and computer network maintenance and upgrades of other software are your responsibility and must be done in a timely manner. There are no contractual limitations on the frequency or cost of upgrades or changes in the Technology/Computer Requirements we may impose. Upgrades could cost between \$1,000 and \$3,000 or more annually.

You must use the specified Technology/Computer Requirements and may not substitute other software without our express written permission. We reserve the right to specify different hardware and software systems in the future, including System Proprietary Technology that we or our affiliates develop exclusively for the BRIGHTSTAR CARE HOMES Community franchise Program.

We reserve the right to access independently at all times (24 hours per day, 7 days per week) all information collected or compiled by your use of the Technology/Computer Requirements in your Community's operation. There are no contractual limitations on this right.

Training. (Franchise Agreement – Sections 6.5, 6.6, 6.16, and 13.4.1.4)

Your Control Person must attend at your expense, within 8 weeks after the Franchise Agreement's effective date, our BRIGHTSTAR CARE HOMES Community Boot Camp #1: Getting Started (Community Boot Camp #1) at our headquarters in Gurnee, Illinois or another location we specify. Community Boot Camp #1 currently is scheduled for up to 3 days (depending on trainee). We may supplement or shorten this training by e-learning through an Online Training System ("Online Training"). Attendance and learning at Community Boot Camp #1 are the focus; it is not a training program for which we measure satisfactory completion.

Before the Opening Date, your Control Person, Administrator (if the Control Person is not also the Administrator), and salesperson each must attend and complete to our satisfaction the portions of BRIGHTSTAR CARE HOMES Community Boot Camp #2: The Road to Opening training program ("Community Boot Camp #2") designated for their positions. Community Boot Camp #2 currently is scheduled for 2 to 3 days (depending on the trainee) at our headquarters in Gurnee, Illinois or another location we specify. Community Boot Camp #2 may be supplemented or reduced by Online Training.

Our training program may include a "train the trainer" module so that your senior-level personnel can learn how to train your other employees. Once we certify your trainer(s), we reserve the right to audit their live classes/presentations and other training methods used to ensure consistent delivery of materials and brand standards. Your Control Person and Administrator may request additional or repeat training at the end of Community Boot Camp training if he or she does not feel sufficiently trained to operate a BRIGHTSTAR CARE HOMES Community. We and you will jointly determine the duration of any additional training. You must pay our then-current charges for additional or repeat training (not to exceed \$500 per day per attendee). If we determine that the Control Person and/or Administrator cannot satisfactorily complete the portions of Community Boot Camp training designated for him or her (and he or she, or a replacement, cannot satisfactorily complete a repeat training program), we may terminate the Franchise Agreement.

Replacement Administrators (even if also a replacement Control Person), Directors of Nursing, Office Manager, and other employees we designate likewise must complete applicable training programs to our satisfaction after you hire them (typically within 60 days). You must pay our then-applicable fee for all training (not to exceed \$500 per day per attendee) and are responsible for all expenses (transportation, hotel, meals, etc.) and related salary expenses during training programs.

We may require the Control Person, your Administrator (who may be you), Director of Nursing, Office Manager, and other employees we designate to attend and satisfactorily complete supplemental training each year during the franchise term at the times and locations we designate. We may charge reasonable registration or similar fees for these courses (not to exceed \$500 per day per attendee). You are responsible for all expenses (transportation, hotel, meals, etc.) and related salary expenses incurred to attend training. (See Item 6)

The following details our training programs as of this disclosure document’s issuance date:

### **TRAINING PROGRAM**

#### Community Boot Camp #1: Getting Started

Column 1	Column 2	Column 3	Column 4
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
BRIGHTSTAR CARE HOMES Concept and Senior Living Industry Overview	2	0	Gurnee, IL, another location we designate, or virtual
Role of the Franchisee	1	0	Gurnee, IL, another location we designate, or virtual
Development Process	3	0	Gurnee, IL, another location we designate, or virtual
Regulatory Framework-Zoning, Permitting, and Building Approvals	2	0	Gurnee, IL, another location we designate, or virtual
Regulatory Framework-Licensing	2	0	Gurnee, IL, another location we designate, or virtual
Care Homes Financials	1.5	0	Gurnee, IL, another location we designate, or virtual
Managing Risks and Protecting the Brand	1.5	0	Gurnee, IL, another location we designate, or virtual
Care Homes Process	1	0	Gurnee, IL, another location we designate, or virtual
Creating the BRIGHTSTAR CARE HOMES Culture	2	0	Gurnee, IL, another location we designate, or virtual

In addition to the training identified above, the Control Person, Administrator, and Salesperson each might spend up to 10 hours of online learning before attending Community Boot Camp #1: Getting Started.

Community Boot Camp #2: The Road to Opening

Column 1	Column 2	Column 3	Column 4
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
BRIGHTSTAR CARE HOMES Concept and Senior Living Industry Overview	1	0	Gurnee, IL, another location we designate, or virtual
Managing the Pre-Opening Project	2	0	Gurnee, IL, another location we designate, or virtual
Obtaining Your Licensure and Preparing for Survey	2	0	Gurnee, IL, another location we designate, or virtual
Daily Operations Overview	1	0	Gurnee, IL, another location we designate, or virtual
Staffing Your Community	2	0	Gurnee, IL, another location we designate, or virtual
Clinical Processes and Resident Care	3	0	Gurnee, IL, another location we designate, or virtual
Life Enrichment and Activities	1	0	Gurnee, IL, another location we designate, or virtual
Kitchen and Dining	1	0	Gurnee, IL, another location we designate, or virtual
Sales and Marketing to Drive Occupancy	3	0	Gurnee, IL, another location we designate, or virtual
Building Safety and Maintenance	1	0	Gurnee, IL, another location we designate, or virtual
Key Processes and Technology Platform	3	0	Gurnee, IL, another location we designate, or virtual
Creating the BRIGHTSTAR CARE HOMES Culture	2	0	Gurnee, IL, another location we designate, or virtual

In addition to the training identified above, the Administrator might spend up to 20 hours of online learning before and/or after attending Community Boot Camp #2 training.

All training is conducted by our company officers, owners, directors, key employees, and consultants, each of whom has significant experience in the areas he or she will teach. The training leaders are:

- Brad Jacobsen, Director, – Senior Living Project Development – who has 16 years of assisted-living operations and training experience.
- Christa McDonald, RN BSN – Sr Director of Clinical Quality and Outcomes – who has 25 years of Operational Leadership & Management experience, 18 of which were in Healthcare, including Level 1 ICU Nurse, wound-care management, compliance and quality assurance, and training.
- Dean Ulizio – Chief Strategy Officer – who has 16 years of experience in home care, senior living communities, and franchising.
- Pete First – Chief Development Officer– who has over 20 years of experience in franchising, real estate, and business management.
- Lisa Kasper – Compliance Paralegal – who has 5 years of experience in state licensure related to assisted-living and in-home (skilled and non-skilled) care.

All training is offered on an as-needed basis during the year. We reserve the right to modify the training programs at any time. The Operations Manual and Classroom Training Manuals will be the principal training materials.

Your Control Person or another representative we authorize must attend all annual franchisee meetings (including leadership conferences) we conduct (at locations we designate) to address subjects relevant to the BrightStar System. We may use the annual meetings to offer continuing or advanced-level training instruction. We will determine the meeting’s length and place and required attendees. We may charge a registration fee whether or not you attend (not to exceed \$2,000 per attendee), and you must pay all travel and salary expenses. (See Item 6) You or other authorized representatives need not attend more than 3 business days of any annual meeting. We may combine annual meetings for BRIGHTSTAR CARE HOMES Community franchisees with other brand conferences, which we may require you to attend.

## **ITEM 12 TERRITORY**

You will construct, develop, and operate your Communities at specific sites we first must accept. If you are or your affiliate is a BrightStar Care Agency franchisee, your Communities’ sites must be within your or your affiliate’s BrightStar Care “protected territory.” If you are not, or your affiliate is not, a BrightStar Care Agency franchisee, your Communities’ sites must be within the Site Selection Area described in the Franchise Agreement. The Site Selection Area will be defined by a collection of contiguous zip codes with a total combined population of approximately 200,000 to 300,000 people. In all cases, you will look for your first Community’s site after signing our Franchise Agreement. You have 1 year after the Franchise Agreement’s effective date to locate and secure that site. (Item 11 describes the site selection process.)

You may operate the Community only at the accepted site and may not relocate without our approval, which we may grant or deny as we deem best. Whether or not we allow relocation depends on what is in the Community’s and our system’s best interests. However, given the nature of this business and required investment, approved relocations will be rare absent condemnation or material property damage.

The Franchise Agreement grants you the right to construct, develop, and operate up to 3 BRIGHTSTAR CARE HOMES™ Communities. All 3 Communities that the Franchise Agreement entitles you to develop and operate will be located in either your or your affiliate's BrightStar Care "protected territory" (if you are or your affiliate is a BrightStar Care Agency franchisee) or the Site Selection Area (if you are not or your affiliate is not a BrightStar Care Agency franchisee).

If you construct and develop by their opening deadlines, and then operate in compliance with the Franchise Agreement, all 3 Communities that the Franchise Agreement entitles you to develop and operate, then we and our affiliates will not establish and operate, or grant to others the right to establish and operate, BRIGHTSTAR CARE HOMES™ Communities whose premises are physically located within, as applicable, either the "protected territory" described in the Brightstar Care Agency Franchise Agreement(s) or the Site Selection Area described in your Franchise Agreement. However, if you do not satisfy this obligation, we have the right to take away this territorial exclusivity.

You must operate the Communities, and may provide Services and sell products, only at the premises of the Communities. You may not provide Services or sell products away from the premises of the Communities; sell Services or products through other distribution channels, including e-commerce; use the Marks in any other business activities we have not expressly authorized; or advise others who operate competitive businesses. You may engage in Marketing and related activities we authorize within the Communities' designated market area" (DMA). We have the unrestricted right to regulate these activities to protect our interests, other BRIGHTSTAR CARE HOMES Community franchisees, and the System. You may not engage in advertising, promotional, marketing, and related activities outside the DMA.

Except for your territorial exclusivity described above, we and our affiliates have the right during the franchise term to engage in any and all other activities we and they desire, at any time or place, whether or not those activities compete with your Communities. These unlimited rights include the right to:

(a) Establish and operate, and allow others to establish and operate, BRIGHTSTAR CARE HOMES Communities at any locations, regardless of their proximity to your Communities (including—if you do not open all 3 Communities that you have the right to develop under the Franchise Agreement within the required development periods—within the "protected territory" described in your or your affiliate's BRIGHTSTAR CARE® Agency Franchise Agreement(s) or, if you or your affiliate does not operate a BRIGHTSTAR CARE® Agency, within the Site Selection Area described in your Franchise Agreement).

(b) Offer, sell, operate, or distribute and license others to offer, sell, operate, or distribute, directly or through franchised, licensed, or other businesses, at wholesale or retail, and at and from any locations, BrightStar® branded and non-BrightStar® branded Services, other services, and products. These Services, other services, and products may be offered and sold through similar or dissimilar channels or methods of distribution, including the Internet and businesses operating under the BrightStar® name or another name (*e.g.*, durable medical equipment centers and/or adult/child daycare facilities and hospices). For the avoidance of all

doubt, franchised and non-franchised BrightStar® Care agencies may operate in any area, no matter how close to your Communities, without any restrictions.

(c) Merge with, acquire, or be acquired by (“Merger/Acquisition Activity”) any businesses of any kind operating under other systems and trademarks, which businesses may (and, after the Merger/Acquisition Activity, may continue to) offer, sell, and distribute, and allow others to offer, sell, and distribute, goods and services – identical, similar, or dissimilar to Services and products provided by your Communities – through franchised or non-franchised businesses, at wholesale or retail, at and from any locations.

(d) Engage in all other activities the Franchise Agreement does not expressly prohibit.

We need not compensate you if we engage in these activities. You have no options, rights of first refusal, or similar rights to acquire additional franchises. Continuation of your franchise rights does not depend on your achieving a certain sales volume, market penetration, or other contingency.

We and our affiliates have the right (as described above) to operate and franchise businesses under identical, similar, or different trademarks selling services and products identical or similar to, or different from, those offered and sold by BRIGHTSTAR CARE HOMES Communities.

As described in Item 1, our affiliates currently operate, and we offer and sell franchises for, BRIGHTSTAR SENIOR LIVING facilities, which provide the same services as BRIGHTSTAR CARE HOMES Communities but in a larger facility (anywhere from a 36 to 44-unit facility as opposed to the 8 to 12-bed BRIGHTSTAR CARE HOMES Community). We do not anticipate any material conflicts between these franchise opportunities regarding territory, clients, and franchisor support because we expect that BRIGHTSTAR SENIOR LIVING facilities will operate in different market areas (capable of supporting a larger facility and justifying the larger investment). It is in our best interests that both franchise opportunities operate successfully. Nevertheless, we will take reasonable steps to resolve any conflicts that do arise. We do not have separate offices or training facilities for these two types of assisted-living and memory-care communities.

As also described in Item 1, our affiliate, BrightStar Franchising, offers franchises throughout the United States for BrightStar Care agencies, which offer 4 principal services to clients: in-home Non-Medical (Companion) care services; in-home Medical Personal Care services; in-home Medical Skilled Care services; and Supplemental Healthcare Staffing. We and BrightStar Franchising do not anticipate any material conflicts between the brands, which both feature the BrightStar name, regarding territory, clients, and franchisor support because BRIGHTSTAR CARE HOMES Communities offer services to clients in need who generally cannot remain in their homes for limited or extended timeframes (and therefore would not be able to take advantage of the in-home services offered by BrightStar Care agencies). Because the brands are affiliated, it is in our and BrightStar Franchising’s best interests that both brands operate successfully. Nevertheless, we will take reasonable steps to resolve any conflicts that do arise. BrightStar Franchising’s principal business address is the same as ours. It does not have separate offices or training facilities.

**ITEM 13  
TRADEMARKS**

You will have the limited right to use the Proprietary Marks we designate for the BRIGHTSTAR CARE HOMES Community franchise program. Our affiliate, Bright Star Nevada, owns the following registrations on the Principal Register of the United States Patent and Trademark Office (USPTO):

MARK	REGISTRATION NUMBER	REGISTRATION DATE
BrightStar Care	4042547	October 18, 2011
BrightStar	3608702	April 21, 2009
CareTogether	4019022	August 30, 2011
BrightStar Senior Living	4538086	May 27, 2014
BrightStar Senior Living (Design)	4557235	June 24, 2014
BrightStar Concierge	4444043	December 3, 2013
BrightStar Connections	4588598	August 19, 2014
BrightStar Senior Living – Assisted Living   Memory Care - A Higher Standard (Design)	5041138	September 13, 2016
BrightStar Care Homes	Application #90589174	Filing Date March 19, 2021

Bright Star Nevada has filed or intends to file when due all required affidavits and renewals for the Proprietary Marks listed above.

Bright Star Nevada filed an application for the last Mark appearing in the table above based on its actual use of the Mark in commerce. Bright Star Nevada does not have a federal registration for that Mark. Therefore, the Mark does not have many legal benefits and rights as a federally-registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. However, as noted above, we already have a federal registration for the “BrightStar” Mark and other “BrightStar”-related Marks.

We derive our right to use and sublicense the Proprietary Marks from a Trademark License Agreement (the “Trademark License Agreement”) dated January 28, 2015, with Bright Star Nevada. Under the terms of the Trademark License Agreement, we have the exclusive right in the

United States to use and sublicense the Marks in connection with the offer and sale of franchises to third parties.

Specifically, Bright Star Nevada has licensed us the right to use, and sublicense use of the Marks identified above with the operation of BRIGHTSTAR CARE HOMES Communities offering residential assisted-living, memory-care, and ancillary services for seniors and other individuals in need. The Trademark License Agreement is for the United States and is exclusive. The Trademark License Agreement may be terminated by mutual agreement of the parties. Additionally, either party may terminate the Trademark License Agreement in the event of: (i) any material breach of an obligation by the other party, which breach is capable of being, but is not, cured within 60 days after written notice of the breach to the breaching party; or (ii) any situation in which a party commits a material breach of the Trademark License Agreement that is not capable of being cured within 60 days and the non-breaching party provides written notice of the breach and notice of termination. Except for the Trademark License Agreement, there are no agreements currently in effect that significantly limit our rights to use or sublicense use of the Marks. The Trademark License Agreement may be modified periodically by Bright Star Nevada and us. If the Trademark License Agreement is terminated, you might no longer have the right to use the Marks.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the principal Marks in the state where we allow you to use them.

You must follow our rules when you use the Marks, including giving proper notices of trademark registration and obtaining necessary fictitious or assumed name registrations. You may not use any Mark in your corporate or legal business name; with modifying words, terms, designs, or symbols (except for those we license to you); in offering or selling any unauthorized services or products; or as part of any unauthorized domain name, homepage, electronic address, or other electronic media. If we discover your unauthorized use of the Marks, we may require you to destroy all offending items (with no reimbursement from us).

You must notify us immediately of any apparent infringement or challenge to your use of any Mark or of any person's claim of any rights in any Mark or confusingly similar trademark. You may not communicate with any person other than us, our affiliates, and our respective attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and our affiliates may take the action we and they deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other proceeding concerning any Mark. You must help us, and our affiliates protect and maintain our and their interests in any litigation or USPTO or other proceeding. We will reimburse your costs for taking any requested action.

If it becomes advisable at any time for us and/or you to modify, discontinue using and/or replace any Mark and/or to use one or more additional, substitute, or replacement trade or service marks together with or instead of any previously designated Mark, you must comply with our directions within a reasonable time after we notify you. We need not reimburse your direct expenses for

changing the Community's signs, your lost revenue due to any modified or discontinued Mark, or your expenses to promote a modified or substitute trademark or service mark.

We will reimburse you for all damages, claims, and expenses you incur or for which you are liable in any proceeding challenging your right to use any Mark licensed under the Franchise Agreement if your use of the Marks has been consistent with the Franchise Agreement, the Operations Manual, and our System standards and you timely notify us and our affiliates of, and comply with, our and our affiliates' directions in responding to, the proceeding. At our and our affiliates' option, we may defend and control the defense of any proceeding arising from your use of any Mark.

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any patents or patent applications that are material to the franchise. We and our affiliates claim copyrights in the Operations Manual (which contains our trade secrets and confidential information), Community blueprints and other design features, advertising and marketing materials, our Franchise System Website, and similar items used in operating BRIGHTSTAR CARE HOMES Communities. We and our affiliates have not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You may use copyrighted items only as we specify while operating your Community (and must stop using them at our direction).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding our copyrighted materials. No agreement limits our right to use or allow others to use copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of our copyrighted materials in your state.

We and our affiliates need not protect or defend copyrights, although we intend to do so if in the BRIGHTSTAR CARE HOMES Community system's best interests. We need not defend you, or participate in your defense, against claims arising from your use of our copyrights or indemnify you for expenses or damages you incur in a copyright proceeding. We and our affiliates have the right to control the prosecution or defense of any copyright proceeding, whether we learn of the matter from you or on our own.

Our Operations Manual and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria; specifications for Services; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating BRIGHTSTAR CARE HOMES Communities; marketing programs and materials for BRIGHTSTAR CARE HOMES Communities; knowledge of specifications for and suppliers of operating assets and other items; the operating results and financial performance of BRIGHTSTAR CARE HOMES Communities other than your Community; Technology/Computer Requirements; client communication and retention programs and data used or generated by those programs; and graphic designs and related intellectual property.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure and non-competition agreements with the appropriate officers, directors, and other personnel having access. We may regulate or review the forms of agreements you use solely to ensure you adequately protect our confidential information and the competitiveness of BRIGHTSTAR CARE HOMES Communities. We will be a third-party beneficiary of those agreements with independent enforcement rights. You must keep copies of these agreements and send them to us upon request. Under no circumstances, however, will we control or regulate the forms of employment agreements you use with your employees or otherwise be responsible for your labor relations or employment practices.

If you or your employees or principals develop any new concept, process, or improvement for the operation or promotion of BRIGHTSTAR CARE HOMES Communities, you must promptly notify us and send us all necessary related information, without compensation. Any such concept, process, or improvement will become our sole property, and we will be the sole owner of all related patents, patent applications, trademarks, copyrights, and other intellectual property rights. You and your principals assign to us any and all such rights, including the right to modify such concept, process, or improvement, and otherwise waive and/or release all related rights of restraint and moral rights. You and your principals must help us obtain and enforce the intellectual property rights in such concept, process, or improvement in any and all countries and execute all documents necessary for us to obtain and enforce such rights. If these requirements are invalid or unenforceable, we will have a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense otherwise would directly or indirectly infringe your rights.

## **ITEM 15**

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

Your Communities must at all times be under the direct supervision of your designated Control Person, who must be one of your owners. You must obtain our approval if you want someone else to be your Control Person during the franchise term. Your Control Person must meet our standards and successfully complete our initial training program. Your “Control Person” is the individual who has authority to actively direct the Community’s business affairs and sign all contracts and is responsible for overseeing the Community’s general management. You must designate your Control Person on the Control Person Addendum attached to the Franchise Agreement (Exhibit K). You must request in writing permission to hire an operating manager to be your Control Person if you want your owner to step out of the day-to-day operations. You must give us advance written notice before you change your designated Control Person. We must confirm that your proposed replacement Control Person meets our then-current Control Person standards and requirements.

You must hire a sufficient number of qualified, competent personnel in order to offer prompt, courteous, high quality, and efficient service to the Community’s residents and their family members and otherwise operate the Community in compliance with the BrightStar System and all applicable federal, state, and local requirements.

Federal, state, and local requirements might require additional staffing. The list below is our minimum staffing requirements for a Community with 12 residents or less.

Required initial personnel for a Community includes:

- An Administrator (for up to 3 Communities). Some states require the Administrator to be licensed. (It is your responsibility to determine your state's requirements.)
- A part-time salesperson. (If you or your affiliate is a BrightStar Care Agency franchisee, these duties may be assumed by an existing salesperson in your organization.)
- A part-time Director of Nursing (DON) (unless state license requires full-time). Recommended that the DON hold a RN license or higher with a minimum of 2 years of experience working in an assisted-living or a memory-care residence. (If you or your affiliate is a BrightStar Care Agency franchisee, these duties may be assumed by an existing DON in your organization so long as capacity within that role exists.)
- A staff of full and part-time caregivers on site to cover the residents' needs 24/7. A staffing ratio of 1:8 is our minimum standard requirement during traditional 1<sup>st</sup> and 2<sup>nd</sup> shift hours (i.e., 6:00 a.m.-10:00 p.m.). A staffing ratio of 1:14 during overnight hours is acceptable if appropriate based on resident needs. As resident needs increase, adding part-time or full-time staff on any shift may be needed to provide a higher standard of resident care. You must determine your state's requirements and staff accordingly.

Optional personnel to consider supporting business growth:

- House Manager overseeing the day-to-day operations and sales efforts of the Community
- Housekeeper (part-time)
- Life enrichment coordinator (part-time)
- Cooking support (part-time)

Unless state regulations have higher standards for nursing oversight, you also must employ at least one Registered Nurse to oversee the clinical components of each Community's operation, including resident care.

Our System standards do not include any personnel policies or procedures that we (at our option) may make available for your optional use. You alone will determine to what extent, if any, these policies and procedures might apply to your Community's operations. We do not dictate or control labor or employment matters for franchisees and their employees. You alone are responsible for all employment decisions regarding the Community, including hiring, firing, training, promotion, wage and hour requirements, recordkeeping, supervision, and discipline. You must communicate clearly with your employees in employment agreements, human resources manuals, written and

electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of BRIGHTSTAR CARE HOMES Communities, are not their employer or joint employer and do not engage in any employer-type activities (including those described above) for which only franchisees are responsible. You also must obtain an acknowledgment (in the form we specify or approve) from all Community employees that we are not their employer.

Besides your Control Person, your executive and managerial staff and other employees need not have an ownership interest in you or the Community. (Item 11 describes our training requirements for all personnel.) However, appropriate officers, directors, and other personnel must agree in writing to preserve confidential information to which they have access and not to compete with you, us, and other franchisees. We may regulate or review the forms of agreements you use—solely to ensure the protection of confidential information and the competitiveness of BRIGHTSTAR CARE HOMES Communities—and be a third-party beneficiary of those agreements with independent enforcement rights. Under no circumstances, however, will we control or regulate the forms of employment agreements you use with your employees or otherwise be responsible for your labor relations or employment practices.

Each owner of yours (and their spouses) must personally guarantee all of your obligations under the Franchise Agreement and agree to be bound personally by every contractual obligation, both monetary and non-monetary, including the covenant not to compete. This “Personal Guarantee and Agreement to be Bound Personally” and our form of Spousal/Life Partner Consent are at the end of the Franchise Agreement.

## **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may sell only the Services and products we authorize. You must offer all Services and products we prescribe for BRIGHTSTAR CARE HOMES Communities. We may change the Services and products you must or may offer upon notice to you. There is no limit on the number or type of changes we may make. We will notify you of all these changes in writing or electronically through our Intranet. You must operate the Community, and may provide Services and sell products, only at the Community’s premises. You may not sell Services or products through other distribution channels, including e-commerce. You must comply with our pricing standards and policies, which may prohibit certain types of charges or billing practices we determine are misleading or otherwise detrimental to the System and require you to price consistently. We may regulate the prices you charge for Services and products to the extent the law allows (including, if applicable, restrictions on your use of coupons and other price discounting practices).

Your Community will provide housing and supportive services; supervision of residents’ activities; personalized assistance; health-related services to meet the needs of residents who are unable to perform, or who need assistance with, Activities of Daily Living (“ADLs”); assistance with accessing and coordinating health care services; administering medications; and ongoing assistance in accessing social and recreational services.

Unless otherwise prohibited by licensure in your state, and once we authorize you to do so, you must begin offering and selling residence and other care opportunities to be provided by the Community before the Community’s Opening Date (“Pre-Sale Activities”). This will commence no later than 90 days prior to your projected Opening Date, provided that we have accepted the location from which you will engage in the Pre-Sale Activities, and you and your required staff have completed to our satisfaction required pre-opening training. You also must obtain all necessary bonds and otherwise comply with all applicable laws and licensure restrictions relating to Pre-Sale Activities.

We may develop other business activities or modify existing business activities in response to changes in the business environment, including those resulting from technological advances, expansion into new markets, and other factors not presently anticipated. We reserve the right to change or modify the Marks, the BRIGHTSTAR CARE HOMES Community concept, the Operations Manual, and any Technology/Computer Requirements. We may adopt and use new or modified trade names, trademarks, service marks, logos, equipment, furniture, furnishings, products, techniques, concepts, or Technology/Computer Requirements. We may add new and different Services and products and withdraw Services or products or change their names or image; redesign the trade dress, software programs, and equipment, furniture, or fixture standards; or discontinue them as we consider appropriate.

**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 attached to this disclosure document.**

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	2.1	Franchise term begins when we sign Franchise Agreement and expires 20 years from Opening Date of your first Community developed under the Agreement.
b. Renewal or extension of the term	2.2	If you are in substantial compliance, you may acquire successor franchise for 10 years on our then-current terms.
c. Requirements for franchisee to renew or extend	2.2	Give us timely notice; maintain possession of site of one or more of your Communities; remodel Communities according to our then-current standards (regardless of cost); correct operating and other deficiencies; and sign new franchise agreement and other documents we use to

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		<p>grant franchises, including release (if state franchise law allows).</p> <p>Terms of new franchise agreement you sign for successor franchise may differ materially from any and all of those contained in your Franchise Agreement, including Royalty/Continuing Fee, General Marketing Fee, and (if applicable) Monthly Technology &amp; Email Service Fee.</p> <p>If you operate more than one Community under the Franchise Agreement and did not substantially comply with the Agreement during the initial term with respect to one or more of the Communities, or are not then in substantial compliance with the Agreement with respect to one or more of the Communities, we may choose not to grant you any successor franchise or, in our sole judgment, may choose to grant you a successor franchise for less than all of your Communities and require the non-compliant Community or Communities to cease operations.</p>
d. Termination by franchisee	14.8	If we materially breach Franchise Agreement and do not cure default after notice from you.
e. Termination by franchisor without cause	Not Applicable	We may not terminate your franchise rights without cause.
f. Termination by franchisor with cause	14	We may terminate your franchise rights only if you or your owners commit one of several violations.
g. "Cause" defined – curable defaults	14.2, 14.3, 14.4, 14.5, and 14.6	We have the right to terminate the Franchise Agreement after providing you a 5-day cure period if you fail to: (i) maintain required insurance coverage or to repay us for insurance we acquire for you; (ii) have your Control Person supervise the Community's day-to-day operation personally or employ a sufficient number of qualified, competent personnel; (iii) maintain strict quality controls; (iv) fail to endorse and deliver to us or another franchisee any payments erroneously made to you; (v) maintain

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		<p>required hours of operation; or (vi) maintain authorization for our electronic transfer of funds from your account.</p> <p>We have right to terminate the Franchise Agreement after providing you a 15-day cure period if: (i) you fail to pay any monies you owe us or our affiliates; (ii) any audit reveals that you have understated your royalty or marketing payments by more than 2%; (iii) you offer any unauthorized and unapproved services or products at the Community; or (iv) you order or purchase unapproved marketing materials, non-health insurance coverage, supplies, or operating assets or buy these items from an unapproved supplier.</p> <p>We have right to terminate the Franchise Agreement after providing you a 30-day cure period if you fail to begin operating the Community by the Opening Date or otherwise to comply with the Franchise Agreement.</p> <p>Violations of law and failure to maintain licenses and permits generally must be cured within timeframe required by law.</p> <p>We have right to terminate the Franchise Agreement if the Net Billings of your or your affiliate’s BrightStar Care Agency decline on a year-over-year basis by at least 20% while you are developing and operating your Communities and you or your affiliate fails to implement a plan to recoup that decline within 90 days and then successfully recoups the decline within 12 months following our first notice to you of the decline.</p> <p>Whenever we retain the right to terminate the Franchise Agreement due to your default occurring with respect to a specific Community (and not with respect to all of the Communities that you then are operating under the Franchise Agreement), we have the option (but not the obligation), instead of terminating the Franchise Agreement, to terminate your right to operate that particular Community, effective upon delivery of written notice of termination to you.</p>

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
h. "Cause" defined – non-curable defaults	14.1	Non-curable defaults include failure to complete training; felonies; criminal and other misconduct; fraud or misrepresentation; unauthorized surrender or transfer; repeated breaches (even if cured); misuse of Marks or confidential information; violation of non-competition provision; assignment for benefit of creditors and other insolvency-type defaults; abandonment; engaging in terrorist activities; personal use of Community property; repeated insufficient funds; unethical or immoral behavior; or loss of possession of Community site.
i. Franchisee's obligations on termination / non-renewal	15	Obligations include paying outstanding amounts, including termination damages (if applicable); complete de-identification and de-branding, including returning or destroying certain branded items and modifying Community site; assigning telephone and other numbers to us (including under a Conditional Assignment of Telephone Number(s)); returning confidential information; sending us list of your employees, clients, and vendors and outstanding obligations to them; and vacating premises (also see (o) and (r) below); we may control de-identification process at your cost if you do not voluntarily take required action; we may assume operation while deciding whether to purchase Community.
j. Assignment of contract by franchisor	13.1	No restriction on our right to assign; we may assign without your approval.
k. "Transfer" by franchisee – defined	13.2	Includes transfer of Franchise Agreement, sale of Communities or substantially all of their assets, transfer of Communities' underlying real estate (including Communities' buildings/physical structure); transfer of ownership interest in you or controlling ownership interest in entity with ownership interest in you, or change in your actual management control.
l. Franchisor approval of transfer by franchisee	13.2 and 13.4	No transfer without our prior written consent.  You may not transfer less than all of the Communities governed by the Franchise Agreement, and any proposed transfer of the Communities governed by the Franchise Agreement must be made to the same transferee.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
m. Conditions for franchisor approval of transfer	13.4	<p>New franchisee qualifies; the transferee and/or its owners are not a private equity firm or a Search Fund; you pay us, our affiliates, and third-party vendors all amounts due and submit all required reports; new franchisee (and its owners and affiliates) are not in a competitive business; training completed by transferee’s Control Person; new franchisee has right to occupy Communities for expected franchise term; new franchisee obtains and maintains all licenses and licensure; you or transferee signs our then-current franchise agreement and other documents (any and all terms of which may differ materially from those in your Franchise Agreement, except that new franchise agreement’s term will equal your Franchise Agreement’s unexpired term or, at our option, a new 20-year term and the Royalty/Continuing Fee, General Marketing Fees, and certain technology fees (if applicable) payable under the new franchise agreement during its initial term will be the same as in your Franchise Agreement if that initial term is equal to your Franchise Agreement’s unexpired initial term); you correct existing Community deficiencies of which we notify you on punch-list; transferee agrees to upgrade and remodel Community within specified timeframe after transfer; transfer fee paid (see Item 6); we approve transferee’s capital structure; you subordinate amounts due to you; you de-identify; and you sign release (if state franchise law allows) (also see (r) below).</p> <p>Transfer of underlying real estate (if owned by unaffiliated third party) may be made only if proposed transferee first satisfies us that your possession and operation of Community after transfer, and our rights, will not be affected; transfer of underlying real estate (if owned by you or affiliate) may be made only with transfer of Community and Franchise Agreement.</p>
n. Franchisor’s right of first refusal to acquire franchisee’s business	13.6	We may match any offer for the Franchise Agreement and the Communities (including their buildings/physical structures if you or affiliate owns them), an ownership interest in you, or a controlling ownership interest in entity with ownership interest in you.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
o. Franchisor’s option to purchase franchisee’s business	15.3	We may buy the Communities’ assets (including their buildings/physical structures if you or your affiliate owns them) at fair market value, or receive assignment or sublease of Communities’ occupancy rights.
p. Death or disability of franchisee	13.5	Assignment of ownership interest in you to approved party within 9 months after owner’s death or disability; we may manage Communities if qualified management not in place.
q. Non-competition covenants during the term of the franchise	12.4	No diverting business and no ownership interest in, or performing services for, competitive business anywhere (“competitive business” means (i) any business whose primary purpose is housing or caring for persons over the age of 60, or (ii) any business that provides supplemental healthcare staff to institutional clients, such as hospitals, Medicare agencies, hospice agencies, assisted-living centers, nursing homes, and clinics, or (iii) any business that provides comprehensive care, including medical and/or non-medical services, to private-duty clients within their home, or (iv) any business granting franchises or licenses to others to operate the type of business specified in clauses (i), (ii), or (iii)).
r. Non-competition covenants after the franchise is terminated or expires	12.4	No direct or indirect ownership interest in, or performing services for, competing business for 24 months (i) at former Community’s site, (ii) within 35-mile radius of former Community site, or (iii) within 25-mile radius of another BRIGHTSTAR CARE HOMES Community that was in operation or under construction on effective date of termination, expiration, or transfer; no soliciting business from clients or referral sources of your former Community or Communities, or with whom the BrightStar System did business during the franchise term, or contacting any of our suppliers or vendors in connection with your ownership, management, operation, or maintenance of, or engagement or consulting with, any Competitive Business.

<b>PROVISION</b>	<b>SECTION IN FRANCHISE OR OTHER AGREEMENT</b>	<b>SUMMARY</b>
s. Modification of the agreement	21.3	No modifications generally, but we may change Operations Manual and System standards.
t. Integration / merger clause	25	Only the Franchise Agreement's terms (including System standards in Operations Manual) are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	16	Except for certain claims, all disputes first must be submitted to our senior executives for internal dispute resolution and, if not resolved, for mediation. Mediation will be held at our office. Disputes that cannot be resolved through mediation or meeting are resolved through arbitration.
v. Choice of forum	16.7	All mediation, arbitration, and litigation occur in city and state where we have our headquarters when the action is filed (currently Illinois) (subject to state law).
w. Choice of law	23	Except for federal law, Illinois law applies (subject to state law).

**ITEM 18  
PUBLIC FIGURES**

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

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This financial performance representation discloses the actual historical revenue, cost of sales, gross margin, and operating expenses over certain operating timeframes for 3 BRIGHTSTAR CARE HOMES Communities. The first Community is in Boise (Southwest Ada County), Idaho

83709 (“Summerset Community”). The second Community is in Eagle (Ada County), Idaho 83616 (“Prickly Pear Community”). The third Community is in Boise (Ada County), Idaho 83709 (“Taft Community”). The Summerset Community is an 8-unit BRIGHTSTAR CARE HOMES Community; Prickly Community is a 9-unit BRIGHTSTAR CARE HOMES Community; Taft Community is a 10-unit BRIGHTSTAR CARE HOMES Community. All three Communities had been in operation for at least 1 full calendar year as of December 31, 2021.

Summerset Community opened on August 18, 2018, and has operated continuously since that date. It is an 8-unit assisted-living residence licensed to serve up to 8 residents. Unit mix at the time of opening consisted of all assisted-living beds in 8 units. Somersset Community is licensed as a Residential Assisted Living Facility, which is the highest level of licensure available for residential assisted-living services in the State of Idaho. All residents pay out-of-pocket or use private insurance (no government payor sources are accepted or used). Summerset Community is located in the southwest portion of the city, approximately 10 miles southwest of downtown Boise.

Prickly Pear Community opened on May 22, 2019, and has operated continuously since that date. It is a 9-unit memory-care residence licensed to serve up to 9 residents. Unit mix at the time of opening consisted of 8 memory-care beds in 8 units. The Community was newly constructed in 2018. In January 2021, this home was relicensed as a 9-unit Community. Prickly Pear Community is licensed as a Residential Assisted Living Facility, which is the highest level of licensure available for assisted-living services in the State of Idaho. All residents pay out-of-pocket or use private insurance (no government payor sources are accepted or used). Prickly Pear Community is located in the northwest portion of Boise, approximately 14 miles northwest of downtown Boise.

Taft Care Community opened on August 13, 2020, and has operated continuously since that date. It is a 10-unit memory-care residence licensed to serve up to 10 residents. Unit mix at the time of opening consisted of 10 assisted-living beds in 10 units. The Community was newly constructed in 2020. Taft Community is licensed as a Residential Assisted Living Facility, which is the highest level of licensure available for assisted-living services in the State of Idaho. All residents pay out-of-pocket or use private insurance (no government payor sources are accepted or used). Taft Community is located in the north portion of Boise, approximately 4 miles north of downtown Boise.

The immediate neighborhoods surrounding the Summerset, Prickly Pear, and Taft Communities are oriented toward single-residential development and are typical of the type of neighborhood for BRIGHTSTAR CARE HOMES Community development.

We believe that these 3 BRIGHTSTAR CARE HOMES Communities are prototypical of the 8-to-12 bed Communities we recommend that our franchisees develop and operate in terms of services, size, and configuration; however, size may vary. These BRIGHTSTAR CARE HOMES Communities offer the same services and products to the public as the Communities that franchisees will operate under Franchise Agreements with us.

We do not currently provide services to franchisees that a Community’s owner would normally need, such as financing, accounting, legal, personnel/employee relations and employment

practices, construction, and management services. The availability of these services to a franchisee, as well as their cost and quality, will affect operations.

Our management prepared this financial performance representation based on information provided by our affiliate's franchisee during the periods it has owned and operated their 3 BRIGHTSTAR CARE HOMES Communities. The franchisee has owned and operated Summerset Community since August 18, 2018, Prickly Pear Community since May 22, 2019, and Taft Community since August 13, 2020. While our management did not independently audit this information, we believe the information is accurate.

Summerset Community:

	2018*	2019	2020	2021
Revenue	44,000	287,098	434,733	377,370
COGS (A)	39,375	161,045	262,358	285,227
Gross Margin	4,625	126,054	172,376	92,143
Royalty Fees (B)	2,954	14,749	21,268	18,193
Office Payroll (C)	1,060	34,318	47,634	54,934
Occupancy (D)	3,661	12,511	17,096	18,026
Marketing (E)	6,040	16,833	23,505	24,344
Other G&A (F)	1,533	4,929	7,651	9,321
Total G&A	15,247	83,339	117,154	124,818
EBITDAR (G)	-10,621	42,715	55,221	-32,676
	2018*	2019	2020	2021
Revenue	100%	100%	100%	100%
COGS (A)	89%	56%	60%	76%
Gross Margin	11%	44%	40%	24%
Royalty Fees (B)	7%	5%	5%	5%
Office Payroll (C)	2%	12%	11%	15%
Occupancy (D)	8%	4%	4%	5%
Marketing (E)	14%	6%	5%	6%
Other G&A (F)	3%	2%	2%	2%
Total G&A	35%	29%	27%	33%
EBITDAR (G)	-24%	15%	13%	-9%
Average Occupancy	38%	68%	92%	82%

\*2018 was a partial year, as Summerset Community opened August 18, 2018.

Prickly Pear Community:

	2019*	2020	2021
Revenue	309,793	599,561	540,051
COGS (A)	146,823	292,259	296,824
Gross Margin	162,970	307,303	243,226
Royalty Fees (B)	16,145	29,354	25,564
Office Payroll (C)	23,527	48,632	55,064
Occupancy (D)	8,123	19,664	20,939
Marketing (E)	19,823	29,870	29,277
Other G&A (F)	7,121	9,584	6,513
Total G&A	74,737	137,104	137,357
EBITDAR (G)	88,232	170,198	105,870
	2019*	2020	2021
Revenue	100%	100%	100%
COGS (A)	47%	49%	55%
Gross Margin	53%	51%	45%
Royalty Fees (B)	5%	5%	5%
Office Payroll (C)	8%	8%	10%
Occupancy (D)	3%	3%	4%
Marketing (E)	6%	5%	5%
Other G&A (F)	2%	2%	1%
Total G&A	24%	23%	25%
EBITDAR (G)	28%	28%	20%
Average Occupancy	79%	94%	87%

\*2019 was a partial year, as Prickly Pear Community opened May 22, 2019.

*[Remainder of page intentionally blank]*

Taft Community:

	2020*	2021
Revenue	173,950	837,609
COGS (A)	75,171	329,217
Gross Margin	98,778	508,392
Royalty Fees (B)	8,601	40,022
Office Payroll (C)	29,040	59,727
Occupancy (D)	4,501	11,750
Marketing (E)	37,330	46,772
Other G&A (F)	5,248	8,870
Total G&A	84,720	167,141
EBITDAR (G)	14,059	341,251
	2020*	2021
Revenue	100%	100%
COGS (A)	43%	39%
Gross Margin	57%	61%
Royalty Fees (B)	5%	5%
Office Payroll (C)	17%	7%
Occupancy (D)	3%	1%
Marketing (E)	21%	6%
Other G&A (F)	3%	1%
Total G&A	49%	20%
EBITDAR (G)	8%	41%
Average Occupancy	56%	100%

\*2020 was a partial year, as Taft Community opened August 13, 2020.

Explanatory Notes to Previous Tables

- (A) “Cost of Goods Sold” (COGS) includes direct-care-staff wages and payroll burden, workers’ compensation insurance, other resident-support costs (for example, medical supplies, employee-background checks, and employee drug-screen costs), dining costs, housekeeping costs, and resident activity costs.
- (B) “Royalty Payments” includes royalty payments made to our affiliate.
- (C) “Office Payroll” includes salaries, payroll burden, supplemental office staffing, bonuses, employee relations, and professional development.
- (D) “Occupancy” includes utilities, repairs and maintenance, small equipment repairs, outside services, all property and liability insurance outside of workers’ compensation insurance, property tax, and communication expenses.

(E) “Marketing and Recruiting” includes assumed General Marketing Fund (GMF) contributions equal to 2.5% of revenue, local marketing, recruiting, advertising costs, and paid referral costs.

(F) “Other G&A” includes assumed Technology fees equal to 0.83% of revenue, other information technology services, consulting fees and payroll processing fees, office supplies, printing, postage, travel, and other costs.

(G) “Earnings Before Interest, Taxes, Depreciation, Amortization, and Rent”

“Average Occupancy” refers to average annual occupancy of the Home.

Occupancy Ramp-Up

Summerset, Prickly Pear, and Taft Communities had the following occupancy ramp-up experience, respectively:

ID - Boise (Summerset Care Home)	Occupancy													
	Full Year	2018	2019	2020	2021									
	Average	38%	68%	92%	82%									
Monthly	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
	2018								38%	38%	38%	38%		
	2019	38%	50%	63%	63%	75%	63%	63%	63%	75%	75%	88%	100%	
	2020	100%	100%	100%	100%	88%	100%	100%	88%	75%	88%	88%	75%	
	2021	75%	75%	88%	88%	88%	75%	75%	75%	75%	100%	88%	88%	

ID - Boise (Prickly Pear Care Home)	Occupancy													
	Full Year	2018	2019	2020	2021									
	Average	N/A	79%	94%	87%									
Monthly	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
	2019						44%	67%	67%	78%	100%	100%	100%	
	2020	100%	100%	100%	100%	100%	100%	100%	100%	78%	78%	78%	100%	
	2021	78%	100%	100%	89%	89%	89%	100%	78%	89%	89%	78%	67%	

ID - Boise (Taft Care Home)	Occupancy													
	Full Year	2018	2019	2020	2021									
	Average	N/A	N/A	56%	100%									
Monthly	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
	2020								50%	30%	50%	70%	80%	
	2021	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

### Explanatory Notes to Previous Tables

“Average Occupancy %” represents the number of Residents in each month divided by the number of capacity rooms in each Community (8 rooms in Summerset Community, 9 rooms in Prickly Pear Community, and 10 rooms in Taft Community).

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

This financial performance representation was prepared without an audit. Written substantiation of all financial information presented in this financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Brad Jacobsen, Director, Senior Living Project Development, BrightStar Senior Living Franchising, LLC, 1125 Tri-State Parkway, Suite 700, Gurnee, Illinois 60031, (877) 689-6898, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20 OUTLETS AND FRANCHISE INFORMATION**

All year-end numbers appearing in the tables below are as of December 31 in each year. As noted in Item 1, as part of the initial pilot of the BRIGHTSTAR CARE HOMES Community concept, BrightStar Franchising granted one existing BrightStar Care franchisee the right to open and operate BRIGHTSTAR CARE HOMES Communities under an amendment to its existing BrightStar Care Franchise Agreement. The franchised BRIGHTSTAR CARE HOMES Communities disclosed below for 2019, 2020, and 2021 are those Communities authorized by BSF Franchising.

Table No. 1

**Systemwide Outlet Summary  
For years 2019 to 2021**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2019	1	2	+1
	2020	2	3	+1
	2021	3	4	+1
Company- Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Outlets	2019	1	2	+1
	2020	2	3	+1
	2021	3	4	+1

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2019 to 2021**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Table No. 3

**Status of Franchised Outlets  
For years 2019 to 2021**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Idaho	2019	1	1	0	0	0	0	2
	2020	2	1	0	0	0	0	3
	2021	3	1	0	0	0	0	4
Totals	2019	1	1	0	0	0	0	2
	2020	2	1	0	0	0	0	3
	2021	3	1	0	0	0	0	4

Table No. 4

**Status of Company-Owned Outlets  
For years 2019 to 2021**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
All States	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Totals	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Table No. 5

**Projected Openings As Of December 31, 2021**

Column 1 State	Column 2 Franchise Agreements Signed But Outlets Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlets In The Next Fiscal Year
California	1	0	0
Idaho	0	2	0
Utah	1	1	0
Total	2	3	0

A list of the current BRIGHTSTAR CARE HOMES Community franchisees is attached as Exhibit G to this Franchise Disclosure Document. There were no franchisees who had Communities terminated, cancelled, or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement, during the last fiscal year or who have not communicated with us within 10 weeks of this Franchise Disclosure Document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the BRIGHTSTAR CARE HOMES Community franchise system.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Exhibit F contains our audited financial statements for the fiscal years ended January 2, 2022, January 3, 2021, and December 29, 2019.

**ITEM 22**  
**CONTRACTS**

The following contracts/documents are exhibits:

- EXHIBIT B BRIGHTSTAR CARE HOMES Community Franchise Agreement
  - A. Premises
  - B. Authorization to Initiate Debit Entries for Fees and Payments Due from Franchisee
  - C. Franchisee Ownership and Management Information
  - D. Personal Guarantee and Agreement to be Bound
  - E. Franchisee Representations
  - F. Spousal / Life Partner Consent
  - G. Conditional Assignment of Telephone Numbers
  - H. Site Selection Addendum
  - I. Franchisor and Franchisee Acknowledgments
  - J. Business Associate Agreement
  - K. Control Person Addendum
- EXHIBIT D Confidentiality, Non-Disclosure and Non-Competition Agreement
- EXHIBIT E State Specific Addenda
- EXHIBIT H Release of Claims
- EXHIBIT I Microsoft Teams/One-Drive/Web Version Office Package Opt-in Addendum

**ITEM 23**  
**RECEIPTS**

Exhibit J of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging a prospective franchisee's receipt of this Disclosure Document. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: BrightStar Senior Living Franchising, LLC, 1125 Tri-State Parkway, Suite 700, Gurnee, Illinois 60031, or via facsimile to (866) 360-0393.

**EXHIBIT A**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS AND  
LIST OF AGENTS FOR SERVICE OF PROCESS**

**CALIFORNIA**

State Authority & Agent to  
Receive Process  
California Commissioner of  
Financial Protection and  
Innovation  
Department of Financial  
Protection and Innovation  
State of California  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013  
Telephone: 1-866-275-2677

**HAWAII**

Commissioner of Securities of the  
State of Hawaii  
335 Merchant Street  
Room 203  
Honolulu, HI 96813

**ILLINOIS**

Attorney General State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

**INDIANA**

Agent for Service of Process  
Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204

State Administrator  
Securities Commissioner  
Indiana Securities Division  
302 West Washington, Room E-  
111  
Indianapolis, Indiana 46204

**MARYLAND**

Agent to Receive Process  
Securities Commissioner  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

State Authority  
Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202

**MICHIGAN**

Consumer Protection Division  
Attn.: Franchise  
670 Williams Building  
Lansing, Michigan 48913

**MINNESOTA**

Commissioner of Commerce  
Minnesota Department of  
Commerce  
85 7<sup>th</sup> Place East  
Suite 280  
St. Paul, Minnesota 55101

**NEW YORK**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8236

State Administrator  
New York State Department of  
Law  
Bureau of Investor Protection and  
Securities  
120 Broadway, 23rd Floor  
New York, New York 10271

**NORTH DAKOTA**

North Dakota Securities  
Department  
State Capital Fifth Floor  
600 East Boulevard Avenue  
Bismarck, North Dakota 58505  
Telephone: (701)328-4712

**RHODE ISLAND**

Rhode Island Department of  
Business Regulation  
Securities Section  
1511 Pontiac Avenue  
John O. Pastore Center  
Building 69-1  
Cranston, RI 02920

**SOUTH DAKOTA**

Division of Insurance,  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, SD 57501

**VIRGINIA**

Agent to Receive Process  
Clerk of the State Corporation  
Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219

State Administrator  
State Corporation Commission  
Division of Securities and Retail  
Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219

**WASHINGTON**

Department of Financial  
Institutions  
Securities Division  
150 Israel Rd SW  
Tumwater,  
Washington 98501

**WISCONSIN**

Division of Securities  
Department of Financial  
Institutions  
345 W. Washington Avenue, 4th  
Floor  
Madison, Wisconsin 53703

**EXHIBIT B**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE AGREEMENT**

**BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC**  
**BRIGHTSTAR CARE HOMES™ COMMUNITY FRANCHISE AGREEMENT**

## TABLE OF CONTENTS

	Page
1. <u>GRANT OF FRANCHISE</u> .....	2
1.1 Grant. ....	2
1.2 Communities Operated Only from the Premises; Scope of Advertising. ....	2
1.3 Our and our Affiliates' Reserved Rights. ....	3
1.4 Technology/Computer Requirements. ....	4
2. <u>TERM AND RENEWAL</u> .....	5
2.1 Initial Term. ....	5
2.2 Successor Franchise Term. ....	5
3. <u>OPERATING ASSISTANCE</u> .....	7
3.1 Assistance Prior to Opening.....	7
3.2 Ongoing Assistance. ....	9
4. <u>FEES AND OTHER PAYMENTS</u> .....	9
4.1 Initial Franchise Fee.....	9
4.2 Royalty/Continuing Fee.....	10
4.3 Net Billings. ....	10
4.4 General Marketing Fee. ....	10
4.5 Monthly Technology and Email Service Fee.....	11
4.6 Vendor Evaluation Fee. ....	11
4.7 Annual Increase in Certain Fixed Fees. ....	12
4.8 Method of Payment and Electronic Funds Transfer. ....	12
4.9 Payment and Interest on Late Payments. ....	12
4.10 Application of Payments.....	13
4.11 Taxes on Payments and Currency.....	13
5. <u>LICENSED MARKS</u> .....	13
5.1 Ownership. ....	13
5.2 Authorized Use. ....	13
5.3 Infringement.....	14
5.4 Operation Under Licensed Marks. ....	15

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
5.5	Modification/Replacement of Licensed Marks..... 15
5.6	Non-Exclusive License..... 15
6.	<b><u>STANDARDS OF OPERATION</u></b> ..... 15
6.1	Construction, Development, and Opening of First Community..... 15
6.2	Construction, Development, and Opening of Second and Third Communities..... 16
6.3	Pre-Sales..... 17
6.4	Quality Standards for Fixtures, Equipment and Supplies..... 17
6.5	Training..... 17
6.6	Hiring and Supervision..... 19
6.7	Maintenance of Premises..... 21
6.8	Operation of Community..... 21
6.9	Purchases..... 22
6.10	Hours of Business..... 24
6.11	Printed Materials..... 24
6.12	Identification of Community..... 24
6.13	Third Party Actions..... 24
6.14	Inspection of Community Premises..... 24
6.15	Possible Variation in Certain Standards..... 25
6.16	Attendance at Annual Meetings..... 25
6.17	Intellectual Property Belongs to Us..... 25
7.	<b><u>OPERATIONS MANUAL</u></b> ..... 26
7.1	Compliance with Operations Manual..... 26
7.2	Confidential Use..... 26
7.3	Revisions..... 26
8.	<b><u>ADVERTISING AND MARKETING</u></b> ..... 27
8.1	General Marketing Fund..... 27
8.2	Local Marketing..... 29

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
8.3 Marketing Generally. ....	29
8.4 Website and Intranet Matters. ....	30
8.5 Online Advertising. ....	31
9. <u>MODIFICATIONS</u> .....	32
9.1 Modifications to the BRIGHTSTAR CARE HOMES™ Community Program. ....	32
9.2 Modifications not Requiring Significant Changes in Fixtures or Equipment. ....	32
9.3 Modifications Requiring Significant Changes in Fixtures or Equipment; Upgrading the Community and CapEx Account. ....	32
9.4 Test Marketing. ....	33
9.5 Dual Branding. ....	33
10. <u>CONDEMNATION AND DAMAGE</u> .....	33
10.1 Condemnation. ....	33
10.2 Damage. ....	34
10.3 Extension of Initial Term. ....	35
11. <u>STATEMENTS, RECORDS AND FEE PAYMENTS</u> .....	35
11.1 Maintenance of Records. ....	35
11.2 Examination of Records. ....	36
11.3 Reports and Financial Statements. ....	36
12. <u>COVENANTS NOT TO COMPETE AND CONFIDENTIALITY OBLIGATIONS</u> .....	36
12.1 You Defined. ....	36
12.2 Confidential Information. ....	37
12.3 Non-Use and Non-Disclosure of Confidential Information. ....	37
12.4 Non-Compete Covenants. ....	38
13. <u>TRANSFER AND ASSIGNMENT</u> .....	39
13.1 Transfer by Us. ....	39
13.2 Transfer by You. ....	40

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
13.3	Representations as to Ownership..... 41
13.4	Conditions to Our Consent to Transfer..... 41
13.5	Transfer and Operation in the Event of Death or Disability..... 44
13.6	Our Right of First Refusal..... 44
14.	<b><u>DEFAULT AND TERMINATION</u></b> ..... 46
14.1	Termination With Notice and Without Opportunity to Cure..... 46
14.2	Termination Upon Notice and Five (5) Days' Opportunity to Cure..... 48
14.3	Termination Upon Notice and Fifteen (15) Days' Opportunity to Cure. .... 49
14.4	Termination With Notice and Thirty (30) Days' Opportunity to Cure..... 49
14.5	Termination With Notice and One-Year Opportunity to Cure. .... 50
14.6	Termination of Right to Operate a Community..... 50
14.7	Nonwaiver..... 50
14.8	Termination by You..... 50
14.9	Step-In Rights. .... 51
15.	<b><u>POST-TERM OBLIGATIONS</u></b> ..... 52
15.1	Obligations upon Termination or Expiration..... 52
15.2	Termination Damages..... 54
15.3	Our Right to Purchase Community's Assets. .... 55
16.	<b><u>DISPUTE RESOLUTION AND CORRESPONDING PROCEDURES</u></b> ..... 57
16.1	Meeting Between Senior Executives. .... 57
16.2	Mediation..... 58
16.3	Arbitration..... 58
16.4	Exceptions to Arbitration..... 60
16.5	Third Party Beneficiaries..... 60
16.6	No Right to Offset..... 60
16.7	Venue..... 60
16.8	Limitation on Actions..... 60
16.9	Waiver of Punitive, Exemplary, and Certain Other Damages..... 61

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
16.10 Jury Trial Waiver.....	61
17. <u>INSURANCE</u> .....	61
17.1 Lines of Insurance.....	61
17.2 Insurance Certificates.....	63
17.3 No Relief from Indemnity Requirement.....	63
17.4 Administrative Fee.....	63
18. <u>YOUR OWNERSHIP AND ORGANIZATION</u> .....	63
18.1 Disclosure of Ownership Interests.....	63
18.2 Organizational Documents.....	63
18.3 Personal Guarantee Covenants and Assumption of Obligations.....	63
19. <u>TAXES, PERMITS AND INDEBTEDNESS</u> .....	64
19.1 Taxes.....	64
19.2 Permits.....	64
19.3 Full and Sole Responsibility for Debts and Obligations.....	64
20. <u>INDEMNIFICATION AND INDEPENDENT CONTRACTOR</u> .....	64
20.1 Indemnification.....	64
20.2 Cost of Enforcement.....	65
20.3 No Fiduciary Relationship; Independent Contractor Status.....	65
21. <u>WRITTEN APPROVALS, WAIVERS, AND AMENDMENT</u> .....	66
21.1 Approval Process.....	66
21.2 No Waiver.....	66
21.3 Amendments.....	67
22. <u>NOTICES</u> .....	67
23. <u>GOVERNING LAW</u> .....	68
24. <u>SEVERABILITY AND CONSTRUCTION</u> .....	68
24.1 Severability.....	68
24.2 Execution in Counterparts.....	68
24.3 Headings and Captions.....	69

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
24.4 Interpretation of Rights and Obligations.....	69
25. <u>ENTIRE AGREEMENT</u> .....	69
26. <u>SPOUSAL/LIFE PARTNER CONSENT</u> .....	70
27. <u>ANTI-TERRORIST ACTIVITIES</u> .....	70
28. <u>ACKNOWLEDGMENTS</u> .....	71

**EXHIBITS**

- A. Premises
- B. Authorization to Initiate Debit Entries for Fees and Payments Due from Franchisee
- C. Franchisee Ownership and Management Information
- D. Personal Guarantee and Agreement to be Bound
- E. Franchisee Representations
- F. Spousal / Life Partner Consent
- G. Conditional Assignment of Telephone Numbers
- H. Site Selection Addendum
- I. Franchisor and Franchisee Acknowledgments
- J. Business Associate Agreement
- K. Control Person Addendum

**BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC**

**BRIGHTSTAR CARE HOMES™ COMMUNITY FRANCHISE AGREEMENT**

This BRIGHTSTAR CARE HOMES™ Community Franchise Agreement (“Agreement”) is made on \_\_\_\_\_, by and between BrightStar Senior Living Franchising, LLC, an Illinois limited liability company with its principal place of business at 1125 Tri-State Parkway, Suite 700, Gurnee, Illinois 60031 (“we”, “us”, or “our”), and \_\_\_\_\_, with its principal place of business at \_\_\_\_\_ (“you” or “your”).

**RECITALS**

**WHEREAS**, we and our affiliates have developed (and continue to develop and modify) a system for constructing, operating, identifying, and promoting assisted-living and memory-care communities under the BRIGHTSTAR CARE HOMES™ trademark and related commercial symbols (collectively, the “Licensed Marks”) providing various services for seniors and other individuals in need, including residential assisted-living, memory-care, and ancillary services (collectively, the “Services”). We have created and developed, and currently offer, a franchise opportunity for BRIGHTSTAR CARE HOMES™ Communities that provide the Services, use the Licensed Marks, and use our and our affiliates’ distinctive business formats, methods, procedures, signs, designs, layouts, standards, and specifications (collectively, the “BrightStar System” or “System”), all of which we and our affiliates periodically may improve, further develop, and otherwise modify. If we deem it necessary for the operation of BRIGHTSTAR CARE HOMES™ Communities, the BrightStar System in the future may include, upon notice from us to you, one or more aspects of our or our affiliate’s proprietary technology (the “System Proprietary Technology”). Our System Proprietary Technology may encompass an integrated-management system providing various technology solutions, including client-relationship management, staff-relationship management, billing management, web management, franchise management, and all modifications thereto that may be made from time to time; and

**WHEREAS**, you desire to obtain the right to construct, develop, and operate up to three BRIGHTSTAR CARE HOMES™ Communities (each, a “Community” and, collectively, the “Communities”) using the System, all of which will be governed by this Agreement; and

**WHEREAS**, the Licensed Marks have gained and will continue to gain public acceptance and goodwill, and we and our affiliates may create, use, and license new trademarks, service marks, and commercial symbols for BRIGHTSTAR CARE HOMES™ Communities. The “BRIGHTSTAR®” and BRIGHTSTAR CARE HOMES™ Licensed Marks currently are owned by 24-7 BrightStar Healthcare, LLC, our affiliate, which has licensed us to use and sublicense those Licensed Marks (and other Licensed Marks) in connection with BRIGHTSTAR CARE HOMES™ Communities; and

**WHEREAS**, you have applied for a franchise to construct, develop, and operate up to three BRIGHTSTAR CARE HOMES™ Communities using the BrightStar System, and we have approved that application in reliance upon all of your representations in the application; and

**WHEREAS**, you acknowledge that adhering to this Agreement’s terms and our standards and specifications is essential to the Communities’ operation and the BrightStar System.

**NOW, THEREFORE**, in consideration of the foregoing recitals and the mutual promises, commitments, and understandings contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which we and you acknowledge, we and you hereby agree as follows:

**1. GRANT OF FRANCHISE**

1.1 Grant.

We hereby grant to you upon this Agreement’s express terms and conditions, and you hereby accept, a franchise to construct, develop, and operate up to three BRIGHTSTAR CARE HOMES™ Communities under the System and Licensed Marks at the locations identified or to be identified in Exhibit A to this Agreement (each referred to as “Premises”). We have the right to supplement, improve, or otherwise modify the BrightStar System from time to time, including, without limitation, by offering and selling new or different Services and products, and you agree to comply with all changes we specify. Unless this Agreement must in certain contexts distinguish among the three BRIGHTSTAR CARE HOMES™ Communities that you are entitled to construct, develop, and operate under this Agreement, all references to “a Community” or “the Community” will be deemed to mean each of your Communities, and all references to “Communities” will be deemed to mean all of your Communities. This Agreement governs your construction, development, and operation of each and all of your Communities.

1.2 Communities Operated Only from the Premises; Scope of Advertising.

You acknowledge and agree that this franchise relates solely to the operation of your Communities at their designated and accepted Premises and gives you no right to construct, develop, or operate any additional, expanded, or modified BRIGHTSTAR CARE HOMES™ Community at another location. If we have not accepted a location for your operation of your first Community as of the date you sign this Agreement, the parties will enter into the Site Selection Addendum attached as Exhibit H to this Agreement, the terms of which will govern the parties’ site selection obligations. Exhibit H also will govern the parties’ site selection obligations for your second and third Communities. You must operate your Communities, and may provide Services and sell products, only at the accepted Premises of such Communities. You must use each Premises solely for the Community’s operation in the manner and under the standards prescribed in this Agreement, the Operations Manual, or otherwise. You may not (a) provide Services or sell products away from the Premises, (b) sell Services or products through other distribution channels, including e-commerce, (c) use the Licensed Marks in any other business activities we have not expressly authorized, or (d) advise others who operate Competitive Businesses (defined in Section 12.4.1 below). You may engage in advertising, promotional, marketing, and related activities we authorize within the Community’s designated market area (“DMA”). We have the unrestricted right to regulate all such activities as we deem best to protect our interests, other BRIGHTSTAR

CARE HOMES™ Community franchisees, and the System. You may not engage in advertising, promotional, marketing, and related activities outside the DMA.

### 1.3 Our and our Affiliates' Reserved Rights.

Your rights under this Agreement are non-exclusive. That means we and our affiliates retain the right during this Agreement's term to engage in any and all other activities we and they desire, at any time or place, whether or not those activities compete with your Communities. These unlimited rights include, but are not limited to, the right to:

- (a) Establish and operate, and grant to others the right to establish and operate, BRIGHTSTAR CARE HOMES™ Communities at any locations, regardless of their proximity to your Communities, provided, however, that if:
  - (i) (x) you or your affiliate operates a BRIGHTSTAR CARE® Agency, (y) your Communities are located within the "Protected Territory" described in your or your affiliate's BRIGHTSTAR CARE® Agency Franchise Agreement(s), and (z) you construct and develop by their opening deadlines (see Section 6.1 below), and then operate in compliance with this Agreement, all three Communities that this Agreement entitles you to develop and operate, then we and our affiliates will not establish and operate, or grant to others the right to establish and operate, BRIGHTSTAR CARE HOMES™ Communities whose premises are physically located within the "Protected Territory" described in the BRIGHTSTAR CARE® Agency Franchise Agreement(s); or
  - (ii) (x) you or your affiliate does not operate a BRIGHTSTAR CARE® Agency, (y) your Communities are located within the Site Selection Area described in Exhibit H to this Agreement, and (z) you construct and develop by their opening deadlines (see Section 6.1 below), and then operate in compliance with this Agreement, all three Communities that this Agreement entitles you to develop and operate, then we and our affiliates will not establish and operate, or grant to others the right to establish and operate, BRIGHTSTAR CARE HOMES™ Communities whose premises are physically located within the Site Selection Area.
- (b) Offer, sell, operate, or distribute and license others to offer, sell, operate, or distribute, directly or through franchised, licensed, or other businesses, at wholesale or retail, and at and from any locations (but subject to the limited provisos in clause (a) above), BrightStar® branded and non-BrightStar® branded Services, other services, and products. These Services, other services, and products may be offered and sold through similar or dissimilar channels or methods of distribution, including the Internet and businesses operating under the BrightStar® name or another name (e.g., durable medical equipment centers and/or child daycare facilities and hospices). For the avoidance of all doubt, franchised and non-

franchised BrightStar® Care agencies may operate in any area, no matter how close to your Communities, without any restrictions.

- (c) Merge with, acquire, or be acquired by (“Merger/Acquisition Activity”) any businesses of any kind operating under other systems and trademarks, which businesses may (and, after the Merger/Acquisition Activity, may continue to) offer, sell, and distribute, and allow others to offer, sell, and distribute, goods and services – identical, similar, or dissimilar to Services and products provided by the Communities – through franchised or non-franchised businesses, at wholesale or retail, at and from any locations.
- (d) Engage in all other activities this Agreement does not expressly prohibit.

#### 1.4 Technology/Computer Requirements.

You agree to purchase, license, and use the computer hardware, software, peripheral items, property-management and other electronic-information systems, and technology solutions that we specify for the operation of BRIGHTSTAR CARE HOMES™ Communities (which may include, upon notice from us, the System Proprietary Technology), including, without limitation, third-party accounting and payroll, electronic health records, medication management, and client relationship management (“CRM”) software (together, the “Third-Party Materials”). All such technology-related requirements imposed by us from time to time are referred to collectively in this Agreement as the “Technology/Computer Requirements.”

You acknowledge and agree that from time to time we may require additional Third-Party Materials or may substitute other Third-Party Materials for those originally or previously required or approved. To the extent any Third-Party Materials are packed with, incorporated into, or embedded in the System Proprietary Technology (if the System Proprietary Technology becomes part of the BrightStar System) or otherwise provided by us or BrightStar Technology under this Agreement, you agree to comply with the terms and conditions of the third-party licenses associated with such Third-Party Materials. You are also responsible for purchasing, at your sole expense, any third-party software we require as well as any software necessary to meet state-specific requirements of a state program or segment of business unique to your location and/or state.

We may modify the specifications and components of the Technology/Computer Requirements during the Initial Term. Such modifications and/or other technological developments or events might require you to purchase, lease, and/or license new or modified computer hardware, software, and/or peripheral items and to obtain service and support for the Technology/Computer Requirements. Although we cannot estimate the future costs of the Technology/Computer Requirements or required service or support, and although these costs might not be fully amortizable over the remaining portion of this Agreement’s Initial Term (defined in Section 2.1 below), you agree to obtain all items comprising the Technology/Computer Requirements (and additions and modifications) and required service or support. Within sixty (60) days after we deliver notice to you, you must obtain the Technology/Computer Requirements that

we designate and ensure that your Technology/Computer Requirements, as modified, are functioning properly. We have no obligation to reimburse you for the costs of any Technology/Computer Requirements. You may not use any unapproved computer software or security credentials. You must give us all security credentials and notify us of any changes to those credentials.

We and our affiliates may condition any license to you of required or recommended System Proprietary Technology on your signing the software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of use of a click-through or other shrink-wrapped license agreement), we and our affiliates prescribe to regulate your use of, and the parties' respective rights and responsibilities with respect to, the System Proprietary Technology. We and our affiliates may charge you up-front and ongoing weekly, monthly, or other fees for any required or recommended System Proprietary Technology licensed to you, including, but not limited to, if applicable, the Monthly Technology & Email Service Fee described in Section 4.5 below, and for other maintenance, support, and access services we and they provide during the Initial Term.

Despite the fact that you must buy, use, and maintain the Technology/Computer Requirements according to our standards and specifications, you have sole and complete responsibility for: (a) acquiring, operating, maintaining, and upgrading the Technology/Computer Requirements; (b) the manner in which our Technology/Computer Requirements interface with your and any third-party's computer systems; (c) any and all consequences if the Technology/Computer Requirements are not properly operated, maintained, and upgraded; and (d) ensuring your employees' compliance with our acceptable use policies. The Technology/Computer Requirements must permit twenty-four (24) hours per day, seven (7) days per week electronic communications between you and us, including access to the Internet and our then-current Franchise System Website and Intranet (if applicable). We always will have unlimited, independent access to the Technology/Computer Requirements to the extent the law allows.

## **2. TERM AND RENEWAL**

### **2.1 Initial Term.**

This Agreement will take effect on the date we sign it (the "Effective Date"), and its term will extend for twenty (20) years from the Opening Date (defined in Section 6.1 below) of your first Community developed under this Agreement (the "Initial Term"). The Initial Term is subject to earlier termination under Section 14. You must operate your Communities in compliance with this Agreement for the entire Initial Term unless this Agreement is properly terminated according to its express terms.

### **2.2 Successor Franchise Term.**

2.2.1 Your Right to Acquire Successor Franchise. When this Agreement expires twenty (20) years from the Opening Date of your first Community: (a) if you (and each of your owners) have substantially complied with this Agreement during the Initial Term; and (b) if

you (and each of your owners) are, both on the date you notify us in writing of your election to acquire a successor franchise (as provided below) and on the date on which the successor franchise term is scheduled to commence, in substantial compliance with this Agreement and all System standards; and (c) provided you maintain possession of the Premises of one or more of your Communities and agree (regardless of cost) to remodel and/or expand the Communities, add or replace improvements and operating assets, and otherwise modify the Communities as we require to comply with System standards then applicable for new BRIGHTSTAR CARE HOMES™ Communities, then you may acquire a successor franchise to operate the Communities as BRIGHTSTAR CARE HOMES™ Communities for a new term commencing immediately upon the Initial Term's expiration and expiring either ten (10) years from that date or on the date your right to occupy the Premises of your Communities expires, whichever occurs first. (We need not grant you a successor franchise if you cannot maintain possession of the Premises of your Communities and therefore would have to secure substitute sites for the Communities.)

You must sign the franchise agreement we then use to grant franchises for BRIGHTSTAR CARE HOMES™ Communities (modified as necessary to reflect that it is for a successor franchise), any and all of the provisions of which, including the Royalty/Continuing fee, the General Marketing Fees, and the Monthly Technology and Email Service Fee (if applicable) may differ materially from any and all of those contained in this Agreement.

If you (and each of your owners) did not substantially comply with this Agreement during the Initial Term with respect to one or more of your Communities or are not, both on the date you notify us in writing of your election to acquire a successor franchise and on the date on which the successor franchise term is scheduled to commence, in substantial compliance with this Agreement and all System standards with respect to one or more of your Communities, we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during the Initial Term under Section 14. Alternatively, we may in our sole judgment choose to grant you a successor franchise for less than all of your Communities and require the non-compliant Community or Communities to cease operations.

2.2.2 Grant of a Successor Franchise. You agree to give us written notice of your election to acquire a successor franchise no more than five hundred forty (540) days and no less than three hundred sixty (360) days before this Agreement is scheduled to expire. We will give you written notice ("Our Notice"), not more than ninety (90) days after we receive your election, of our decision: (1) to grant you a successor franchise; (2) to grant you a successor franchise only on the condition you correct existing deficiencies of the Communities or in your operation of the Communities; or (3) not to grant you a successor franchise, or not to grant you a successor franchise for all of your Communities, based on our determination that you and your owners did not substantially comply with this Agreement during the Initial Term with respect to one or more of the Communities or were not in substantial compliance with this Agreement and all System standards with respect to one or more of the Communities on the date you gave us written notice of your election to acquire a successor franchise.

We will not unreasonably withhold or delay our consent to a successor franchise if the conditions specified in this Section 2.2.2 have been satisfied. If applicable, Our Notice will: (a)

describe the remodeling, expansion, improvements and/or modifications required to bring the Communities into compliance with then-applicable System standards for new BRIGHTSTAR CARE HOMES™ Communities; and (b) state the actions you must take to correct operating deficiencies and the time period in which you must correct those deficiencies. If we elect not to grant you a successor franchise, or not to grant you a successor franchise for all of your Communities, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise for one or more of your Communities, your right to acquire the successor franchise is subject to your material compliance with this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

If Our Notice states that you must cure certain operational or other deficiencies at one or more of the Communities as a condition to a successor franchise, we will give you written notice of our decision not to grant you a successor franchise, based upon your failure to cure those deficiencies, at least one hundred eighty (180) days before this Agreement expires. However, we need not give you this one-hundred-eighty (180) days' notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the one-hundred-eighty (180) day period before it expires. If we fail to give you: (i) notice of operational or other deficiencies at the Communities within ninety (90) days after we receive your timely election to acquire a successor franchise (if we elect to grant a successor franchise under clauses (2) and (b) above); or (ii) notice of our decision not to grant you a successor franchise, or not to grant you a successor franchise for all of your Communities, at least one hundred eighty (180) days before this Agreement expires, if this notice is required, we may unilaterally extend the Initial Term for the time period necessary to give you, as applicable, either reasonable time to correct deficiencies or the one-hundred-eighty (180) days' notice of our refusal to grant a successor franchise. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise for any of your Communities.

2.2.3 Agreements/Releases. If you satisfy all of the other conditions for a successor franchise, you and your owners must sign the forms of franchise agreement and related documents we then customarily use to grant franchises for BRIGHTSTAR CARE HOMES™ Communities (modified as necessary to reflect that it is for a successor franchise), any and all of the provisions of which, including the Royalty/Continuing fee, the General Marketing Fees, and the Monthly Technology and Email Service Fee (if applicable), may differ materially from any and all of those contained in this Agreement. You and your owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, agents, successors, and assigns. We will consider your or your owners' failure to sign these agreements and releases and deliver them to us for acceptance and countersigning within the timeframe we specify to be your election not to acquire a successor franchise.

### **3. OPERATING ASSISTANCE**

#### **3.1 Assistance Prior to Opening.**

Before the Opening Date, we will provide you with the following assistance:

3.1.1 Grant access to the Operations Manual via our Intranet.

3.1.2 Give you template plans and drawings (“Plans”) for a BRIGHTSTAR CARE HOMES™ Community’s physical structure, exterior elements, and interior layout. You are responsible for constructing and developing each Community. The Plans will include mandatory and suggested standards and specifications for, among other things, size, dimensions, design, image, decor, fixtures, equipment, signs, furnishings, and color scheme. However, the Plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the “ADA”) or similar rules governing public accommodations for disabled persons. You must identify for our review and acceptance a proposed architect to prepare a site survey and all required construction plans and specifications to suit the site and make sure these plans and specifications comply with our requirements, the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and occupancy requirements and restrictions. You may not engage an architect whom we do not accept. We own the Plans and all adaptations of the Plans for your site and Community. You must send us, for review and acceptance, your site survey and construction plans and specifications before you submit them for permitting and begin constructing the Community and all revised or “as built” plans and specifications during construction. Because our review is limited to ensuring your compliance with System design and layout requirements, we might not assess compliance with federal, state, or local laws and regulations, including the ADA.

Before beginning construction, you must identify, and we first must accept, the proposed general contractor. You may not engage a general contractor whom we do not accept. We periodically may inspect the site during the Community’s construction and development process. You (and not we) are responsible for the performance of architects, engineers, contractors, and subcontractors hired to construct, develop, and maintain the Community. You also must ensure, and confirm to us, that sufficient insurance coverage is in place before, during, and after the construction process.

You must do the following, at your own expense, to construct, develop, and begin operating each Community:

- (a) secure all financing required to construct, develop, and operate the Community in compliance with System standards;
- (b) obtain all zoning, building, utility, sign, health, sanitation, business, and other permits, licenses, and certifications required for lawful construction of the Community;
- (c) build and decorate the Community according to approved plans and specifications and report construction progress to us at such times and by such means we specify;
- (d) obtain all customary contractors’ sworn statements and partial and final lien waivers for construction, remodeling, decorating, and installation services;

- (e) purchase or lease, and install, all required flooring, fixtures, furniture, furnishings, signs, and equipment (including Technology/Computer Requirements); and
- (f) purchase an opening inventory of required, authorized, and approved products, materials, and supplies from us, our affiliates, and designated or approved sources.

You must notify us of the scheduled construction completion date no later than forty-five (45) days before the completion date. You may not open and begin operating a Community without our prior written consent.

3.1.3 After the Effective Date, review your financial projections, including help with labor modeling and pricing your rent and care packages.

3.1.4 A full training program, as described in Section 6.5 below.

### 3.2 Ongoing Assistance.

After the Opening Date, we will provide you the following assistance:

3.2.1 Regular consultation and advice in response to your inquiries about specific administrative and operating issues. We may decide how best to communicate such consultation and advice to you, whether by telephone, in writing, electronically, or in person. The method we choose may be different from the methods we use for other franchisees.

3.2.2 Administer the General Marketing Fund (described in Section 8.1 below) and approve advertising you create for your local use.

3.2.3 Make goods and services available to you either directly or through designated and approved suppliers.

3.2.4 Periodically revise the Operations Manual to incorporate new developments and changes in the BrightStar System and give you electronic access to all updates.

## **4. FEES AND OTHER PAYMENTS**

### 4.1 Initial Franchise Fee.

You agree to pay us a nonrecurring and nonrefundable initial franchise fee of Fifty-Thousand Dollars (\$50,000) when you sign this Agreement. This fee is fully earned by us when paid. If you choose not to develop the second and/or third BRIGHTSTAR CARE HOMES™ Community that this Agreement entitles you to develop and operate, no part of the initial franchise fee is refundable.

If you or your affiliate is an existing BrightStar Care Agency franchisee, you or your affiliate agrees to pay us a nonrecurring and nonrefundable initial franchise fee of Fifty-Thousand Dollars (\$50,000). This fee must be paid, and is fully earned by us, on the following dates:

4.1.1 Thirty-Thousand Dollars (\$30,000) is due when you sign this Agreement.

4.1.2 Ten-Thousand Dollars (\$10,000) is due on the date we accept the site for your second Community to be developed under this Agreement.

4.2.3 Ten-Thousand Dollars (\$10,000) is due on the date we accept the site for your third Community to be developed under this Agreement.

If you or your affiliate is an existing BrightStar Care Agency franchisee and you choose not to develop the second and/or third BRIGHTSTAR CARE HOMES™ Community that this Agreement entitles you to develop and operate, the additional Ten-Thousand Dollar (\$10,000) portions of the initial franchise fee will not be payable.

4.2 Royalty/Continuing Fee.

Royalty Fees will be based on a percentage of Net Billings beginning on the Opening Date. Beginning on the Opening Date and for the remainder of the Initial Term, you must pay us, without offset, credit, or deduction of any nature, a monthly royalty/continuing fee (the “Royalty/Continuing Fee”) equal to five percent (5%) of Net Billings during the preceding calendar month. The Royalty/Continuing Fee is due and payable via electronic funds transfer ten (10) days after the date of our invoice.

4.3 Net Billings.

“Net Billings” means the aggregate of all revenues and other income from whatever source (whether in the form of cash, credit, agreements to pay or other consideration, and barter transactions, and whether or not payment is received at the time of sale or any amounts prove uncollectible) arising or derived by you or any other person from business conducted by or at, or originating from, the Community. Net Billings also include all proceeds from any business interruption insurance. Excluded from Net Billings are: (a) sales and other taxes separately stated that you collect from clients and actually pay to taxing authorities; (b) the discount value of any coupon, voucher, or other allowance we authorize at the time you redeem the client’s coupon, voucher, or allowance; and (c) no mark-up items such as personal protective equipment or testing costs where the amount billed to client is at your cost.

4.4 General Marketing Fee.

Beginning on the Opening Date and for the remainder of the Initial Term, you must pay us, without offset, credit, or deduction of any nature, a monthly General Marketing Fee equal to the greater of (a) two and one-half percent (2.5%) of your Net Billings during the preceding calendar month or (b) \$500 per month per Community for up to three (3) Communities operating under this Agreement (the “General Marketing Fee”). The General Marketing Fee is due and payable via electronic funds transfer ten (10) days after the date of our invoice. We reserve the right to collect

General Marketing Fees more frequently than monthly upon thirty (30) days' prior written notice to you.

#### 4.5 Monthly Technology and Email Service Fee.

If we require you to use System Proprietary Technology, in whole or in part, in operating your Communities, then beginning on the Opening Date (unless we require you to begin using the System Proprietary Technology at a later time, in which case such fee will begin upon the date we specify) and for the remainder of the Initial Term, you must pay BrightStar Technology, without offset, credit or deduction of any nature, a monthly Technology and Email service fee (the "Monthly Technology & Email Service Fee") on the 15<sup>th</sup> day of each month. If charged by us, the Monthly Technology & Email Service Fee does not include any fees associated with Third-Party Materials. The Monthly Technology & Email Service Fee will be the greater of (a) \$250 per month or (b) .83% of the prior month's Net Billings for each Community operating under this Agreement during the Initial Term.

4.5.1 If you acquire the Community operated under this Agreement as a result of a transfer, and we require use of System Proprietary Technology, you must begin paying the Monthly Technology & Email Service Fee as of the effective date of the transfer.

4.5.2 If we do not require you to use System Proprietary Technology, BrightStar Technology will provide you and your staff with branded email. The fee for branded email fee will be \$10 per email per month ("Branded Email Fee").

4.5.3 Payment will be prorated for any partial month during which the Community was open for business and payable as per the terms of our or BrightStar Technology's invoice. We reserve the right to have BrightStar Technology, or any subsequent designee, collect the Monthly Technology & Email Service Fee or Branded Email Fee more frequently than monthly upon 30 days' prior written notice to you.

4.5.4 If we do not require you to use System Proprietary Technology, we will notify you of the electronic client-management software you must use. Payments for the designated software will be deducted from your bank account on the 15<sup>th</sup> day of each month via EFT.

#### 4.6 Vendor Evaluation Fee.

If you request our approval to allow you to use an unapproved vendor for products or services and that request requires us to invest time and expense to evaluate the unapproved vendor, then you must pay us up to Five Thousand Dollars (\$5,000) for our time and costs evaluating if we choose to add the unapproved vendor to our approved vendor list. However, no vendor evaluation fee is payable if we do not approve the unapproved vendor.

#### 4.7 Annual Increase in Certain Fixed Fees.

Besides the right we and our affiliates reserve elsewhere in this Agreement to modify periodically certain fees and payments described in this Agreement (which modifications are not limited by this Section 4.7), we and our affiliates reserve the right to increase annually the fees and payments specified in Sections 4.4 (General Marketing Fee), 4.5 (Monthly Technology & Email Service Fee), 4.6 (Vendor Evaluation Fee), 4.9 (Late Fee), 6.14 (Inspection Fee), 8.2 (Local Marketing), 10.1 (Condemnation), 13.4.1.8 (Transfer Fee), 14.9 (Step-In Per Diem Fee), and 15.1.2.4 (De-Identification Non-Compliance Fee) based on changes in the Index (defined below) (“Annual Increase”). An Annual Increase to such fees and payments may occur only once during any calendar year and may not exceed the corresponding cumulative increase in the Index since the Effective Date or, as the case may be, the date on which the last Annual Increase became effective for the particular fixed fee or payment being increased. Any and all Annual Increases will be made at the same time during the calendar year. “Index” refers to the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for all Items (1982 – 1984 = 100), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics, or in a successor index.

#### 4.8 Method of Payment and Electronic Funds Transfer.

Unless otherwise agreed between us and you, all fees and other amounts due to us or any affiliate must be paid in the form of an electronic or similar funds transfer in the appropriate amount(s) from your bank account. We reserve the right to require you to pay any fees due under this Agreement at any intervals we designate and by such means we specify from time to time. You agree to execute and deliver to your bank and us all documents necessary to authorize such withdrawals and to make payments or deposits as directed by us or any of our affiliates. The authorization forms for electronic transfer of funds are attached as Exhibits B-1 and B-2. You further agree not to terminate such authorization while this Agreement is in effect. You agree not to close such bank account without prior notice to us and first establishing a substitute bank account permitting such withdrawals. If a direct electronic funds transfer or other withdrawal program is not available at the bank at which you currently do business, you will take all reasonable and necessary steps to establish an account at a different bank with such a program.

#### 4.9 Payment and Interest on Late Payments.

You agree to pay us a Two Hundred Fifty Dollar (\$250) late fee for each required payment not made on or before its original due date and for each payment not honored by your financial institution. (You also must reimburse our bank charges for your dishonored payments.) This late fee is not interest or a penalty but compensates us for increased administrative and management costs due to your late payment. In addition, all amounts you owe us that are more than seven (7) days late will bear interest, accruing as of their original due date, at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for late fees and interest. This Section is not our agreement to accept any late payments or our commitment to extend credit to, or otherwise finance your operation of, a Community.

#### 4.10 Application of Payments.

We may, despite your designation, apply any of your payments to any of your past due indebtedness to us and our affiliates. We may set off any amounts you or your owners owe us or our affiliates against any amounts that we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us or our affiliates due to our alleged nonperformance of any of our obligations under this Agreement.

#### 4.11 Taxes on Payments and Currency.

You and your owners are solely responsible for all taxes, however denominated or levied upon you or the Community, in connection with the business you conduct under this Agreement. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes due to the business you conduct (except for our own income taxes). You must pay these taxes and reimburse us for any taxes we must pay to any taxing authority on account of either your operation or payments you make to us (except for our own income taxes). You also must reimburse us for any taxes you must withhold in connection with the receipt or accrual of service fees, royalties, or any other amounts payable by you to us under this Agreement. Any additional required payment pursuant to the preceding sentences must be made in an amount necessary to provide us with after-tax receipts (taking into account any additional payments required under this Agreement) equal to the same amounts we would have received under the provisions of this Agreement had such additional tax liability or withholding not been imposed or required.

### 5. LICENSED MARKS

#### 5.1 Ownership.

You expressly acknowledge our and our affiliates' rights in and to the Licensed Marks and agree not to represent in any manner that you have acquired any ownership rights in the Licensed Marks. You agree not to use any Licensed Mark, or any confusingly similar marks, names, or indicia, in your own corporate or business name, e-mail address, or domain name, except as authorized in this Agreement. Any and all goodwill associated with the BrightStar System and the Licensed Marks inures directly and exclusively to the benefit of us and our affiliates. Upon termination or expiration of this Agreement, no monetary amount will be attributable to any goodwill associated with your use of the Licensed Marks.

#### 5.2 Authorized Use.

Your use of the Licensed Marks other than as expressly authorized by this Agreement, without our prior written consent, constitutes an infringement of our and our affiliates' rights in the Licensed Marks. Your right to use the Licensed Marks does not extend beyond the expiration or termination of this Agreement. During and after the Initial Term, you may not, directly or indirectly, commit any act of infringement, contest or aid others in contesting the validity of our and our affiliates' right to use the Licensed Marks, or take any other action in derogation of the

Licensed Marks. You must identify yourself as the Community's independent owner (in the manner we prescribe) in conjunction with any use of the Licensed Marks, including, without limitation, on invoices, contracts, timesheets, checks, receipts, employment and HR-related documents, and business stationery, and at conspicuous locations in the Community that we designate in writing. We may withdraw your ability to use the logo and/or Licensed Marks on any applicant or employee-facing communications, forms, or advertisements by providing 30 days' advance written notice. To the extent you use, with our permission, any Licensed Mark in employment-related materials, you must include a clear disclaimer that you (and only you) are the employer of the Community's employees and that we and our affiliates are not their employer or joint employer and do not engage in any employer-type activities for which only you are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Notwithstanding your use of any Third-Party Materials or System Proprietary Technology (if applicable), you are solely responsible and liable for understanding and following wage and hour laws as well as all other state, local, and federal laws applicable to the operations of the Community. You also must obtain an acknowledgment (in the form we specify or approve) from all Community employees that you (and not we or our affiliates) are their employer.

### 5.3 Infringement.

We and/or our affiliates have the sole right to handle disputes with third parties concerning our and our affiliates' ownership of and rights in, or your use of, the Licensed Marks or the BrightStar System. You must immediately notify us in writing if you receive notice or learn of any: (a) improper use of any Licensed Mark or element of the BrightStar System; (b) use by any third party of any mark, design, logo, or commercial symbol which, in your judgment, may be confusingly similar to any Licensed Mark; (c) use by any third party of any business practice which, in your judgment, unfairly simulates the BrightStar System in a manner likely to confuse or deceive the public; or (d) claim, challenge, suit, or demand asserted against you based on your use of the Licensed Marks or the BrightStar System.

We and our affiliates have the right to take any action we and they deem appropriate, including no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge, or claim or otherwise relating to the Licensed Marks or the BrightStar System. You must not settle or compromise any claim, suit, or demand asserted against you and are bound by our and our affiliates' decisions in handling disputes regarding the Licensed Marks and the BrightStar System. You must cooperate fully with us and our affiliates and execute any documents and perform any actions that, in our judgment, are necessary, appropriate, or advisable to defend such claims, suits, or demands and to protect and maintain our and our affiliates' rights in the Licensed Marks and the BrightStar System. We agree to reimburse you for all damages, claims, and expenses you incur or for which you are liable in any proceeding challenging your right to use any Licensed Mark, provided your use of the Licensed Mark has been consistent with this Agreement, the Operations Manual, and System standards communicated to you and you have timely notified us and our affiliates of, and comply with our and our affiliates' directions in responding to, the proceeding. Because we and our affiliates will defend the third-party claim

relating to your right to use the Licensed Marks, we and they will not reimburse you for legal or other professional fees or costs you pay to independent legal counsel or others in connection with the matter.

#### 5.4 Operation Under Licensed Marks.

You must use only the Licensed Marks we designate and must use them only in the manner we authorize. You agree to operate and advertise only under the names or marks we periodically designate for use by similarly-situated franchisees; to refrain from using the Licensed Marks to perform any activity or incur any obligation or indebtedness that might subject us to liability; to observe all laws regarding registration of trade names and assumed or fictitious names, include in any such application a statement that your use of the Licensed Marks is limited by this Agreement's terms, and give us a copy of any such application and other registration document(s); to observe such requirements regarding trademark and service mark registrations and copyright notices we periodically require, including, without limitation, affixing "SM," "TM," or "®" adjacent to all such Licensed Marks in any and all uses; and to utilize other appropriate notices of ownership, registration, and copyright we require.

#### 5.5 Modification/Replacement of Licensed Marks.

We reserve the right to designate one or more new, modified, or replacement Licensed Marks for use by you and require your use of any such new, modified, or replacement Licensed Marks in addition to or in lieu of any previously-designated Licensed Marks. We and our affiliates need not reimburse your direct expenses for changing the Community's signage, your lost revenue due to any modified or discontinued Licensed Mark, or your expenses to promote a modified or substitute trademark or service mark. We and our affiliates' rights in this Section 5.5 apply to any and all of the Licensed Marks (and any portion of any Licensed Mark) this Agreement authorizes you to use. We and our affiliates may exercise these rights at any time and for any reason, business or otherwise, we and they think best. You acknowledge both our and our affiliates' right to take this action and your obligation to comply with our and their directions.

#### 5.6 Non-Exclusive License.

The license to you of the Licensed Marks is nonexclusive, and we and our affiliates retain the right, among others, to (a) use the Licensed Marks ourselves in connection with selling Services, other services, and products, (b) grant other licenses for the Licensed Marks, and (c) develop and establish other systems using the Licensed Marks, similar marks, or any other marks, and grant licenses for them, without providing any further rights to you.

### **6. STANDARDS OF OPERATION**

#### 6.1 Construction, Development, and Opening of First Community.

You must complete certain steps in the first Community's construction and development process on or before each of the following specific deadlines:

(a) the Premises and Community must “Begin Construction” within one hundred eighty (180) days after we accept the site. If you or your affiliate purchased (or intends to purchase) the real property for the Premises and will own the Community’s physical structure, the term “Begin Construction” means that (i) you (or your affiliate) have secured all financing required to construct, develop, and operate the Community in compliance with System standards, (ii) you (or your affiliate) have selected and formally hired (with a signed contract) a general contractor, (iii) you (or your affiliate) have obtained all relevant building permits, and (iv) the construction company has taken concrete steps consistent with beginning construction work in earnest, such as erecting a fence or clearing the site. [If you intend to lease (rather than purchase) the real property or building for the Premises and the Community’s physical structure, the term “Begin Construction” means that (1) the developer has taken concrete steps consistent with beginning construction work in earnest, such as erecting a fence or clearing the site, (2) the developer has approved the lessee, and (3) you have secured all required financing, executed a twenty (20)-year lease for the Premises, and paid any relevant deposits.];

(b) the Premises and Community must have reached Complete Construction within five-hundred-and-fifty (550) days after the Effective Date. The term “Complete Construction” means that you have received a Certificate of Occupancy from local authorities; and

(c) the Community must Open for business within thirty (30) days after you receive the Certificate of Occupancy (the “Opening Date”). The term “Open” means that (i) the Community is fully licensed to operate as an assisted-living/memory-care BRIGHTSTAR CARE HOMES™ Community in your market area, (ii) the Community is prepared to receive its first residents, and (iii) we approve the Community to open. However, you may not open and begin operating any Community without our prior written consent. Your failure to satisfy any of the deadlines identified in clauses (a) through (c) above will be a default of this Agreement.

## 6.2 Construction, Development, and Opening of Second and Third Communities.

(a) You must comply with our standards and specifications for the construction, development, and opening of your second and third Communities, including but not limited to the applicable requirements described in Section 6.1 above. In order to retain the exclusive right to establish and operate BRIGHTSTAR CARE HOMES™ Communities whose premises are physically located within (i) the Protected Territory described in your (or your affiliate’s) BRIGHTSTAR CARE® Agency Franchise Agreement(s), as described in Section 1.3(a)(i) above, or (ii) the Site Selection Area described in Exhibit H to this Agreement (if you or your affiliate is not an existing BrightStar Care Agency franchisee), as described in Section 1.3(a)(ii) above, you must Open for business (as defined in Section 6.1(c) above) your second and third Communities by the following deadlines:

(1) the second Community must Open for business on or before the two (2)-year anniversary of the date on which the first Community actually opens for business; and

(2) the third Community must Open for business on or before the eighteen (18)-month anniversary of the date on which the second Community actually opens for business.

(3) Notwithstanding the deadlines specified above in this Section 6.2(a) for you to retain your location exclusivity in the Protected Territory described in your (or your affiliate's) BRIGHTSTAR CARE® Agency Franchise Agreement(s) or, if you or your affiliate is not an existing BrightStar Care Agency franchisee, in the Site Selection Area described in Exhibit H, your right to construct, develop, and commence operating your second and third Communities expires five (5) years after the Effective Date. You have no right to commence operating an additional Community after the five (5)-year anniversary of the Effective Date.

### 6.3 Pre-Sales.

No later than ninety (90) days before the Opening Date, you must commence offering and selling residence and other care opportunities to be provided by the Community after it opens ("Pre-Sale Activities") once (a) we authorize you to engage in Pre-Sale Activities, (b) we accept the location and facilities from which you will engage in Pre-Sale Activities, (c) you or your Administrator has completed to our satisfaction the pre-opening training described in Section 6.5, and (d) you have secured all financing and permits necessary to develop, build, and fully equip the Community. You certify that, before engaging in any Pre-Sale Activities, you will obtain all necessary bonds and otherwise comply with all applicable laws relating to Pre-Sale Activities.

### 6.4 Quality Standards for Fixtures, Equipment and Supplies.

All fixtures, furnishings, furniture, equipment, signs, and other operating assets (collectively, "Operating Assets") and supplies that you acquire for the Community must meet our quality standards set forth in the Operations Manual or otherwise in writing, subject to compliance with applicable laws and regulations.

### 6.5 Training.

6.5.1 Throughout the Initial Term, an owner of yours must be designated your "Control Person," responsible personally for devoting his or her best efforts to the Community's construction, development, and operation and to whom we may give, and from whom we may receive, direction. You may have only one (1) Control Person at any given time. Your Control Person as of the Effective Date is identified in Exhibit K. The Control Person also may be the Community's Administrator, as long as he or she has a minimum of 5 years' experience working in an Assisted-Living and/or Memory-Care residence. If your Control Person transfers his or her ownership interest in you (with our approval) during the Initial Term, you must designate a new Control person (whom we must approve), and have that new Control Person attend and satisfactorily complete our required training (defined below), within the timeframe we specify.

6.5.2 Your Control Person must attend at your expense, within eight (8) weeks after the Effective Date, BRIGHTSTAR CARE HOMES™ Community Boot Camp #1: Getting Started, which consists of up to three (3) days of training at our headquarters in Gurnee, Illinois or another location we specify. We may supplement this training by e-learning through an Online Training System (“Online Training”). We also may shorten this training through the use of Online Training.

6.5.3 Before the Opening Date, the Control Person and your Administrator (if the Control Person is not also the Administrator) and salesperson each must attend and complete to our satisfaction the portions of BRIGHTSTAR CARE HOMES™ Community Boot Camp #2: The Road to Opening (“Community Boot Camp #2”) designated for their positions. Community Boot Camp #2 currently is scheduled for two (2) to three (3) days (depending on the trainee) at our headquarters in Gurnee, Illinois or another location we specify. The duration of Community Boot Camp #2 training may be supplemented or reduced by Online Training. If we determine that the Control Person and/or Administrator cannot satisfactorily complete the portions of Community Boot Camp training designated for him or her (and he or she, or a replacement, cannot satisfactorily complete a repeat training program), we may terminate this Agreement.

6.5.4 If any executive or managerial employee is not qualified or suitable to hold his or her position, you must pay our then-current fee to train replacements. Our training program may include a “train the trainer” module so that your senior-level personnel can learn how to train your other employees.

6.5.5 Your Administrator (who may also be the Control Person) may request additional or repeat training at the end of Community Boot Camp training if he or she does not feel sufficiently trained to operate a BRIGHTSTAR CARE HOMES™ Community. We and you will jointly determine the duration of any additional training, which is subject to our personnel’s availability. However, if your Administrator (who may also be the Control Person) satisfactorily completes Community Boot Camp training and does not expressly inform us that he or she does not feel sufficiently trained to operate a BRIGHTSTAR CARE HOMES™ Community, then he or she will be deemed to have been trained sufficiently to operate BRIGHTSTAR CARE HOMES™ Communities.

6.5.6 Replacement personnel of the following leadership positions—Administrators (even if also a replacement Control Person), Directors of Nursing, Office Manager, and other employees we designate—likewise must complete applicable training programs to our satisfaction after you hire them (typically within 60 days). You must pay our then-applicable fee for all such training and are responsible for all personnel and travel expenses relating to such training programs.

6.5.7 We may require your Administrator (who may be the Control Person), Director of Nursing, Office Manager, and other employees we designate to attend and satisfactorily complete supplemental training each year during the Initial Term at the times and locations we designate. We may charge reasonable registration or similar fees for these courses. You are responsible for all expenses incurred to attend such training.

6.5.8 If you request and we agree to provide, or we determine that you need, additional or special guidance, assistance, or training during the Initial Term, you agree to pay the per-diem charges (including wages) of our personnel as well as their travel, hotel, and living expenses.

## 6.6 Hiring and Supervision.

6.6.1 You must hire a sufficient number of qualified, competent personnel in order to offer prompt, courteous, high quality, and efficient service to Community residents and their family members, and otherwise operate the Community in compliance with the BrightStar System and all applicable federal, state, and local requirements, in order to preserve, maintain, and enhance the System's reputation and goodwill.

- Required initial personnel for a Community include:
  - An Administrator (for up to 3 Communities). Some states require the Administrator to be licensed. It is your responsibility to determine your state's requirements.
  - A part-time salesperson. If you or your affiliate is a BrightStar Care Agency franchisee, these duties can be assumed by an existing salesperson in your (or your affiliate's) organization.
  - A part-time Director of Nursing (DON) (unless state license requires full-time). Recommend that she or he holds a RN license or higher with a minimum of 2 years of experience working in an assisted-living or a memory-care residence. If you or your affiliate is a BrightStar Care Agency franchisee, these duties may be assumed by an existing DON in your (or your affiliate's) organization so long as capacity within that role exists.
  - A staff of full-time and part-time caregivers on site is required to meet resident needs 24/7. A staffing ratio of 1:8 is our minimum standard requirement during traditional 1<sup>st</sup> and 2<sup>nd</sup> shift hours (i.e., 6:00 a.m.-10:00 p.m.). A staffing ratio of 1:14 during overnight hours is acceptable if appropriate based on resident needs. As resident needs increase, adding part-time or full-time staff on any shift may be needed to provide a higher standard of resident care. It is your responsibility to determine your state's requirements and staff accordingly.
- Optional personnel to consider supporting business growth:
  - House Manager overseeing the day-to-day operations and sales efforts of the Community;
  - Housekeeper (part-time)

- Life enrichment coordinator (part-time)
- Cooking support (part-time)

Unless state regulations have higher standards for nursing oversight, you also must employ at least one part-time Registered Nurse to oversee the clinical components of each Community's operation, including resident care.

All employees must present a neat and clean appearance (including satisfying minimum dress standards) and render competent, empathetic service to the Community's residents and their family members. We may dictate the Community's minimum staffing requirements in order to ensure the Community operates in compliance with our then-current standards and specifications and thereby protect the reputation and goodwill of the Licensed Marks and businesses operating under the BrightStar System.

The Community must be under the Control Person's direct control and supervision. You will keep us informed at all times of the identity of any personnel required to sign the confidentiality and non-competition covenants under Section 12. Unless state regulations have higher standards for nursing oversight, you must employ, at a minimum, one part-time Registered Nurse to oversee the clinical components of the Community's operation, including resident care. You (and not us) are responsible for all employment decisions regarding the Community, including hiring, firing, training, promotion, wage and hour requirements, recordkeeping, supervision, and discipline. We will not, directly or indirectly, exercise or reserve control over employment and personnel matters and decisions involving your Community's employees. You must communicate clearly with your employees in your employment agreements, human resources manuals, written and electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of BRIGHTSTAR CARE HOMES™ Communities, are not their employer or joint employer and do not engage in any employer-type activities (including those described above) for which only franchisees are responsible. Notwithstanding your use of any Third-Party Materials or System Proprietary Technology (if we require you to use System Proprietary Technology), you are solely responsible for understanding and following wage and hour laws as well as all other state, local and federal laws applicable to the operations of the Community. You also must obtain an acknowledgment (in the form we specify or approve) from all Community employees that we and our affiliates are not their employer or joint employer.

You must conduct criminal background checks on all prospective Community employees to determine a history of elder abuse, crimes involving elders, or similar crimes ascertainable on the public record. You must ensure that your employees pass applicable tests required by any governmental entity, submit to pre-employment and random drug tests (if allowed by state law), and participate actively in safety training seminars and programs. You are solely responsible for all hiring and other employment decisions and compliance with all applicable federal and state employment practices, including, but not limited to, wage and hour laws, overtime pay requirements, OSHA training, Hepatitis B vaccination, and Health Insurance Portability and Accountability Act (HIPAA). Notwithstanding your use of any Third-Party Materials or System Proprietary Technology (if we require you to use System Proprietary Technology), you are solely

responsible and liable for understanding and following wage and hour laws as well as all other state, local and federal laws applicable to the operations of the Community.

6.7 Maintenance of Premises.

You agree at all times to maintain the Premises and the Community's Operating Assets in conformity with our then-current standards and to make such repairs and replacements as we require. You also must at all times meet and maintain all governmental standards and ratings applicable to the Community's operation or such higher minimum standards and ratings we set forth from time to time in our Operations Manual or otherwise in writing. You acknowledge and agree that we are not responsible for the safety and security of Community employees, clients, and visitors. Safety and security are your responsibility.

6.8 Operation of Community.

You agree to comply with all mandatory BrightStar System rules, regulations, policies, and standards in operating the Community, whether specified in this Agreement, the Operations Manual, or other materials provided by us to you from time to time. Without limiting the generality of the foregoing, you specifically agree as follows:

6.8.1 To purchase at your expense, and install and use, all Operating Assets we require, meet the specifications of the approved site layout and plan, and refrain from purchasing, or installing or using at the Premises or in connection with the Community's operation, any item not meeting our standards and specifications.

6.8.2 To maintain in sufficient supply, and use at all times, only operating products, materials, supplies, and expendables conforming to our then-current standards and specifications and refrain from using non-conforming items without our prior written consent.

6.8.3 To sell and offer for sale all Services and products we periodically require and only those Services and products we periodically approve, and do not subsequently disapprove, as meeting our quality standards and specifications. In addition to remodeling, repairs, replacement, and redecoration required by this Section 6 and elsewhere in this Agreement, in order to introduce new Services and products through all BRIGHTSTAR CARE HOMES™ Communities, we may require you to expend additional amounts on new, different, or modified Operating Assets necessary to offer such new Services or products.

6.8.4 To use only software and other Technology/Computer Requirements that we approve, which might include or be limited to System Proprietary Technology. You may not use any other software or Technology/Computer Requirements without our prior written consent. We reserve the right to withdraw any such written consent at any time.

6.8.5 To use accounting systems (including chart of accounts), reporting forms, and other forms we periodically develop and file such forms with us as we require.

6.8.6 To record all billings and maintain all business information and records associated with the Community using the reporting systems and associated equipment we specify in the Operations Manual and maintain, without alteration, all information and categories we require to be programmed into the billing reporting system. You authorize us to access any and all information (other than information relating to the employment terms and conditions of the Community's employees, as you control exclusively your labor relations and employment practices) from such reporting systems and associated equipment, whether by inspection at the Premises or via retrieval by internet or other means. The reporting systems and associated equipment must be electronically accessible to us twenty-four (24) hours per day, every day of the year (including Sundays and holidays), and accessible in person during normal business hours. You agree not to impede our access to the reporting systems or associated equipment. While we have access to the information described in this Section and elsewhere in this Agreement, we do not own such information and you alone are responsible for protecting the privacy of the records of Community residents.

6.8.7 To fully comply with all policies and procedures regarding the collection, storage, use, processing, and transfer of personal data (i.e., any information identifying or capable of identifying an individual) that we may promulgate from time to time. You also agree to execute any agreements or other documents (including Business Associate Agreements), and to take any actions, we require you (or your affiliate) and all similarly-situated franchisees to execute or take from time to time to implement our data privacy or data security compliance program. We have the right (but no obligation), at our sole option at any time and from time to time during the Initial Term, to audit your (or your affiliate's) compliance with this Section 6.8.7 and to require you (at your expense) to enroll or maintain enrollment in a third-party audit and/or validation program we monitor.

6.8.8 To obtain all licensure required by state regulations to perform the BRIGHTSTAR CARE HOMES™ Community business model to the fullest extent. You must immediately comply with all new or modified licensure requirements under applicable law. You also are responsible for complying with state and federal HIPAA standards.

6.8.9 To comply with our pricing standards and policies, which may (a) prohibit certain types of charges or billing practices we determine are misleading or otherwise detrimental to the System, and (b) require that you price consistently. We have the right, to the extent allowed by applicable law, to control the minimum, maximum, and other prices for the Community's Services and products (including, if applicable, restrictions on your use of coupons and other price discounting practices). Our pricing standards and policies are not a representation or warranty by us that using such pricing standards and policies will produce, increase, or optimize your profits.

## 6.9 Purchases.

You agree that your (or your affiliate's) obligations in this Agreement and the Operations Manual are reasonable and necessary for the Community's operation and to maintain uniformity throughout the BrightStar System. You must adhere to the standards and specifications set forth in

this Agreement and the Operations Manual, as periodically revised. You must use Operating Assets, supplies, inventory, marketing materials, and insurance and payroll services complying with our then-current standards and specifications, which we periodically may change. You agree to incur all associated costs.

6.9.1 Recognizing that preserving the BrightStar System depends upon product and service uniformity and maintaining our trade dress, you agree to purchase certain Operating Assets and inventory from us or approved or designated third-party suppliers we periodically specify in the Operations Manual or otherwise in writing. We, our affiliate and/or a third party may be one of several approved suppliers, or the only approved supplier, of any item. You agree to pay the then-current price in effect for the items you purchase from us or our affiliates. In some instances, the cost of items you purchase from us or our affiliates might be higher than the cost of similar supplies and products available on the market.

6.9.2 Except where we have designated a single source as noted in Section 6.9.1, if you wish to purchase any unapproved item and/or to acquire approved items from an unapproved supplier, you must provide us the proposed supplier's name, address, and telephone number, a description of the item you wish to purchase, and the item's purchase price, if known. You also must pay us our then-current supplier evaluation fee simply for beginning the supplier evaluation process. At our request, you must provide us, for testing purposes, a sample of the item you wish to purchase. We may base our approval of a proposed item or supplier on considerations relating not only directly to the item or supplier, but also indirectly to the uniformity, efficiency, and quality of operation we deem necessary or desirable for the System. We have no obligation to approve any particular supplier, or any particular number of suppliers, for a given item. We may revoke our approval of particular products or suppliers when we determine such products or suppliers no longer meet our standards or otherwise should not be offered through the System. You must cease purchasing products from such supplier upon receiving notice from us.

6.9.3 We periodically may establish business relationships with suppliers who produce Operating Assets, inventory, and other items according to our proprietary standards and specifications or private-label goods we have authorized or prescribed for sale by System franchisees ("System Suppliers"). You recognize that such items are essential to the Community's operation and the System generally. Your failure to pay System Suppliers could interfere with those suppliers' willingness to supply the System, resulting in other System franchisees' inability to obtain product or ability to obtain product only on less favorable credit terms. Accordingly, you agree to pay System Suppliers as and when due.

6.9.4 We and our affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with us, our affiliates, you, and other franchisees and to use all amounts received without restriction for any purposes we and our affiliates deem appropriate.

6.10 Hours of Business.

You must at all times staff the Community with the number of employees necessary to satisfy either state licensing requirements or the staff profile described in the Operations Manual, whichever requires more staffing, to maximize both the quality of resident care and resident satisfaction. A manager on duty must be available at all times under the Control Person's direction.

6.11 Printed Materials.

You must use only business stationery, business cards, marketing materials, advertising materials, printed materials, and forms we approve in advance and meeting our standards.

6.12 Identification of Community.

In all advertising displays and materials at the Community, you must notify the public and your employees, in the form and manner we specify, that you operate the Community as an independent franchisee of ours.

6.13 Third-Party Actions.

You must notify us in writing within one (1) day after any written threat or the actual commencement of any action, suit or proceeding, or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which might adversely affect the Community's operation or your (or your affiliate's) or the Community's financial condition.

6.14 Inspection of Community Premises.

To determine whether you and the Community are complying with this Agreement and all System standards, we and our designated agents and representatives (including quality assurance auditors) may at any time and without prior notice to you: (a) inspect the Community; (b) photograph the Community, digitally or otherwise, and observe and video its operation for consecutive or intermittent periods we deem necessary, including, but not limited to, through an Internet-accessible video monitoring system installed at the Community to which we have unrestricted access; (c) remove samples of any products and supplies; (d) interview the Community's personnel and clients; (e) inspect and copy any books, records, and documents regarding the Community's operation (other than those relating to the employment terms and conditions of the Community's employees, as you control exclusively your labor relations and employment practices); and (f) tour the Community for promotional purposes. You agree to cooperate fully with us and our agents and representatives in these activities. We may hire outside consultants and vendors to perform certain types of audits. If we exercise any of these rights, we will not interfere unreasonably with the Community's operation. If we (or our agents or representatives) inspect a Community, determine it is not operating in compliance with this Agreement and all System standards, and then must re-inspect the Community to determine whether you have corrected the operating deficiencies, we may require you to pay us up to Two

Thousand Five Hundred Dollars (\$2,500) for the first and each subsequent re-inspection of the Community. You agree to give your clients the evaluation forms we periodically prescribe and to participate and/or request your clients to participate in any surveys performed by or for us. We agree to share the survey results with you.

6.15 Possible Variation in Certain Standards.

Because complete and detailed uniformity under many varying conditions might not be possible or practical, we specifically reserve the right and privilege to vary standards for any franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, licensing requirements, existing business practices, or any other condition we deem important for the successful operation of such franchisee's business. You have no recourse against us on account of any variation from standards, specifications, and practices granted to any franchisee and are not entitled to require us to grant you a similar variation.

6.16 Attendance at Annual Meetings.

Your representative authorized by us must attend all annual franchisee and/or Community leadership meetings we conduct to address subjects relevant to the BrightStar System. We may use the annual meetings to offer continuing or advanced-level training instruction. If an annual meeting is held, we will determine the meeting's length and place and required attendees. We reserve the right to charge a registration fee (whether or not your authorized representative attends), and you must pay all travel and salary expenses. Your authorized representative need not attend more than three (3) business days of an annual meeting. We may combine annual meetings for BRIGHTSTAR CARE HOMES™ Community franchisees with other brand conferences, which we may require your representative to attend. We may hold annual meetings via a virtual experience. Should we hold the annual franchise meeting via a virtual experience, you will be required to attend and pay the registration fee regardless of your participation in the virtual annual meeting.

6.17 Intellectual Property Belongs to Us.

If you or your employees or principals develop any new concept, process, or improvement for the operation or promotion of BRIGHTSTAR CARE HOMES™ Communities, you must promptly notify us and send us all necessary related information, without compensation. Any such concept, process, or improvement will become our sole property, and we will be the sole owner of all related patents, patent applications, trademarks, copyrights, and other intellectual property rights. You and your principals hereby assign to us any and all such rights, including the right to modify such concept, process, or improvement, and otherwise waive and/or release all related rights of restraint and moral rights. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights in such concept, process, or improvement in any and all countries and to execute all documents necessary for us to obtain and enforce such rights. You and your principals hereby irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documents and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any concept, process, or

improvement. If any part of this Section is invalid or otherwise unenforceable, you and your principals hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe your rights.

## **7. OPERATIONS MANUAL**

### **7.1 Compliance with Operations Manual.**

You must operate the Community in accordance with various written instructions, including technical bulletins and confidential manuals (referred to collectively as the “Operations Manual”), including amendments, as we publish from time to time, all of which you acknowledge belong solely to us and are available from us during the Initial Term via our Intranet. Our required standards or specifications are to protect the reputation and goodwill of the Licensed Marks and businesses operating under the BrightStar System, and to maintain standards of operations, rather than to exercise control over the Community’s day-to-day operations, which is your exclusive responsibility. When any provision in this Agreement requires you to comply with any standard, specification, or requirement, such standard, specification, or requirement will, unless otherwise indicated, be as set forth in this Agreement or in the Operations Manual.

### **7.2 Confidential Use.**

You must at all times use your best efforts to maintain the confidentiality of the Operations Manual and any other manuals (and their respective contents), materials, goods, and information created or used by us and designated for BRIGHTSTAR CARE HOMES™ Communities and limit access to your employees on a need-to-know basis. You acknowledge that the unauthorized use or disclosure of our confidential information or trade secrets will cause irreparable injury to us, and damages are not an adequate remedy. You accordingly covenant that you will not at any time, without our prior written consent, disclose, use, permit the use of (except as may be required by applicable law or authorized by this Agreement), copy, duplicate, record, transfer, transmit, allow access to, or otherwise reproduce such information, in any form or by any means, in whole or in part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge, and know-how not known about BRIGHTSTAR CARE HOMES™ Communities and our products, services, standards, procedures, techniques, and such other information or material we designate as confidential will be deemed confidential for purposes of this Agreement.

### **7.3 Revisions.**

We periodically may revise the Operations Manual’s contents to implement new or different requirements for the Community’s operation, and you expressly agree to comply with all changed requirements (none of which will change your fundamental status under this Agreement). We may provide Operations Manual updates electronically over our Intranet. Therefore, you agree periodically to check our Intranet, at least once per week, for such updates.

## **8. ADVERTISING AND MARKETING**

### **8.1 General Marketing Fund.**

8.1.1 Recognizing the value of marketing, advertising, promotional, CRM, public relations, and brand building and protection activities and programs (collectively, “Marketing”) to the goodwill and public image of BRIGHTSTAR CARE HOMES™ Communities, we have established a general marketing fund (the “Fund”) to which you must contribute the General Marketing Fee specified in Section 4.4 above. BRIGHTSTAR CARE HOMES™ Communities that we and our affiliates own and operate will contribute to the Fund on the same basis as franchisees (in terms of how such contribution is calculated). We have the right to collect for deposit into the Fund any allowances paid by suppliers who do business with BRIGHTSTAR CARE HOMES™ Communities and with whom we agree to so deposit those allowances.

We will direct all Marketing that the Fund finances, with sole control over the creative concepts, graphics, materials, communications media, and endorsements used and their geographic, market, and media placement and allocation. The Fund may pay for creating, preparing, and producing video, audio, and written materials, graphics, and electronic and social media; developing, implementing, operating, and maintaining the Franchise System Website, Intranet and/or related strategies; administering national, regional, multi-regional, and local Marketing, including, without limitation, purchasing media advertising, conducting direct mail and other direct marketing campaigns, doing on-line Internet advertising and marketing (including paying click-through charges to search engines, banner advertising sources, and advertising host sites), conducting research and other Marketing tactics and using advertising, promotion, CRM, graphic design, marketing, and research agencies and other advisors to provide assistance; supporting public relations, market research, client satisfaction surveys, and other Marketing and research activities; paying dues for membership and participation in franchising and industry associations; paying third-party vendors to customize Marketing materials for local use by franchisees; conducting the Annual Conference, including costs for productions, programs, and materials; and engaging in other brand enhancement activities. The Fund periodically may give you samples of Marketing formats and materials at no cost. We may sell you multiple copies of these materials at our direct production cost, plus any related shipping, handling, and storage charges.

8.1.2 We will account for the Fund separately from our other monies (although we need not keep Fund contributions in a separate bank account) and not use the Fund for any of our general operating expenses. However, we may use the Fund to pay the expenses we incur in activities reasonably related to directing the Fund and its programs, including, without limitation, market research, public relations, creating, preparing, and producing Marketing materials, and collecting and accounting for Fund contributions; reasonable salaries and benefits of personnel who manage and administer the Fund; the Fund’s other administrative costs, including taxes we must pay on Fund contributions we receive; travel expenses of personnel while they are on Fund business; meeting costs; overhead relating to Fund business; and franchisee conferences.

8.1.3 We periodically may assist franchisees to maintain high quality standards through client surveys, customer interviews, and other similar initiatives (“Surveys”). The Fund may pay for these programs, although we may charge these costs directly to you if your Survey results fall below established minimum standards in the System. Any such fees charged will be contributed to the Fund.

8.1.4 Although the Fund is not a trust, we will hold all Fund contributions for the contributors’ benefit and use contributions only for the purposes described in this Section 8.1. We do not owe any fiduciary obligation to you for administering the Fund or any other reason. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us, our affiliates, or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. Deficits may be repaid from future contributions. We will use all interest earned on Fund contributions to pay costs before using the Fund’s other assets. We may accumulate monies in the Fund for the time periods we deem necessary or appropriate, with no obligation to spend any or all monies received in any fiscal year during that fiscal year. At the end of our fiscal year, any unused Fund contributions will roll over to the following fiscal year.

8.1.5 We will prepare an annual, unaudited statement of Fund collections and expenses and either give you a copy of the statement upon written request or post the statement on the Franchise System Website or Intranet. We may have the Fund audited annually, at the Fund’s expense, by an independent certified public accountant we select. We may incorporate the Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have the rights and duties specified in this Section 8.1.

8.1.6 We intend the Fund to maximize recognition, and enhance system protection, of the Licensed Marks and increase occupancy of BRIGHTSTAR CARE HOMES™ Communities. Although we will try to use the Fund to develop Marketing materials and execute Marketing activities and programs benefiting all BRIGHTSTAR CARE HOMES™ Communities, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by BRIGHTSTAR CARE HOMES™ Communities operating in that geographic area or that any BRIGHTSTAR CARE HOMES™ Community benefits directly or in proportion to its Fund contributions from the development of Marketing materials or the execution of Marketing activities and programs. The Fund will not be used principally to develop materials and programs to solicit franchisees. However, media, materials, and programs, including the Franchise System Website, prepared using Fund contributions may describe the franchise program, reference the availability of franchises and related information, and process franchise leads.

8.1.7 We have the right, but no obligation, to use collection agents and institute legal proceedings at the Fund’s expense to collect Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Fund. Except as expressly provided in this Section 8.1, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

8.1.8 We may at any time defer or reduce a BRIGHTSTAR CARE HOMES™ Community franchisee's contributions and, upon thirty (30) days' prior written notice to you, reduce the required Fund contribution or suspend Fund operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will at our option spend all remaining Fund monies on permitted Marketing or distribute all unspent monies to Fund contributors in proportion to their respective Fund contributions during the preceding fiscal year.

8.1.9 You agree that, in addition to the Fund activities described in this Section 8.1, the Fund may be used for joint or collective advertising campaigns with our direct or indirect parent corporations, subsidiaries, or affiliated companies designed to promote the BrightStar® trademark and other Licensed Marks (including, for example but without limitation, campaigns and other advertising activities promoting both BRIGHTSTAR CARE HOMES™ Communities and BRIGHTSTAR SENIOR LIVING Communities).

## 8.2 Local Marketing.

Beginning with your required Pre-Sale Activities, you must spend at least Two Thousand Dollars (\$2,000) for each planned room in each Community for pre-opening Marketing activities. Beginning on the date on which a Community Opens for business and during each month afterward, you must spend at least One-Hundred Dollars (\$100) per month for local Marketing for each room in the Community if your occupancy rate is below 85%. If your occupancy rate is 85% or greater, you must spend at least Fifty Dollars (\$50) per month for local Marketing for each room in the Community. (We may increase these dollar amounts based on inflation.) Costs related to charges from referral companies (e.g., A Place for Mom, etc.) do not count towards your local Marketing spend requirement. Your local Marketing (including Marketing on social media platforms) must be creative from our libraries of approved marketing and advertising materials, be conducted in a dignified manner, and conform to our standards and requirements. You may not use any Marketing materials unless they are from our libraries of approved marketing and advertising materials. Any advertising or marketing materials not from our approved libraries must be submitted to us for approval and must align with our brand standards.

## 8.3 Marketing Generally.

You must place or display at the Community's Premises (interior and exterior) only the signs, emblems, lettering, logos, and displays and Marketing materials from our libraries of approved marketing and advertising materials. You may not use any Marketing materials we have not expressly approved or have disapproved. (Our failure to respond within ten (10) days will be deemed a disapproval.) All Marketing must prominently display, and comply with our standards for use of, the Licensed Marks. We may require you to stop using any Marketing materials within specific timeframes, at your sole cost and expense.

You agree to participate in system-wide and applicable regional promotions and advertising campaigns that we originate or approve. These may include promotions via the Internet, e-commerce, electronic media, or other technologically advanced media. You also agree

to participate at your sole expense in, and comply with the rules and procedures of, all client loyalty, gift certificate, and similar programs we create.

#### 8.4 Website and Intranet Matters.

8.4.1 You may not, without our prior written consent, develop, maintain, link to, or authorize any website mentioning or describing you or the Community, or displaying any of the Licensed Marks, other than the website hosted by us. “Website” means any part of the Internet (including social media) and any successor technology that enables the public to research and/or purchase services or goods by means of electronic commerce. We may establish a website providing information about the System and its Services and products (the “Franchise System Website”). We will be the webmaster, either directly or through a third party, with the right to control the Franchise System Website.

8.4.2 If we establish a Franchise System Website, we may provide you with a separate interior webpage (accessible only through the Franchise System Website) referencing the Communities and/or otherwise allow you to participate in the Franchise System Website. You must develop your webpage at your own expense using a template we provide. We must pre-approve your webpage before it is posted by our webmaster on the Franchise System Website. We have the continuing right to monitor and pre-approve your webpage’s form, content, and quality during the Initial Term. We may reject your webpage if we consider your form or contents to be unacceptable. Your webpage always must comply with our System standards. You may modify your webpage only through and with the pre-approval of our webmaster. You must give us the information and materials we request for you to participate in the Franchise System Website. By giving us such information and materials, you represent they are accurate and not misleading and do not infringe any other party’s rights. We will own all intellectual property and other rights in the Franchise System Website, your webpage, and all information they contain (including, without limitation, the log of “hits” by visitors and any personal or business data visitors supply).

We will control, and may use Fund contributions to develop, maintain, operate, update, and market, the Franchise System Website, including your webpage (if any). We will update information on your webpage, if any, or add information we approve as frequently as we deem appropriate. You must notify us whenever any information on your webpage changes or is not accurate. You must pay our then-current fee to participate in the Franchise System Website or as we otherwise require to maintain and operate the Franchise System Website’s various features and functions (if, or to the extent, the Fund does not pay for these costs). We have final approval rights over all information on the Franchise System Website, including your webpage, if any. We may implement and periodically modify System standards for the Franchise System Website.

We will maintain your webpage, if any, and otherwise allow you to participate in the Franchise System Website only while you are in substantial compliance with this Agreement and all System standards (including those for the Franchise System Website). If you are in material default of any obligation under this Agreement or System standards, we may, in addition to our other remedies, temporarily suspend your participation in the Franchise System Website until you

fully cure the default. We will permanently terminate your access to and participation in the Franchise System Website upon this Agreement's expiration or termination.

8.4.3 We may, at our option, establish and maintain an Intranet and establish System standards for the Intranet's use. These System standards will address, among other things, (a) restrictions on using abusive, slanderous, or otherwise offensive language in electronic communications, (b) restrictions on communications among franchisees endorsing or encouraging breach of any franchisee's franchise agreement, (c) confidential treatment of materials we transmit via the Intranet, (d) password protocols and other security precautions, (e) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, and (f) a privacy policy governing our access to and use of electronic communications that franchisees post on the Intranet. We expect to adopt and adhere to a reasonable privacy policy. However, as the Intranet's administrator, we have the right to access and view any communication posted on the Intranet. You acknowledge that the Intranet and all communications posted to it are our property, free of any privacy or privilege claims that you or another person might assert.

Your obligation to maintain connection with the Intranet applies during the entire Initial Term (unless we dismantle the Intranet or suspend your access). If you fail to comply with any Intranet System standard, we may (in addition to any other rights we reserve in this Agreement) temporarily suspend your access to any chat room, bulletin board, list-serve, or similar feature the Intranet includes until you fully cure the breach.

8.4.4 You acknowledge that we are the lawful, rightful, and sole owner of the Internet domain name [www.brightstarcarehomes.com](http://www.brightstarcarehomes.com) and [www.brightstarcarehome.com](http://www.brightstarcarehome.com), and any other Internet domain names we register, and unconditionally disclaim any ownership interest in those or any similar Internet domain names. You agree not to register any Internet domain name in any class or category containing words used in or similar to any brand name owned by us or our affiliates or the names or likenesses of any executive or employee of us or our affiliates.

## 8.5 Online Advertising.

In addition to the Marketing obligations described above, as soon as possible (based on online directory guideline and deadlines) after signing this Agreement, you must post an online listing for the Community in at least these directories: Google My Business, Facebook, and Yellowpages.com. The advertisement must conform to our standards and specifications, including the appropriate heading(s) we designate. We may use the Fund to cover online advertising as part of your local Marketing requirements. You must pay for advertising as part of your local Marketing requirement unless and until the Fund elects to pay for it.

## 9. MODIFICATIONS

### 9.1 Modifications to the BRIGHTSTAR CARE HOMES™ Community Program.

The business environment affecting our franchise program is continually changing. We may develop other business activities or modify existing business activities in response to changes in the business environment, including those resulting from technological advances, expansion into new markets, and other factors not presently anticipated. We reserve the right to change or modify the Licensed Marks, the BRIGHTSTAR CARE HOMES™ Community concept, the Operations Manual, and any Technology/Computer Requirements that we require you to use. We may adopt and use new or modified trade names, trademarks, service marks, logos, equipment, furniture, furnishings, products, techniques, concepts, or Technology/Computer Requirements. We may add new and different Services and products and withdraw Services or products or change their names or image; redesign the trade dress, software programs, and equipment, furniture, or fixture standards; or discontinue them as we consider appropriate. You must accept and use the changes as if they were part of this Agreement. If changes relate to the Licensed Marks, you will have one hundred twenty (120) days from the notice date to implement such changes under this Section 9.1.

### 9.2 Modifications not Requiring Significant Changes in Fixtures or Equipment.

If any changes involving Services or products would not require installation of new fixtures or equipment, we may instruct you to begin offering the new Services or products on a date specified in a supplement to the Operations Manual or other notice. Likewise, if the withdrawal of a Service or product would not require removal of fixtures or equipment, we may direct you to stop offering the Service or product on a date specified in a supplement to the Operations Manual or other notice. You agree to comply with these instructions and directions by the required deadline. (You must comply with all Technology/Computer Requirements changes within the timeframe specified in Section 1.4.)

### 9.3 Modifications Requiring Significant Changes in Fixtures or Equipment; Upgrading the Community and CapEx Account.

You may not make any material changes to a Community's existing or planned construction, including any change in the number of rooms, without our prior written consent and complying with the conditions and procedures we periodically establish for those changes. Without limiting our rights and your obligations under Sections 9.1 and 9.2, we may require you at any time and from time to time during the Initial Term to upgrade or renovate the Community, including by altering the Community's appearance and/or replacing a material portion of improvements and/or furniture, fixtures, and equipment, to comply with then-current building décor, appearance, and trade dress standards and other aspects of the System that we have established and require for new, similarly-situated BRIGHTSTAR CARE HOMES™ Communities. This upgrading or renovation may obligate you to invest additional capital in each of your Communities and/or incur higher operating costs. You agree to implement the upgrading

and renovation within the time period we request, regardless of its cost or the point during the Initial Term when we require you to do so, provided all such upgrades and renovations apply uniformly to all similarly-situated BRIGHTSTAR CARE HOMES™ Communities.

To ensure you have funds available to make any necessary capital expenditures or leasehold improvements at the Community and comply with your obligations under this Section 9.3 (but without limiting those obligations), you must deposit into a separate account you control an amount equal to one percent (1%) of the Community's monthly Net Billings during the Initial Term. Upon our reasonable request, you will give us information concerning the funds in and expenditures from that account. You must use those funds only for making approved capital expenditures or leasehold improvements and complying with your upgrade and other obligations under this Section 9.3, although such obligations may require you to spend more than the amount then in that account.

#### 9.4 Test Marketing.

If we permit you to participate in any new Service or product concept test, you must do so in compliance with our standards and requirements.

#### 9.5 Dual Branding.

We may co-brand one or more concepts with BrightStar ("Dual Branding"). Dual Branding may involve changes to the Licensed Marks and Community. If Dual Branding occurs, the scope and type of Dual Branding may vary in different markets. If we elect to conduct Dual Branding in the Community's market, we will give you notice regarding the contemplated Dual Branding. Despite anything in this Section 9.5 to the contrary, however, we may elect not to make the Dual Branding opportunity available to you. You will have up to one hundred eighty (180) days from the notice date to implement any changes under this Section 9.5 at your own expense.

### **10. CONDEMNATION AND DAMAGE**

#### 10.1 Condemnation.

You must immediately notify us of any proposed taking of any portion of a Community by eminent domain, condemnation, or expropriation. If we agree that all or a substantial portion of the Community is to be taken, condemned, or expropriated, then upon your request we may (but have no obligation to) allow you to relocate the Community to a new location (within the same market) you select (subject to our acceptance) within four (4) months after the taking, condemnation, or expropriation. If you develop a new BRIGHTSTAR CARE HOMES™ Community at a new location we accept (a "Relocated Community") and open that Relocated Community according to our specifications and this Agreement's other terms and conditions within twenty-four (24) months after closing the Community, the Relocated Community will then be deemed to be the Community, or one of the Communities, franchised under this Agreement.

If a taking, condemnation, or expropriation involving all or a substantial portion of a Community occurs, and following such taking, condemnation, or expropriation:

- (a) We elect not to allow you to develop a Relocated Community; or
  - (b) You promptly notify us that you will not develop a Relocated Community;
- or
- (c) You and we do not agree to a new location for a Relocated Community within the four (4) month period specified above;

either party has the right, effective immediately upon delivery of written notice to the other, (i) to terminate this Agreement, in the event that the Community that was taken, condemned, or expropriated is the only BRIGHTSTAR CARE HOMES™ Community then in operation or under construction by you under this Agreement, or (ii) to remove from the scope of this Agreement the Community that was taken, condemned, or expropriated, in the event that such Community is not the only BRIGHTSTAR CARE HOMES™ Community then in operation or under construction by you under this Agreement (in which case the remaining Communities will not be impacted).

If this Agreement is terminated pursuant to this Section 10.1 and you and your owners sign our then-current form of termination agreement and a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, you need not pay termination damages under Section 15.2 at the time of termination. However, the termination agreement will provide that if you or any of your affiliates begins constructing a Competitive Business within or outside the Community's market area any time during the twenty-four (24) months following the effective date of termination, you and your owners must immediately pay us termination damages equal to Four Hundred Thousand Dollars (\$400,000). If you and your owners fail to sign the termination agreement and general release within a reasonable time after we deliver them to you, you must pay us termination damages under Section 15.2 at the time of termination, in addition to complying with your other post-termination obligations under this Agreement.

If we and you agree to a new location for a Relocated Community but you fail to develop and open the Relocated Community according to this Agreement's terms and conditions within twenty-four (24) months after the Community's closing (and the Community that was taken, condemned, or expropriated was the only BRIGHTSTAR CARE HOMES™ Community then in operation or under construction by you under this Agreement), we may terminate this Agreement, effective immediately upon delivery of written notice to you. In that case, you must pay us termination damages under Section 15.2 in addition to complying with your other post-termination obligations under this Agreement.

## 10.2 Damage.

If a Community is damaged by fire or other casualty, you must notify us immediately. If the cost to repair the damage is less than or equal to the Damage Threshold (defined below), or if

the cost to repair the damage exceeds the Damage Threshold but you notify us within thirty (30) days after the casualty that you intend to repair the damage and operate the Community as a BRIGHTSTAR CARE HOMES™ Community, then you must repair the damage promptly according to our System standards and this Agreement's other terms and conditions. The "Damage Threshold" means the greater of (a) fifty-one percent (51%) of the Community's replacement cost value immediately before the fire or other casualty, or (b) the amount of insurance proceeds made available to you in connection with the fire or casualty. If the damage or repair requires you to close all or any portion of the Community, you must commence reconstruction as soon as practicable (but in any event within four (4) months) after closing the Community and reopen for continuous business operations as a BRIGHTSTAR CARE HOMES™ Community as soon as practicable (but in any event within twenty-four (24) months) after closing the Community, but not without complying with this Agreement's other terms and conditions.

If the cost to repair the damage from a fire or other casualty exceeds the Damage Threshold and you either fail to notify us within a reasonable time after the casualty that you intend to repair the damage and operate the Community as a BRIGHTSTAR CARE HOMES™ Community, or notify us that you elect not to repair the damage and operate the Community as a BRIGHTSTAR CARE HOMES™ Community, then we may terminate this Agreement and you must immediately pay us termination damages under Section 15.2. However, if you and your affiliates do not open a Competitive Business during the twenty-four (24) months after closing the Community, then the termination damages payable under Section 15.2 will not exceed the amount of any insurance proceeds you receive, and we will return the difference to you within twenty (20) days after the twenty-four (24) month period expires. You must send us the documentation we reasonably request to calculate the Damage Threshold and the insurance proceeds you receive in connection with any fire or other casualty.

### 10.3 Extension of Initial Term.

If the condemnation or casualty involves the first Community that you develop under this Agreement, the Initial Term will be extended for the period of time during which that Community is closed due to condemnation or casualty. (The Initial Term will not be extended if the condemnation or casualty involves the second or third Community developed under this Agreement.) You need not pay any Royalty/Continuing Fees or General Marketing Fees while a Community is closed due to condemnation or casualty unless you receive insurance proceeds compensating you for lost Net Billings during such period, as provided in the definition of Net Billings.

## 11. STATEMENTS, RECORDS AND FEE PAYMENTS

### 11.1 Maintenance of Records.

You must obtain the right to use, maintain, and update (including any required replacements) the accounting system we prescribe in the Operations Manual or otherwise. You must, in a manner satisfactory to us, maintain original, full, and complete records, accounts, books, data, licenses, contracts, and supplier invoices accurately reflecting all particulars relating to your

business, and such statistical and other information or records we require, and keep all such information for not less than seven (7) years, even if this Agreement is no longer in effect. We have the right to access or receive copies of these materials (other than those relating to the employment terms and conditions of the Community's employees, as you control exclusively your labor relations and employment practices).

#### 11.2 Examination of Records.

We may at any time, and without prior notice to you, examine your and the Community's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records (other than those relating to the employment terms and conditions of the Community's employees, as you control exclusively your labor relations and employment practices). You must cooperate fully with our representatives and independent accountants in any examination. We may require you to send records off-site for review. If an examination discloses an understatement of the Community's Net Billings, you must pay us within fifteen (15) days after receiving the examination report the Royalty/Continuing Fee, General Marketing Fees, Monthly Technology & Email Service Fee, and other monies due on the understated amount, our late fee, and interest on the understated amount from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or if our examination reveals a Royalty/Continuing Fee or other understatement exceeding two percent (2%) of the amount actually reported to us for the period examined, you must reimburse our costs for the examination, including, without limitation, the charges of attorneys and independent accountants and our employees' travel expenses, room and board, and compensation. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

#### 11.3 Reports and Financial Statements.

Upon our request, you will prepare and send us signed reports and returns of Net Billings, bank statements, quarterly unaudited profit and loss statements, use and gross receipt taxes, complete copies of any state or federal income tax returns covering the Community's operation, and such other reports we reasonably request, all of which you must certify as true and correct. In addition, within forty-five (45) days after the close of your fiscal year, you must prepare and send us year-end financial statements, including statements of income, retained earnings, and changes in financial position and a balance sheet, which you must certify as true and correct.

### **12. COVENANTS NOT TO COMPETE AND CONFIDENTIALITY OBLIGATIONS**

#### 12.1 You Defined.

Unless otherwise specified, the term "you" as used in this Section 12 includes, collectively and individually, all of your owners, guarantors, officers, directors, members, managers, and partners.

## 12.2 Confidential Information.

For purposes of this Agreement, “Confidential Information” means confidential information, some of which constitutes trade secrets under applicable law, relating to constructing, developing, and operating BRIGHTSTAR CARE HOMES™ Communities, including site selection criteria; specifications for Services; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating BRIGHTSTAR CARE HOMES™ Communities; Marketing programs and materials for BRIGHTSTAR CARE HOMES™ Communities; knowledge of specifications for and suppliers of Operating Assets and other items; knowledge of the operating results and financial performance of BRIGHTSTAR CARE HOMES™ Communities other than your Communities; Technology/Computer Requirements; client communication and retention programs and data used or generated in connection with those programs; and graphic designs and related intellectual property.

## 12.3 Non-Use and Non-Disclosure of Confidential Information.

You agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify during the Initial Term to operate your Communities. Confidential Information is proprietary, includes our and our affiliates’ trade secrets, and is disclosed to you only on the condition you agree, and you hereby do agree: (a) not to use Confidential Information in any other business or capacity; (b) to keep confidential each item deemed to be a part of Confidential Information, both during and after the Initial Term; (c) not to make unauthorized copies of any Confidential Information disclosed via electronic media or in written or other tangible form; (d) to adopt and implement reasonable procedures to prevent unauthorized use and disclosure of Confidential Information, including, without limitation, restricting its disclosure to Community personnel and using non-disclosure and non-competition agreements with the appropriate officers, directors, and other personnel having access to Confidential Information. We have the right to regulate or review the forms of non-disclosure and non-competition covenants you use – solely to ensure that you adequately protect Confidential Information and the competitiveness of BRIGHTSTAR CARE HOMES™ Communities – and to be a third-party beneficiary of those provisions with independent enforcement rights; and (e) not to sell, trade, or otherwise profit in any way from Confidential Information except as authorized by this Agreement. Under no circumstances will we control or regulate the forms of employment agreements you use with your employees or otherwise be responsible for your labor relations or employment practices.

Confidential Information does not include information, knowledge, or know-how you can demonstrate lawfully came to your attention before we disclosed it to you; that, when we disclosed it to you, already had lawfully become generally known through publication or communication by others (without violating an obligation to us or our affiliates); that, after we disclose it to you, lawfully becomes generally known through publication or communication by others (without violating an obligation to us or our affiliates); or that you independently develop without access to or reliance on Confidential Information. However, if we include any matter in Confidential Information, anyone who claims it is not Confidential Information must prove one of the exclusions in this paragraph.

12.4 Non-Compete Covenants.

12.4.1 We have granted you the franchise in consideration of and reliance upon your agreement to deal exclusively with us in the assisted living and senior care industry in which BRIGHTSTAR CARE HOMES™ Communities operate. You therefore agree that, during the Initial Term, neither you, any of your direct or indirect owners, nor any of such owners' spouses will:

12.4.1.1 have any direct or indirect controlling interest as an owner—whether of record, beneficial, or otherwise—in a Competitive Business (defined below), wherever located or operating;

12.4.1.2 have any direct or indirect non-controlling interest as an owner—whether of record, beneficial, or otherwise—in a Competitive Business, wherever located or operating (except that less than a two percent (2%) equity ownership interest in a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not violate this clause);

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

12.4.1.4 divert or attempt to divert the Community's business or customers to a Competitive Business; or

12.4.1.5 engage in any other activity that might injure the goodwill of the Licensed Marks and System.

The term “Competitive Business” means (i) any business whose primary purpose is housing or caring for persons over the age of sixty (60), or (ii) any business that provides supplemental healthcare staff to institutional clients, such as hospitals, Medicare agencies, hospice agencies, assisted-living centers, nursing homes, and clinics, or (iii) any business that provides comprehensive care, including medical and non-medical services, to private-duty clients within their home, or (iv) any business granting franchises or licenses to others to operate the type of business specified in clauses (i), (ii), or (iii) (but not including any business operating under a franchise or license agreement signed with one of our affiliates).

12.4.2 We have granted you the franchise in consideration of and reliance upon your agreement to deal exclusively with us in the assisted living and senior care industry in which BRIGHTSTAR CARE HOMES™ Communities operate. You therefore agree that, for a period of twenty-four (24) months after the expiration (without a successor franchise) or termination of this Agreement, regardless of the cause of termination, or within twenty-four (24) months after sale of the Communities or any interest in you, either directly or indirectly, neither you, any of your direct or indirect owners, nor any of such owners' spouses shall have a direct or indirect controlling or non-controlling ownership interest in, or perform services as a director, officer, manager, employee, consultant, representative, or agent for, any Competing Business:

12.4.2.1 Located at the premises of the former Community;

12.4.2.2 Located or operating within a thirty-five (35) mile radius of the former Community; or

12.4.2.3 Located or operating within a twenty-five mile (25) radius of any other BRIGHTSTAR CARE HOMES™ Community (whether owned by a franchisee, us, or our affiliates) in operation or under construction on the effective date of the expiration, termination, or transfer.

12.4.3 Neither you, your direct or indirect owners, nor any of such owners' spouses shall, for a period of twenty-four (24) months after the expiration (without a successor franchise) or termination of this Agreement, regardless of the cause of termination, or within twenty-four (24) months after sale of the Communities or any interest in you, solicit business from clients or referral sources of your former Community or Communities, or with whom the BrightStar System did business during the Initial Term, or contact any of our suppliers or vendors in connection with your ownership, management, operation, or maintenance of, or engagement or consulting with, any Competitive Business.

12.4.4 You agree to obtain similar covenants from the appropriate officers, directors, and other personnel. To give effect to your obligations in this Section 12.4, you acknowledge that neither you, any of your direct or indirect owners, nor any of their spouses will seek to violate this Section directly or through any other person with whom you or any other restricted party is acting in concert in connection with the prohibited activities. We may enforce this Section by acting against you, the other restricted parties, and all other persons with whom you are acting in concert in connection with the prohibited activities.

12.4.5 Each of the foregoing covenants will be independent of any other covenant or provision of this Agreement. If any court of competent jurisdiction or arbitrator determines that any aspect of the covenant is unreasonable, you and we agree that the court or arbitrator may determine an appropriate limitation to accomplish this Section's intent and purpose, and each party agrees to be bound by such determination. You and your owners and affiliates expressly acknowledge that you and they possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Therefore, our enforcing the covenants made in Section 12.4 will not deprive you or your owners and affiliates of your and their personal goodwill or ability to earn a living.

### **13. TRANSFER AND ASSIGNMENT**

#### **13.1 Transfer by Us.**

You acknowledge that we maintain a staff to manage and operate the System and staff members can change as employees come and go. You represent that you did not sign this Agreement in reliance on any particular owner, director, officer, or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement and any

other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes this Agreement's obligations, we no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to you as if it had been an original party to this Agreement. Specifically, and without limiting the foregoing, you agree that we may sell our assets (including this Agreement), the Licensed Marks, or the System to a third party; offer our ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

### 13.2 Transfer by You.

The rights and duties this Agreement creates are personal to you (and your owners). We have granted you the franchise in reliance upon our perceptions of your (and your owners') collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither this Agreement (or any interest in this Agreement), the Communities or substantially all of their assets, an ownership interest in you (regardless of its size), a controlling ownership interest in an entity with an ownership interest in you, nor actual management control of the Communities' operation may be transferred without our prior written approval, which we will not unreasonably withhold or delay if the transfer conditions contained in this Section 13 are satisfied. A transfer of the Communities' ownership, possession, or management control, or substantially all of their assets, may be made only with a transfer of this Agreement. A transfer of the Communities' underlying real estate (which includes the Communities' buildings/physical structures), if you or your affiliate owns that real estate, may be made only with, and must be made only in connection with, a transfer of the Communities and this Agreement in compliance with this Agreement's terms. A transfer of the Communities' underlying real estate (which includes the Communities' buildings/physical structures), if an unaffiliated third party owns that real estate, may be made only if the proposed transferee first satisfies us that your possession and continuous operation of the Communities after the transfer in full compliance with this Agreement, and all of our rights under this Agreement, will not be affected in any way. Any transfer without our required approval is a breach of this Agreement and has no effect, meaning that you (and your owners) will continue to be obligated to us for all of your (and their) obligations under this Agreement. For the avoidance of all doubt, you may not transfer less than all of the Communities governed by this Agreement, and any proposed transfer of the Communities governed by this Agreement must be made to the same transferee.

In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in: (a) this Agreement; (b) you; (c) the Communities or substantially all of their assets or their management control; (d) the Communities' underlying real estate (which includes the Communities' buildings/physical structures); or (e) your owners (if they are legal entities). An assignment, sale, gift, or other disposition includes the following events: (i) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest; (ii) merger or consolidation or issuance of additional securities or other forms of ownership interest; (iii) any sale of a security convertible to an ownership interest; (iv) transfer of an interest in you, this Agreement, the Communities or

substantially all of their assets, the Communities' underlying real estate (which includes the Communities' buildings/physical structures), or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law; (v) if one of your owners, or an owner of one of your owners, dies, a transfer of an interest in you, this Agreement, the Communities or substantially all of their assets, the Communities' underlying real estate (which includes the Communities' buildings/physical structures), or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or (vi) pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security, foreclosure upon the Communities or their underlying real estate (which includes the Communities' buildings/physical structures), or your transfer, surrender, or loss of the Communities' possession, control, or management.

You may grant a security interest (including a purchase money security interest) in the Communities' assets (not including this Agreement) to a lender financing your acquisition, development and/or operation of the Communities without obtaining our prior written approval. You may not pledge this Agreement (to someone other than us), an ownership interest in you (regardless of your size), or a controlling ownership interest in an entity with an ownership interest in you unless, as a condition of that pledge, the pledgee agrees not to exercise its secured party rights without first satisfying the conditions we reasonably impose at that time to ensure each Community's continued operation in compliance with this Agreement and all System standards and no violation of any material provision of this Agreement.

If your affiliate owns a Community's underlying real estate (which includes the Communities' buildings/physical structures), you commit that such affiliate will sign, acknowledge, and deliver to us at the Effective Date or at such other times we specify, for any legitimate business purpose we specify, the Joinder Signature Page attached to this Agreement to confirm the affiliate's agreement to comply with both this Section 13 and Section 15.3 with respect to the Community's underlying real estate.

### 13.3 Representations as to Ownership.

You represent that, as of the Effective Date, your equity and voting control is owned as shown in Exhibit C.

### 13.4 Conditions to Our Consent to Transfer.

13.4.1 You understand and acknowledge the vital importance of your performance to the market position and overall image of the BRIGHTSTAR CARE HOMES™ Community System. You also recognize the many subjective factors comprising the process by which we select a suitable franchisee. We will not unreasonably withhold our consent to a Transfer of any interest in this Franchise or any equity or voting interest in you, but such consent will remain a subjective determination that is subject to your and the transferee's compliance with and satisfaction of numerous conditions, including, but not limited to, the following:

13.4.1.1 (a) we determine that the transferee and its direct and indirect owners have sufficient business experience, aptitude, and financial resources to operate the Communities and otherwise are qualified under our then-current standards for the approval of new franchisees or owners of franchisees, and (b) the transferee and/or its owners are not a private equity firm or a Search Fund.

13.4.1.2 You have paid all Royalties/Continuing Fees, General Marketing Fees, Branded Email Fees (if applicable), Monthly Technology & Email Service Fees (if applicable), and other amounts owed to us, our affiliates, System Suppliers, and other third-party vendors; have submitted all required reports and statements; and have not violated any material provision of this Agreement or any other agreement with us during both the sixty (60) days before you requested our consent to the transfer and the period between your request and the transfer's proposed effective date.

13.4.1.3 Neither the transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business, wherever located or operating.

13.4.1.4 The transferee's Control Person must satisfactorily complete required training within the timeframe we specify.

13.4.1.5 The transferee has the right to occupy the Communities for the expected franchise term.

13.4.1.6 The transferee obtains and maintains all licenses and licensure necessary to operate the Communities to the fullest extent of the BRIGHTSTAR CARE HOMES™ Community business model.

13.4.1.7 The transferee must (if the transfer is of this Agreement), or you must (if the transfer is of a controlling ownership interest in you), sign our then-current forms of franchise agreement and related documents ("related documents" include the Personal Guarantee and Agreement to be Bound), any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, provided, however, the initial term of the new franchise agreement signed will be equal to this Agreement's unexpired Initial Term or, at our option, a full initial twenty (20) year term, and the Royalty/Continuing Fee, General Marketing Fees, and Monthly Technology & Email Service Fee (if applicable) payable under the new franchise agreement during its initial term will be the same as in this Agreement if that initial term is equal to this Agreement's unexpired Initial Term.

13.4.1.8 You or the transferee pays us a transfer fee equal to Fifteen Thousand Dollars (\$15,000) (plus any broker fees we incur in helping you find a transferee). No transfer fee is due if, upon a spouse's death, that spouse's ownership in you is transferred to the surviving spouse.

13.4.1.9 You (and, if applicable, your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents.

13.4.1.10 We reasonably believe that the transferee's capital structure and the proposed purchase price and payment terms are not likely to affect adversely the transferee's operation of the Communities.

13.4.1.11 If you or your owners finance any part of the purchase price, you and/or your owners agree that (a) the transferee's obligations under promissory notes and other agreements cannot contain a security interest in this Agreement, the then-current form of franchise agreement signed by the transferee, or any franchise rights we grant to the transferee, and (b) the Promissory note or agreements must be subordinate to the transferee's obligation to pay Royalties/Continuing Fees, General Marketing Fees, Monthly Technology & Email Service Fees (if applicable), and Branded Email Fees (if applicable).

13.4.1.12 (a) you have corrected existing deficiencies in the Communities of which we have notified you on a punch-list or in other communications, and/or (b) the transferee agrees to upgrade, remodel, and refurbish the Communities according to our then-current requirements and specifications for BRIGHTSTAR CARE HOMES™ Communities within the time period we specify following the transfer's effective date (we will advise the transferee, before the transfer's effective date, of the specific actions it must take and the time period within which it must do so).

13.4.1.13 You and your transferring owners (and your owners' spouses) will not, for twenty-four (24) months beginning on the transfer's effective date, engage in any activities proscribed in Sections 12.4.2 and 12.4.3.

13.4.1.14 You and your transferring owners will not directly or indirectly at any time or in any manner identify themselves in any business as a current or former BRIGHTSTAR CARE HOMES™ Community or as one of our franchisees; use any Licensed Mark, any colorable imitation of a Licensed Mark, or other indicia of a BRIGHTSTAR CARE HOMES™ Community for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol suggesting or indicating a connection or association with us.

You acknowledge that we have legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with you. Therefore, our contact with potential transferees to protect our business interests will not constitute improper or unlawful conduct. You expressly authorize us to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding your operation of the Communities, and to withhold consent to transactions as provided above. You waive any claim that the action we take in good faith to protect our business interests in connection with a proposed transfer constitutes breach of contract or tortious interference with contractual or business relationships. Similarly, we may

review all information regarding the Communities that you give the proposed transferee, correct any information we believe is inaccurate, and give the proposed transferee copies of any reports you have given us, or we have made, regarding the Communities.

Our consent to a transfer of this Agreement and the Communities, or any ownership interest in you or your owners, is not a representation of the fairness of any contract terms between you and the transferee, a guarantee of the Communities' or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

### 13.5 Transfer and Operation in the Event of Death or Disability.

13.5.1 Upon the death of one of your Owners, the owner's executor, administrator, conservator, guardian, or other personal representatives must transfer the Owner's ownership interest in you to a third party (which may be the Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 13. Failure to transfer the Owner's ownership interest in you within this time period is a breach of this Agreement.

13.5.2 Upon the Owner's death or disability, a new Control Person (if the deceased Owner was the Control Person) must be appointed and satisfactorily complete our required training program within thirty (30) days. If the Communities are not being managed properly (in our judgment) any time after the Control Person's death or disability, we may, but need not, assume the Communities' management (or appoint a third party to assume its management). All funds from the Communities' operation while they are under our (or the third party's) management will be kept in a separate account to which all expenses will be charged. We may charge you (in addition to the Royalty/Continuing Fee, General Marketing Fees, Monthly Technology & Email Service Fees (if applicable), and other amounts due under this Agreement) the manager's then-current daily salary plus our direct expenses while the Communities are under our (or the third party's) management. We (or a third party) have a duty to use only reasonable efforts and, if we (or the third party) are not grossly negligent and do not engage in willful misconduct, will not be liable to you or your owners for any debts, losses, lost or reduced profits, or obligations the Communities incur, or to any of your creditors for any supplies, products, other assets, or services the Communities purchase, while we (or a third party) manage them. The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent the Control Person from personally devoting his or her full time and best efforts to the Communities' operation.

### 13.6 Our Right of First Refusal.

If you, one of your owners, or the owner of a controlling ownership interest in an entity with an ownership interest in you at any time determines to sell or transfer (i) an interest in this Agreement and the Communities (including their buildings/physical structures if you or your affiliate owns them), or (ii) an ownership interest in you or a controlling ownership interest in the

entity with an ownership interest in you (except to or among your current owners or between a current owner and his or her immediate family member, neither of which is subject to this Section) in a transaction that otherwise would be allowed under the provisions of Section 13 above, you (or your owners) must obtain from a responsible and fully disclosed buyer and then send us a true and complete copy of a bona fide, signed written offer (which may include a letter of intent) relating to an interest in you (or in the entity with an ownership interest in you) or in this Agreement and the Communities (including their buildings/physical structures if you or your affiliate owns them).

The offer must include details of the proposed sale or transfer's payment terms and the financing sources and terms of the proposed purchase price and provide for an earnest money deposit of at least five percent (5%) of the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be a fixed-dollar amount, without any contingent payments of purchase price (such as earn-out payments), and the proposed transaction must relate exclusively to the rights granted by this Agreement and the Communities (including their buildings/physical structures if you or your affiliate owns them), an ownership interest in you, or a controlling ownership interest in the entity with an ownership interest in you. It may not relate to any other interests or assets. The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under this Section 13 and therefore could not proceed. We may require you (or your owners) to send us copies of any materials or information you send to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you within thirty (30) days after we receive both an exact copy of the offer and all other information it requests, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (a) we may substitute cash for any form of consideration proposed in the offer; (b) our credit will be deemed equal to the credit of any proposed buyer; (c) the closing of the purchase will not (unless we agree otherwise) be earlier than sixty (60) days after we notify you of our election to purchase or, if later, the closing date proposed in the offer; (d) you and your owners must sign the general release described in Section 13.1.4.9 above; and (e) we must receive, and you and your owners agree to make, all customary representations, warranties, and indemnities given by the seller of the assets of a business or of ownership interests in a legal entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests; your and your owners' authorization to sell, as applicable, any ownership interests or assets without violating any law, contract, or requirement of notice or consent; liens and encumbrances on ownership interests and assets; validity of contracts and liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Communities before the closing of our purchase. If the offer is to purchase all of your ownership interests, we may elect instead to purchase all of the Communities' assets (including their buildings/physical structures if you or your affiliate owns them), and not any of your ownership interests, on the condition that the amount we pay you for such assets equals the full value of the transaction as proposed in the offer (i.e., the value of all assets to be sold and of all liabilities to be assumed).

If we exercise our right-of-first-refusal and close the transaction, you and your transferring owners agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenants contained in Sections 12.4.2 and 12.4.3 above.

If we do not exercise our right-of-first-refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we approve the transfer as provided in this Section 13. This means that, even if we do not exercise its right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under this Section 13, you (or your affiliate or owners) may not move forward with the transfer at all. If you or your owners do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right-of-first-refusal, or if there is a material change in the sale's terms (which you agrees to tell us promptly), we will have an additional right-of-first-refusal during the thirty (30) days following either expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

We have the unrestricted right to assign this right-of-first-refusal to a third party (including an affiliate), which then will have the rights described in this Section 13.6. (All references in this Section 13.6 to "we", "us", and "our" include our assignee if we have exercised our right to assign this right-of-first-refusal to a third party.)

#### **14. DEFAULT AND TERMINATION**

##### **14.1 Termination With Notice and Without Opportunity to Cure.**

We may terminate this Agreement, effective upon delivery of written notice of termination to you and without providing you an opportunity to cure, for any of the following breaches or defaults:

14.1.1 Felonies. You or any of your owners is convicted of or pleads guilty or no contest to a felony.

14.1.2 Criminal Misconduct. You or any of your owners engages in any criminal or other misconduct (even if not felonious) that negatively impacts the Licensed Marks or a Community's operation.

14.1.3 Fraud or Misrepresentation during Operation. You or any of your owners commits any fraud or makes any misrepresentation in operating a Community.

14.1.4 Misrepresentation in Application. You or any of your owners makes any misrepresentation or omission in connection with your franchise application, including, but not limited to, any financial misrepresentation.

14.1.5 Unauthorized Surrender. You surrender control of a Community's operation without our prior written consent.

14.1.6 Unauthorized Transfers. You or any of your owners makes or attempts to make an unauthorized assignment of this Agreement, a Community, an ownership interest in you, or a controlling ownership interest in an entity with an ownership interest in you or interferes with our right of first refusal under Section 13.6.

14.1.7 Repeated Breaches. You or any of your owners (a) fails on three (3) or more separate occasions within any twelve (12) consecutive calendar-month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fails on two (2) or more separate occasions within any six (6) consecutive calendar-month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you.

14.1.8 Misuse of the Licensed Marks or Confidential Information. You or any of your owners materially violates any provision of this Agreement relating to the Licensed Marks or Confidential Information.

14.1.9 Violation of Law. You (a) violate any health, safety, or sanitation law, ordinance, or regulation, or operate a Community in an unsafe manner, and do not begin to cure the violation immediately after delivery of notice (from us or any government agency) or do not correct the violation within the timeframe mandated by us or, if applicable, the law or government agency, or (b) fail to maintain any licenses or permits required to operate a Community, as a result of which you would be legally obligated to cease operations, and you fail to secure those licenses and permits within the timeframe mandated by law, or (c) violate any other federal, state, or local law impacting a Community's operation and do not cure the violation within the timeframe mandated by law or a government agency.

14.1.10 Violation of In-term Restrictive Covenant. You or any of your owners violates the in-term restrictive covenant contained in Section 12.4.1.

14.1.11 Liens. You make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; a Community (including its building/physical structure if owned by you or an affiliate) is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you, a Community (including its building/physical structure if owned by you or an affiliate) is not vacated within thirty (30) days following the order's entry.

14.1.12 Abandonment. You (a) abandon a Community, meaning you have deserted, walked away from, or closed the Community under circumstances leading us to conclude that you have no intent to resume the Community's operation, regardless of the number of days passing since the apparent abandonment, or (b) fail actively and continuously to operate a Community (a failure to operate the Community for two (2) or more consecutive days will be

deemed a default under this clause (b), except where closure is due to fire, riot, flood, acts of terrorism, or natural disaster and you notify us within two (2) days after the particular occurrence to obtain our written approval to remain closed for an agreed-upon amount of time as is necessary under the circumstances before you must re-open).

14.1.13 Anti-Terrorist Activities. You or any of your owners fails to comply with the provisions of Section 27.

14.1.14 Personal Use of Community's Property. If any of your owners takes for its, his, or her personal use any assets or property of a Community, including employee taxes, FICA, insurance, or benefits.

14.1.15 Insufficient Funds. If there are insufficient funds in your bank account to cover a check or EFT payment to us three (3) or more times within any twelve (12) month period.

14.1.16 Unethical or Immoral Behavior. You or any of your owners engages in any dishonest, unethical, immoral, lewd, deviant, or similar conduct as a result of which you or the owner's association with a Community (or the owner's association with you) could, in our reasonable opinion, have a material adverse effect on the goodwill associated with the Licensed Marks.

14.1.17 Failure to satisfactorily complete Initial Training. If the Control Person (or a replacement) fails to satisfactorily complete the portions of Boot Camp Training designed for him or her.

14.1.18 Loss of Possession of Premises. You lose the right to possess the Premises of a Community, regardless of the reason.

#### 14.2 Termination Upon Notice and Five (5) Days' Opportunity to Cure.

We have the right to terminate this Agreement if any of the following defaults remains uncured after expiration of a five (5) day cure period:

14.2.1 Insurance. You fail to maintain the insurance coverage we require or to repay us for insurance we acquire on your behalf, or you otherwise fail to adhere to the requirements of Section 17.

14.2.2 Failure to Personally Supervise Community Operations or Employ Adequate Personnel. The Control Person fails to supervise the Community's day-to-day operation personally, or you fail to employ a sufficient number of qualified, competent personnel.

14.2.3 Quality Control. You fail to maintain the strict quality controls required by this Agreement and/or the Operations Manual.

14.2.4 Endorsement of Checks. You fail to immediately endorse and deliver to us or another system franchisee any payments due to us or another system franchisee from any third party that is erroneously made to you.

14.2.5 Interruption of Service. You fail to maintain the prescribed hours of operation at the Community.

14.2.6 Closure of Bank Account. You terminate the authorization for our electronic transfer of funds from your account, or close the bank account from which we debit funds due from you, without prior notice to us and without first establishing a substitute bank account permitting such withdrawals.

14.3 Termination Upon Notice and Fifteen (15) Days' Opportunity to Cure.

We have the right to terminate this Agreement if any of the following defaults remains uncured after expiration of a fifteen (15) day cure period:

14.3.1 Nonpayment. If you fail to pay when due any sums owed to us, any of our affiliates, any System Suppliers, or any of our other vendors.

14.3.2 Under-Reporting of Net Billings. If any audit reveals that you have understated required Royalty/Continuing Fees or General Marketing Fees by more than two percent (2%).

14.3.3 Unauthorized Products or Services. You offer any unauthorized and unapproved services or products at, from, or through the Community.

14.3.4 Unapproved Purchases. You order or purchase unapproved Marketing materials, non-health insurance coverage, supplies, or Operating Assets or buy such items from an unapproved supplier.

14.4 Termination With Notice and Thirty (30) Days' Opportunity to Cure.

We have the right to terminate this Agreement if any of the following defaults remains uncured after expiration of a thirty (30) day cure period:

14.4.1 Failure to Comply with this Agreement. Except as noted above in this Section 14, any other failure by you to comply with this Agreement is subject to a thirty (30) day cure period.

14.4.2 Failure to Open. You fail to commence operating the Community by the Opening Date.

14.5 Termination With Notice and One-Year Opportunity to Cure.

We have the right to terminate this Agreement under the following additional circumstances. If you or one of you affiliates is a BrightStar Care Agency franchisee and the Net Billings of one or more of your or your affiliate's BrightStar Care Agencies decline on a year-over-year basis by twenty percent (20%) or more during your development and operation of your Communities, you or your affiliate must submit a plan to us (which we may share with the franchisor of BrightStar Care Agencies) within fifteen (15) days following notice from us of such a decline with a description of the proposed cure for that decline, which then must be implemented within the following ninety (90) days. The plan must include, at a minimum, additional infrastructure/roles or other revenue-producing activities proposed to support the operations in order to recover or recoup the year-over-year decline. Your or your affiliate's failure to recover or recoup the decline in the performance of your or its BrightStar Care Agency within twelve (12) months from the date on which we first notify you of the year-over-year decline in Net Billings of at least twenty percent (20%) will be good cause for our termination of this Agreement.

14.6 Termination of Right to Operate a Community. Whenever we retain the right to terminate this Agreement on account of a default by you occurring with respect to a specific Community (and not with respect to all of the Communities that you then are operating under this Agreement), we have the option (but not the obligation), instead of terminating this Agreement, to terminate your right to operate that particular Community, effective upon delivery of written notice of termination to you. In such circumstances, we may exercise the rights, and you must comply with the obligations, appearing in Sections 14.9 and 15 below but may do so with respect to only the affected Community.

14.7 Nonwaiver.

Our delay in exercising or failing to exercise any right or remedy under this Agreement, or our acceptance of any late or partial payment due, will not constitute a waiver of our rights against you.

14.8 Termination by You.

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within thirty (30) days after you deliver to us written notice of the material failure or, if we cannot correct the failure within thirty (30) days, do not give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time (which may extend beyond that thirty (30) days), you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination. (The time period during which we may cure any alleged material default after your delivery of notice is called the "Cure Period.") However, if we send you written notice during the Cure Period indicating that either (a) we do not agree that we have materially failed to comply with this Agreement or (b) we have fully corrected the failure, then you may not terminate this Agreement. If you disagree with our position and still wish to terminate this Agreement, you must commence mediation and a legal proceeding, as provided in this Agreement, seeking a

declaration of your right to terminate this Agreement. This Agreement will remain in full force and effect during the legal proceeding (unless we terminate it as provided in this Section 14). If there is a determination that we are in or did not fully correct a material default, we will have an additional thirty (30) days following the determination to correct the failure. If we fail to do so, you may terminate this Agreement immediately upon delivery of written notice. Your termination of this Agreement other than according to this Section 14.8 will be deemed a termination without cause and a breach of this Agreement.

#### 14.9 Step-In Rights.

In addition to and without waiving any other rights or remedies we have under this Agreement (including in Section 13.5) or at law or in equity, you authorize us to operate one or more of your Communities (or designate a third party to do so) if:

- (a) We consider such operation necessary and practical to prevent an interruption in a Community's operation;
- (b) this Agreement expires or is terminated, and we are deciding whether to exercise our option to purchase the Communities under Section 15.3 below;
- (c) this Agreement expires or is terminated, and we want to control the de-identification process under Section 15.1 below; or
- (d) in our sole judgment, we deem you incapable of operating the Community because (i) your Control Person is absent, (ii) you have failed to pay when due all taxes and assessments against the Community, (iii) you have failed to pay when due any and all liens or encumbrances of any kind placed upon or against the Community, (iv) you have lost or had suspended your license or permit to operate the Community, or (v) we determine there are operational problems that could imperil the Community or its residents.

We are not obligated to exercise these step-in rights. However, if we choose to do so, we and you agree to cooperate and to review periodically the status of the Community's operation. Your cooperation includes using all lawful means (including management or other agreements) to help us (or our designee) obtain all licensure required to exercise our or its step-in rights. You must reimburse all of our (or our designee's) reasonable costs and overhead incurred in connection with operating the Community, including, without limitation, personnel costs for supervising and staffing the Community and their travel and lodging accommodations, and pay a fee of up to Two Thousand Dollars (\$2,000) per day. If we operate a Community under this Section, you agree to indemnify and hold harmless us (and our designees and employees) from and against any fines, claims, suits, or proceedings arising out of our operation of the Community.

## 15. POST-TERM OBLIGATIONS

### 15.1 Obligations upon Termination or Expiration.

15.1.1 Payment. You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date we determine the amounts due, the Royalties/Continuing Fees, General Marketing Fees, late fees and interest, and other amounts owed to us (and our affiliates) that then are unpaid, including all termination damages under Section 15.2.

#### 15.1.2 Licensed Marks. When this Agreement expires or is terminated:

15.1.2.1 You may not directly or indirectly at any time or in any manner identify yourself in any business as a current or former BRIGHTSTAR CARE HOMES™ Community or as one of our current or former franchisees; use any Licensed Mark, any colorable imitation of a Licensed Mark, or other indicia, trade dress, or distinguishing features of a BRIGHTSTAR CARE HOMES™ Community for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol indicating or suggesting a connection or association with us.

15.1.2.2 You agree, within fifteen (15) days, to cancel all fictitious or assumed name or equivalent registrations covering your use of any Licensed Mark.

15.1.2.3 If we do not have or do not exercise an option to purchase the Communities' assets (including their buildings/physical structures if you or your affiliate owns them) under Section 15.3 below, you agree at your own cost and without any payment from us for such items to deliver to us, to make available to us for pick-up, or to destroy (at our option), in any case within twenty (20) days, all signs, Marketing materials, forms, and other materials we request containing any Licensed Mark or otherwise identifying or relating to a BRIGHTSTAR CARE HOMES™ Community. If you fail to do so voluntarily when we require, we and our representatives may enter the Community at our convenience and remove these items without liability to you, any landlord, or another third party for trespass or any other claim. You must reimburse our costs of doing so.

15.1.2.4 If we do not have or do not exercise an option to purchase the Communities' assets (including their buildings/physical structures if you or your affiliate owns them) under Section 15.3 below, you agree within the timeframe we specify (which may be within thirty (30) days after the effective date of expiration or termination), and at your own expense, to take the closing, de-identification, and de-branding steps, and make the alterations to the Communities' trade dress and interior design, layout, and configuration, we specify in the Operations Manual (or otherwise communicate to you) to distinguish the Communities clearly from their former appearance and from other BRIGHTSTAR CARE HOMES™ Communities in order to prevent public confusion and protect the Licensed Marks and the System. The de-identification process is intended to alert the public immediately that the Communities are not affiliated with the System. If you fail to do so voluntarily when we

require, we and our representatives may enter the Communities at our and their convenience and take this action without liability to you, any landlord, or another third party for trespass or any other claim. We need not compensate you or any other party for any alterations. We also may exercise this right under Section 14.9.(c) above. You must reimburse our costs of de-identifying the Communities. If you fail to comply strictly with all de-identification obligations in this Section 15.1.2.4, you agree to pay us a royalty fee of Five Thousand Dollars (\$5,000) per day until de-identification is completed to our satisfaction.

15.1.2.5 You agree, within fifteen (15) days, to notify the telephone company and all telephone directory publishers (both web-based and print) of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Licensed Mark; to authorize, and not to interfere with, the transfer of these numbers and directory listings to us (or other party identified by us) or at our direction (including pursuant to a Conditional Assignment of Telephone Number(s), in the form of Exhibit G, previously signed by you); and/or to instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events.

15.1.3 Confidential Information. When this Agreement expires or is terminated, you must immediately cease using any of our Confidential Information (including computer software or similar technology and digital passwords and identifications we have licensed to you or that otherwise are proprietary to us or the System) in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials to which we gave you access. You may not sell, trade, or otherwise profit in any way from any Confidential Information after the expiration or termination of this Agreement. You will have access to the Technology/Computer Requirements only for fifteen (15) days after the Initial Term for purposes of data migration.

15.1.4 List of Employees, Clients, and Vendors. When this Agreement expires or is terminated, you must send us within fifteen (15) days a complete list of your employees, clients, referral sources, and vendors and their respective addresses and any outstanding obligations you have to any third parties. We have the right to contact those individuals and entities to inform them that the Communities no longer are part of the BRIGHTSTAR CARE HOMES™ Community System or that there will be a transition in ownership and operation. Our exercise of these rights will not constitute an interference with your contractual or business relationships. You acknowledge that the individuals and entities doing business with the Communities when they were part of the BRIGHTSTAR CARE HOMES™ Community System constitute our customers.

15.1.5 Vacatur of Premises. When this Agreement expires or is terminated, you must immediately vacate each Premises if we exercise our rights under Section 15.3 below (or any of our step-in rights).

## 15.2 Termination Damages.

You acknowledge that we will suffer substantial damages as a result of this Agreement's termination, or the termination of your right to operate a specific Community, before the Initial Term expires. Some of those damages include lost Royalty/Continuing Fees, lost General Marketing Fees, lost market penetration and goodwill, loss of System representation in the Communities' (or Community's) market area, customer confusion, lost opportunity costs, and expenses we will incur in developing or finding another franchisee to develop BRIGHTSTAR CARE HOMES™ Communities in the Communities' market area (collectively, "Brand Damages"). We and you acknowledge that Brand Damages are difficult to estimate accurately over a period of years, and proof of Brand Damages would be burdensome and costly, although those damages are real and meaningful to us. Therefore, upon termination of this Agreement for any reason before the Initial Term expires (except for an authorized termination by you), or upon the termination of your right to operate a specific Community, you agree to pay us, within fifteen (15) days after the date of termination, termination damages in a lump sum as calculated below.

15.2.1 For any Communities that have operated as BRIGHTSTAR CARE HOMES™ Communities for at least two (2) years before the effective date of termination, the termination damages payable with respect to each affected Community will equal the product of (a) either thirty-six (36) or the number of months then remaining in the Initial Term as of the effective date of termination (had this Agreement or your right to operate the particular Community not been terminated), whichever is shorter, multiplied by (b) the sum of the average monthly Royalty/Continuing Fees, plus the average monthly General Marketing Fees, plus the average Monthly Technology & Email Service Fee (if applicable) that were due and payable from you to us with respect to each affected Community during the twelve (12) month period before the month of termination.

15.2.2 For each Community that has not yet opened for business with our authorization (unless you choose not to find sites for the second and third Communities that this Agreement authorizes you to develop and operate) or has not operated as a BRIGHTSTAR CARE HOMES™ Community for at least two (2) years as of the effective date of termination, the termination damages payable with respect to each affected Community will be the fixed sum of One Hundred Thousand Dollars (\$100,000).

15.2.3 If this Agreement is terminated by us because you violate the non-competition restrictions in Section 12.4.1 above, or if you terminate this Agreement without cause in breach of this Agreement, the termination damages payable with respect to each affected Community will equal one hundred fifty percent (150%) of the amount of termination damages otherwise payable under Sections 15.2.1 or 15.2.2 above (depending on the effective date of termination).

15.2.4 You agree that termination damages calculated under this Section 15.2 represent the best estimate of our Brand Damages arising from any termination of this Agreement, or your right to operate a particular Community, before the Initial Term expires. Your payment of termination damages to us will not be considered a penalty but, rather, a reasonable estimate of

fair and just compensation to us for the Brand Damages we will incur because this Agreement, or your operation of the particular Community, did not continue for the Initial Term's full length.

15.2.5 You acknowledge that payment of termination damages is full compensation to us only for the Brand Damages resulting from early termination of this Agreement, or your right to operate a particular Community, and is in addition to, and not in place of, your obligation to pay other amounts due to us under this Agreement as of the date of termination and to comply strictly with your de-identification and other post-termination obligations.

If any valid law or regulation governing this Agreement limits your obligation to pay, and our right to receive, the termination damages for which you are obligated under this Section 15.2, you will be liable to us for any and all Brand Damages we incur, now or in the future, as a result of your breach of this Agreement.

### 15.3 Our Right to Purchase Community's Assets.

Under the circumstances listed below, we have the right to acquire the Communities' assets (including their buildings/physical structures if you or your affiliate owns them), or to receive an assignment, lease, or sublease of the occupancy rights to the Premises, upon this Agreement's termination or expiration. This Section 15.3 survives this Agreement's termination or expiration.

15.3.1 Exercise of Option. Upon (a) our termination of this Agreement according to its terms and conditions, (b) your termination of this Agreement without cause in breach of this Agreement, or (c) expiration of this Agreement (if we offer, but you elect not to acquire, a successor franchise, or if we do not offer you a successor franchise because you failed to satisfy the conditions for a successor franchise set forth in Section 2.2 above), we have the option, exercisable by giving you written notice (a "Purchase Notice") before or within thirty (30) days after the effective date of termination or expiration,

(i) to purchase the Communities' assets (including their buildings/physical structures if you or your affiliate owns them); and/or

(ii) if we choose not to purchase the buildings/physical structures of the Communities (if you or your affiliate owns them), to purchase the remaining assets of the Communities and exercise the rights under Section 15.3.2 below.

We have the unrestricted right to assign this purchase option to another party.

15.3.2 Right to Occupy Site. If we choose not to purchase the buildings/physical structures of the Communities (if you or your affiliate owns them), or if an unaffiliated entity owns the buildings/physical structures of the Communities, then you, your affiliate, or the unaffiliated real estate owner must (at our option and as applicable) within sixty (60) days after we deliver a Purchase Notice: (a) assign the leasehold interest in the Communities' buildings/physical structures to us; (b) sublease the leasehold interest in the Communities'

buildings/physical structures to us for the remainder of the lease term on the same terms (including renewal options) as the lease; or (c) lease the Communities' buildings/physical structures to us for an initial ten (10) year term, with two five (5) year renewal terms (at our option), on commercially reasonable terms, including, without limitation, a fair market rental rate to be agreed upon within the first fifteen (15) days after we deliver a Purchase Notice. If we and you, your affiliate, or the unaffiliated real estate owner, as applicable, cannot agree upon the fair market rental rate within this fifteen (15) day period, the fair market rental rate will be determined pursuant to the appraisal process set forth in Section 15.3.4 below.

15.3.3 Purchase Price. The purchase price for the Communities' assets that we choose to buy and, if applicable, the Communities' buildings/physical structures will be their fair market value, although fair market value will not include any value for: (a) the franchise or any rights granted by this Agreement; (b) goodwill attributable to the Licensed Marks, the BrightStar brand image, and our other intellectual property; or (c) participation in the network of BRIGHTSTAR CARE HOMES™ Communities. In all cases, we may exclude from the assets purchased any Operating Assets or other items not reasonably necessary (in function or quality) to the Communities' operation or that we have not approved as meeting System standards; the purchase price will reflect these exclusions. We will identify the exclusions in the Purchase Notice to the extent we then have the information necessary to assess the Operating Assets or other items. We and you, or your affiliate, as applicable, must work together in good faith to agree upon the assets' fair market value within fifteen (15) days after we deliver a Purchase Notice. If we and you cannot agree on fair market value within this fifteen (15) day period, fair market value will be determined by the appraisal process described in Section 15.3.4 below.

15.3.4 Appraisal. For purposes of this Section 15.3, whenever a value must be established and there is no agreement on that value within fifteen (15) days (or as otherwise expressly provided in this Agreement), the value will be established by the following procedure. Value will be determined by one (1) independent accredited appraiser upon whom we and you agree who, in conducting the appraisal, will be bound by the criteria specified above. We and you agree to select the appraiser within fifteen (15) days after expiration of the fifteen (15) day period in Section 15.3.3. If we and you cannot agree on a mutually-acceptable appraiser within the fifteen (15) days, we will send you a list of three (3) independent appraisers, and you must within seven (7) days select one of them to be the designated appraiser to determine the purchase price. Otherwise, we have the right to select the appraiser. We and you will share equally the appraiser's fees and expenses. Within thirty (30) days after delivery of notice invoking the appraisal mechanism, we and you each must send the appraiser our and your respective calculations of the purchase price, with such detail and supporting documents as the appraiser requests and according to the criteria specified above. Within fifteen (15) days after receiving both calculations, the appraiser must decide whether our proposed purchase price or your proposed purchase price most accurately reflects the assets' fair market value. The appraiser has no authority to compromise between the two (2) proposed purchase prices; it is authorized only to choose one or the other. The appraiser's choice will be the purchase price and is final.

15.3.5 Closing. We will pay the purchase price at the closing, which will take place not later than sixty (60) days after the purchase price is determined, unless licensure or other

state requirements dictate a longer time period. However, we may decide after the purchase price is determined not to complete the purchase and will have no liability to you for choosing not to do so. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us (or our affiliates). At the closing, you agree to deliver instruments transferring to us: (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; (b) all of the Communities' licenses and permits that may be assigned; and (c) possessory rights to the Communities' Premises.

If you cannot deliver clear title to all purchased assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our affiliates and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If we exercise our rights under this Section 15.3, then for two (2) years beginning on the closing date, you and your owners and affiliates will be bound by the non-competition covenants contained in Sections 12.4.2 and 12.4.3.

You may not under any circumstances sell the Communities' buildings/physical structures or any of their other assets until we have exercised or elected not to exercise our right to purchase those assets, as provided in this Section.

## **16. DISPUTE RESOLUTION AND CORRESPONDING PROCEDURES**

### **16.1 Meeting Between Senior Executives.**

We and you will attempt to resolve any controversy, claim, or dispute arising out of or relating to this Agreement or our and your relationship and involving you and us or any of our and your respective affiliates, owners, officers, directors, employees, agents or representatives (a "Dispute") promptly by a meeting between senior executives of the respective organizations who have authority to settle the Dispute ("Senior Executives"). Either party may give the other written notice ("Dispute Notice") of any Dispute that has not been resolved in the ordinary course of business. Within fifteen (15) days after delivery of the Dispute Notice, the receiving party must give to the other a written response ("Response"). The Dispute Notice and the Response must include: (a) a statement describing the position of the party giving the Dispute Notice and the Response and a summary of arguments supporting such position; and (b) the name of the Senior Executive and any other persons who will accompany the Senior Executive at the meeting at which the parties will attempt to resolve the Dispute. Within thirty (30) days after delivery of the Dispute Notice, the Senior Executives will meet at a mutually acceptable time and place, and then as often as they reasonably consider necessary, to attempt to resolve the Dispute. All reasonable requests for information made by one party to the other will be honored. If the Dispute has not been resolved within sixty (60) days after delivery of the Dispute Notice, or if the Senior Executives do not meet within thirty (30) days after delivery of the Dispute Notice, either party may initiate mediation of the Dispute. All meetings, discussions, and other communications under this Section will be treated as compromise and settlement discussions and communications.

16.2 Mediation.

All claims or disputes between you and us or any of your and our respective affiliates, owners, officers, directors, employees, agents, or representatives arising under, out of, in connection with, or in relation to this Agreement, our and your relationship, the Communities, or any of our and your respective rights and obligations arising out of this Agreement must be submitted first to mediation prior to initiating an arbitration proceeding (except as noted in Section 16.4 below). Such mediation will take place in Gurnee, Illinois (or at our then-current headquarters) under the auspices of the American Arbitration Association (“AAA”) in accordance with the AAA’s Commercial Mediation Rules then in effect. You may not commence any formal legal action against us or our affiliates with respect to any such claim or dispute unless mediation proceedings have been terminated either: (a) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (b) as a result of a written declaration by us. Each party will bear its own costs of mediation and share equally the filing fee imposed by AAA and the mediator’s fees. We reserve the right to specifically enforce our right to mediation. Before mediation and before commencing any legal action against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us specifying in detail the precise nature and grounds of such claim or dispute.

16.3 Arbitration.

If not resolved by mediation and except as qualified below, all controversies, disputes, or claims between us (and our affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) arising out of or related to:

- a) this Agreement or any other agreement between you (or your owner) and us (or our affiliate) relating to the Communities or any provision of any such agreements;
- b) our relationship with you;
- c) the validity of this Agreement or any other agreement between you (or your owner) and us (or our affiliate) relating to the Communities, or any provision of any such agreements, and the validity and scope of the arbitration obligation under this Section; or
- d) any standard, specification, or operating procedure relating to the Communities;

must be submitted for arbitration to the American Arbitration Association. Except as otherwise provided in this Agreement, such arbitration proceedings will be heard by one (1) arbitrator in accordance with the then-existing Commercial Arbitration Rules of the American Arbitration Association. All proceedings, including the hearing, will be conducted in Chicago, Illinois or, at our option, at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence. All matters within

the scope of the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.) will be governed by it and not by any state arbitration law.

The arbitrator has the right to award any relief he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (in accordance with Section 20.2 below), provided that: (1) the arbitrator has no authority to declare any Licensed Mark generic or otherwise invalid; and (2) as provided in Section 16.9, you waive to the fullest extent that applicable law permits any right to or claim for any punitive, exemplary, treble, and other forms of damages. The arbitrator's award and decision will be conclusive and bind all parties covered by this Section, and judgment upon the award may be entered in a court specified or permitted in Section 16.7 below.

We and you will be bound by any limitation under this Agreement or applicable law, whichever expires first, on the timeframe in which claims must be brought. We and you further agree that, in connection with any arbitration proceeding, each must submit or file any claim constituting a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim not submitted or filed in the proceeding will be barred. The arbitrator may not consider any settlement discussions or offers either you or we made. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for the arbitration proceeding to take place and by doing so do not waive or relinquish our right to seek recovery of those costs in accordance with Section 20.2 below.

We and you agree that arbitration will be conducted on an individual basis and not in a class, consolidated, or representative action, that only we (and our affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. Despite the foregoing or anything to the contrary in this Section or Section 24.1, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section, then you and we agree that this arbitration clause will not apply to that dispute, and such dispute will be resolved in a judicial proceeding in accordance with Section 16 (excluding this Section 16.3).

This Section's provisions will continue in full force and effect after and notwithstanding expiration or termination of this Agreement.

To the extent permitted by applicable law, no issue of fact or law may be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties.

16.4 Exceptions to Arbitration.

Notwithstanding Section 16.3, the parties agree that the following claims will not be subject to mediation or arbitration:

(a) each has the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, provided, however, each must contemporaneously submit its dispute for arbitration on the merits as provided in Section 16.3; and

(b) any action in ejectment or for possession of any interest in real or personal property.

16.5 Third Party Beneficiaries.

Our affiliates and their respective owners, officers, directors, agents, and employees are express third-party beneficiaries of this Agreement, each having authority to specifically enforce the right to mediate/arbitrate your claims asserted against such person(s).

16.6 No Right to Offset.

You may not withhold any payment to us or our affiliates on the grounds of our or their alleged nonperformance of our or their obligations, or set off any amount you owe us or our affiliates against any amount we or our affiliates might owe you, under this Agreement or any related agreements. However, we may set off any amounts you or your owners owe us or our affiliates against any amounts that we or our affiliates owe you or your owners, whether in connection with this Agreement or otherwise.

16.7 Venue.

We and you expressly agree, subject to our and your arbitration obligations under Section 16.3, to the exclusive jurisdiction and venue of any court of general jurisdiction in the city and state where our headquarters is located at the time the action is filed (“Home State”) and the jurisdiction and venue of the United States District Court presiding over our Home State. You acknowledge that this Agreement has been entered into in the State of Illinois, and you will receive valuable and continuing services emanating from the Home State where our headquarters is located. In recognition of such services and their origin, you hereby irrevocably consent to the personal jurisdiction of the state and federal courts of our Home State as set forth above.

16.8 Limitation on Actions.

Except for the parties’ indemnification obligations under Section 20.1 below, and except for claims arising from your non-payment or underpayment of amounts you owe us and our affiliates, we and you agree that no cause of action arising out of or under this Agreement or as a result of the parties’ relationship may be maintained by either party against the other unless an arbitration or judicial proceeding, as mandated or permitted by this Agreement, is commenced

within two (2) years from the date on which the violation, act, or conduct giving rise to the claim occurs, regardless of when the party asserting the claim knew or should have known of the facts giving rise to the claim. Any action not brought within this period will be barred as a claim, counterclaim, defense, or set-off.

16.9 Waiver of Punitive, Exemplary, and Certain Other Damages.

You hereby waive to the fullest extent the law permits any right to or claim for any punitive, exemplary, incidental, indirect, special, or consequential damages (including, without limitation, lost profits) against us or our affiliates arising out of any cause whatsoever (whether such cause is based in contract, negligence, strict liability, other tort, or otherwise) and agree that, if there is a dispute, your recovery is limited to actual damages and, if appropriate, equitable relief.

16.10 Jury Trial Waiver.

Subject to the arbitration obligations in Section 16.3, we and you (and your owners) irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either us or you (or your owners). We and you (and your owners) acknowledge that we and you (and they) make this waiver knowingly, voluntarily, without duress, and only after considering this waiver's ramifications.

**17. INSURANCE**

17.1 Lines of Insurance.

You must, at your own expense and no later than upon commencement of each Community's build-out process, procure and then maintain in full force and effect throughout the Initial Term the minimum types and amounts of insurance enumerated in the Operations Manual. All insurance policies must name, as additional insureds, each of us, our affiliates, their respective officers, directors, and employees, and any other parties we designate. Required insurance includes the following:

17.1.1 Professional Liability on an occurrence basis with limits not less than \$1,000,000 per occurrence / \$3,000,000 aggregate per policy year. If you purchase this coverage on a claims-made policy form, you must purchase a minimum 3-year extended reporting endorsement (aka "tail") upon sale or closure of your business.

17.1.2 General Liability on an occurrence basis with limits not less than \$1,000,000 per occurrence / \$3,000,000 aggregate per policy year. The following minimum sub-limits must be met: \$1,000,000 Personal & Advertising Injury, \$3,000,000 Products/Completed Ops Aggregate, \$100,000 Damage to Rented Premises, and \$5,000 Medical Expense. If you purchase this coverage on a claims-made policy form, you must purchase a minimum 3-year extended reporting endorsement (aka "tail") upon sale or closure of your business.

17.1.3 Abuse/Molestation Liability with limits not less than \$1,000,000 per occurrence and aggregate per policy year.

17.1.4 Hired and Non-Owned Automobile coverage not less than \$1,000,000 combined single limit each accident.

17.1.5 Special Form property insurance in an amount appropriate to cover the full replacement value of each Community and its contents. Business Income and Extra Expense must be included at a minimum 1.5 times annual revenue assuming full occupancy and covering an 18-month period following the loss.

17.1.6 Workers' Compensation and Employer's Liability insurance with minimum limits not less than \$500,000 per accident; \$500,000 policy limit by disease; and \$500,000 per employee for bodily injury by disease or higher limit as required by law in your state.

17.1.7 A \$50,000 Employee Dishonesty and \$50,000 Theft of Client Property.

17.1.8 Employment Practices Liability (EPL) with \$1,000,000 minimum limit covering indemnification and defense costs for employee allegations of harassment, discrimination, and wrongful termination practices. Coverage must include a "3rd Party Endorsement" to respond to client allegations of similar wrongful acts, to include at minimum \$100,000 for Wage & Hour defense costs.

17.1.9 Umbrella Liability with a \$2,000,000 minimum limit to extend over professional liability, general liability, abuse/molestation liability and employer's liability. The umbrella may contain a sub-limit of \$1,000,000 for abuse/molestation.

17.1.10 Cyber Liability with \$500,000 minimum limit to include both administrative costs of the privacy event and 3<sup>rd</sup> party losses.

17.1.11 Any other insurance not listed above but required by applicable law, rule, regulation, ordinance, or licensing requirements and any updates as specified in the Operations Manual.

17.1.12 Policy and Coverage level deductibles may not exceed \$25,000 for any coverages required unless we grant a written waiver.

We reserve the right to change the types and amounts of insurance required under this Agreement. You agree, at your own expense, to conform your insurance coverage to our requirements. You must obtain and maintain insurance coverage from the agency and carriers we specify. All insurance companies must carry an A.M. Best's rating of "A-/Excellent" or better or be approved by us in writing prior to placement of coverage.

17.2 Insurance Certificates.

You must make timely delivery to us of certificates of all required insurance. Each must contain a statement by the insurer that the policy will not be cancelled or materially altered without at least ten (10) days' prior written notice to us. In order to monitor claims activity on a national level and effectively assess program exposures, you must collect Loss History Statements ("Loss Runs") from carriers and send them to us annually.

17.3 No Relief from Indemnity Requirement.

Obtaining and maintaining the insurance required by this Agreement do not relieve you of any liability to us under any indemnity requirement in this Agreement.

17.4 Administrative Fee.

If you fail to comply with your minimum insurance requirements, we have the right to obtain such insurance and keep it in force and effect, in which case you must pay us, on demand, all premium costs plus an eighteen percent (18%) administrative fee. We have the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days' prior written notice to you. You must comply with any such modification within the time specified in the notice.

**18. YOUR OWNERSHIP AND ORGANIZATION**

18.1 Disclosure of Ownership Interests.

You and each owner represent, warrant, and agree that Exhibit C is current, complete, and accurate. You agree that updates to Exhibit C will be furnished promptly to us so that Exhibit C is at all times current, complete, and accurate. Each owner must be an individual acting in his or her individual capacity unless we waive this requirement. The spouses of each of your owners must sign a Spousal / Life Partner Consent in the form of Exhibit F.

18.2 Organizational Documents.

You and each owner represent, warrant, and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization; (b) you have the authority to execute and deliver this Agreement and all related agreements and to perform your obligations under all such agreements; (c) the articles of incorporation, partnership agreement, or other organizational documents recite that the issuance, transfer, or pledge of any direct or indirect legal or beneficial ownership interest in you is restricted by this Agreement's terms; and (d) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued bear a legend in conformity with applicable law reciting or referring to such restrictions.

18.3 Personal Guarantee Covenants and Assumption of Obligations.

Each owner (regardless of the owner's ownership interest in you) reflected on Exhibit C must sign and irrevocably be bound by the Personal Guarantee and Agreement to be Bound

included as Exhibit D. If you are a corporation initially owned in majority by the corporation's 401(k) plan, you must sign Exhibit D.

## **19. TAXES, PERMITS AND INDEBTEDNESS**

### 19.1 Taxes.

You must promptly pay when due any and all federal, state, and local taxes, including, without limitation, unemployment and sales taxes, levied or assessed with respect to any services or products furnished, used, or licensed under this Agreement and all accounts or other indebtedness of every kind you incur in operating the Communities.

### 19.2 Permits.

You must comply with all federal, state, and local laws, rules, and regulations and timely obtain any and all permits, certificates, and licenses for the full and proper conduct of the Communities.

### 19.3 Full and Sole Responsibility for Debts and Obligations.

You hereby expressly covenant and agree to accept full and sole responsibility for any and all debts and obligations incurred in operating the Communities.

## **20. INDEMNIFICATION AND INDEPENDENT CONTRACTOR**

### 20.1 Indemnification.

You agree to indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) incurred as a result of a claim threatened or asserted or an inquiry made formally or informally, or a legal action, investigation, or other proceeding threatened or brought, by a third party and directly or indirectly arising out of or relating to: (i) a Community's operation; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement or any other agreement with us or our affiliates; (iv) your non-compliance or alleged non-compliance with any federal, state, or other law, ordinance, rule, or regulation, including those concerning a Community's design, construction, or operation, or employment or personnel practices (expressly including your compliance with wage and hour and other labor and employment laws), and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to employees; or (v) claims alleging either intentional or negligent conduct, acts, or omissions by you (or your contractors or any of their employees, agents, or representatives) or by us or our affiliates (or our and their contractors or any of their employees, agents, or representatives). You also agree to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at your expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings.

However, you have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's negligence, willful misconduct, or willful wrongful omissions (so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability—including agency, apparent agency, or joint employment—or our failure to compel you to comply with this Agreement).

For purposes of this indemnification and hold harmless obligation, "Losses" includes all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party, with its own counsel and at your expense, may defend and otherwise respond to and address any claim threatened or asserted or any inquiry made, or any action, investigation, or proceeding threatened or brought (instead of having you defend it with your counsel, as provided in the preceding paragraph), and, in cooperation with you, agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible (except as provided in the last sentence of the preceding paragraph).

Your obligations in this Section 20.1 will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section 20.1. You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 20.1.

#### 20.2 Cost of Enforcement.

If we incur costs and expenses to enforce our rights or your obligations under this Agreement because you have failed to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree to reimburse us for all costs and expenses we incur, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. Your obligation to reimburse us arises whether or not we begin a formal legal proceeding against you to enforce this Agreement. If we do begin such a formal legal proceeding against you, the reimbursement obligation applies to all costs and expenses we incur preparing for, commencing, and prosecuting the legal proceeding and until the proceeding has come to a complete end (including appeals and settlements).

#### 20.3 No Fiduciary Relationship; Independent Contractor Status.

In all dealings with third parties, including, without limitation, franchisees, employees, suppliers, and clients, you must disclose in an appropriate manner acceptable to us that you are an

independent entity licensed by us. Nothing in this Agreement is intended to create a fiduciary relationship between us and you or to constitute you as a subsidiary, joint venturer, partner, agent, or employee of us for any purpose whatsoever. Further, we will not be construed to be jointly liable for any of your acts or omissions under any circumstances. We are not the employer or joint employer of you or the Community's employees. You are an independent contractor and in no way authorized to make any warranty or representation on our behalf. You are not authorized to create any obligation or enter into any contract binding on us.

You are solely responsible for managing and operating the Community and all employment and personnel matters and decisions involving the Community, including but not limited to the hiring, firing, supervision, direction, scheduling, and compensation of the Community's employees. Notwithstanding your use of any Third-Party Materials or System Proprietary Technology (if applicable), you are solely responsible for understanding and following wage and hour laws as well as all other state, local and federal laws applicable to the operations of the Community. We will not exercise direct or indirect control over the working conditions of Community personnel, except to the extent such indirect control is related to our legitimate interest in protecting the quality of our services or brand. We do not share or codetermine the employment terms and conditions of the Community's employees and do not affect matters relating to the employment relationship between you and the Community's 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. To that end, you must notify Community personnel that you are their employer and that we, as the franchisor of BRIGHTSTAR CARE HOMES™ Communities, are not their employer or joint employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all Community employees that we are not their employer.

## **21. WRITTEN APPROVALS, WAIVERS, AND AMENDMENT**

### **21.1 Approval Process.**

Whenever this Agreement requires our prior approval, you must make a timely written request. Unless a different time period is specified in this Agreement, we will respond with our approval or disapproval within thirty (30) calendar days. In addition, our approval will not be unreasonably withheld.

### **21.2 No Waiver.**

We and you may in writing unilaterally waive or reduce any contractual obligation of or restriction upon the other, effective upon delivery of written notice to the other or another effective date stated in the waiver notice. Any waiver granted is without prejudice to any other rights we or you have, is subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand strict compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the Initial Term expires) because of any custom or practice varying from this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other BrightStar franchisees; the existence of franchise agreements or license agreements with BrightStar franchisees and licensees containing provisions differing from those in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We may remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform obligations results from: (a) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (b) acts of God; (c) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (d) any other similar event or cause. Any delay resulting from these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payment of amounts owed at the time of the occurrence or payment of Royalties/Continuing Fees, General Marketing Fees, and other amounts due afterward.

### 21.3 Amendments.

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System standards, this Agreement may not be modified except by a written agreement signed by the parties' duly-authorized officers specifying their intent to modify this Agreement.

## 22. NOTICES

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed delivered: (a) at the time delivered by hand; (b) one (1) business day after transmission by facsimile or electronic mail if the sender has confirmation of successful transmission; (c) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or (d) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Any notice to us must be sent to the address specified on the first page of this Agreement, although we may change this address for notice by giving you ten (10) days' prior notice by any of the means specified above. Any notice we send you may be sent to the Control Person at the postal address specified on Exhibit A. You may change the person and/or address for notice only by giving us ten (10) days' prior notice by any of the means specified above. Any required report we do not actually receive during regular business hours on or before

the date due (or postmarked by postal authorities at least two (2) days before then for reports unrelated to payments due under this Agreement) will be deemed delinquent. Payments must be actually received by us on or before their specific due dates.

## **23. GOVERNING LAW**

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY ILLINOIS LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

## **24. SEVERABILITY AND CONSTRUCTION**

### **24.1 Severability.**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or 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, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to grant a successor franchise, or some other action this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System standard to the extent required to be valid and enforceable or delete the unlawful provision entirely. You agree to be bound by any promise or covenant imposing the maximum duty the law permits that is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

### **24.2 Execution in Counterparts.**

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, but such counterparts together will constitute one and the same instrument.

### 24.3 Headings and Captions.

The headings and captions contained in this Agreement are for purposes of convenience and reference only and are not to be construed as part of this Agreement. All terms and words used will be construed to include the number and gender as the context of this Agreement may require. Each section of this Agreement will be construed independently of any other section or provision of this Agreement. The words “include” and “including” are meant to be illustrative and not exhaustive and are deemed to be read in all cases as “including, without limitation” and/or “including but not limited to.”

### 24.4 Interpretation of Rights and Obligations.

The following provisions apply to and govern the interpretation of this Agreement, the parties’ rights under this Agreement, and the relationship between the parties.

24.4.1 **Our Rights.** Whenever this Agreement provides that we have a certain right, that right is absolute, and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administer, develop, and change the System in any manner not specifically precluded by this Agreement, although this right does not modify any express limitations set forth in this Agreement.

24.4.2 **Our Reasonable Business Judgment.** Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making a decision or exercising a right. Our decisions or actions will be deemed to be the result of “Reasonable Business Judgment,” even if other reasonable or even arguably preferable alternatives are available, if our decisions or actions are intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Licensed Marks, improving client service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the System’s competitive position.

## **25. ENTIRE AGREEMENT**

The Recitals and Exhibits are a part of this Agreement which, together with System standards contained in the Operations Manual (which we may periodically modify, as provided in this Agreement) or otherwise communicated to you, constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between the parties, and no oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or a Community (any understandings or agreements reached by the parties, or any representations made by us, before this Agreement are superseded by this Agreement). You may not rely on any alleged oral or written understandings, agreements, or representations not contained in this Agreement. However, nothing in this Agreement or any related agreement is intended to disclaim our representations in our Franchise Disclosure Document.

Any policies we periodically adopt and implement to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us. Except as expressly provided in this Agreement, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

**26. SPOUSAL/LIFE PARTNER CONSENT**

Each spouse of each of your owners personally and unconditionally guarantees, without notice, demand, or presentment, the payment of all of your monetary obligations under this Agreement as if each spouse were an original party to this Agreement in his or her individual capacity. All such spouses further agree to be bound by the restrictions upon your activities upon transfer, termination, or expiration of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such spouses must execute a spousal / life partner consent in the form attached as Exhibit F. In the event of divorce and re-marriage, or subsequent marriage, your owners covenant and agree to provide us with a properly executed spousal / life partner consent in the form we prescribe.

**27. ANTI-TERRORIST ACTIVITIES**

You certify that you and your owners, directors, officers, and employees are not listed in the Annex to Executive Order 13224. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.) You agree not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you and your owners, directors, officers, and employees being listed in the Annex to Executive Order 13224. You agree to comply with, and/or assist us to the fullest extent possible to comply with, the Anti-Terrorism Laws (as defined below). In connection with such compliance, you certify, represent, and warrant that your property and interests are not subject to being “blocked” under any Anti-Terrorism Law and that you and your owners, directors, officers, and employees are not otherwise in violation of any Anti-Terrorism Law. You are solely responsible for ascertaining what actions must be taken to comply with all such Anti-Terrorism Laws and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 20.1 of this Agreement pertain to your obligations under this Section 27. Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you or your owners, directors, officers, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with us or one of our affiliates in accordance with Section 14 of this Agreement. “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

**28. ACKNOWLEDGMENTS**

You acknowledge the truthfulness and accuracy of the representations signed by you and attached as Exhibit E.

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Agreement on the dates next to their signatures, to be effective on the date of our signature.

FRANCHISOR (US):

**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISEE (YOU):

\_\_\_\_\_  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**EXHIBIT A**

**PREMISES**

1. **PREMISES**. The only Premises from which the Communities may operate pursuant to Sections 1.1 and 1.2 of the Agreement are:

**Community #1:** \_\_\_\_\_

**Community #2:** \_\_\_\_\_

**Community #3:** \_\_\_\_\_

FRANCHISOR (US):

**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC**

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

Name: \_\_\_\_\_

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

Date: \_\_\_\_\_

FRANCHISEE (YOU):

\_\_\_\_\_

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

Name: \_\_\_\_\_

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

Date: \_\_\_\_\_

**EXHIBIT B-1**

**AUTHORIZATION TO INITIATE DEBIT ENTRIES  
FOR FEES AND PAYMENTS DUE FROM FRANCHISEE**

\_\_\_\_\_, the undersigned franchisee, hereby authorizes BrightStar Senior Living Franchising, LLC, an Illinois limited liability company, to initiate debit entries to the checking account indicated and at the depository identified below (the "Depository") to debit to such account the amounts of the entries reflecting Royalty/Continuing fees, General Marketing Fees, Monthly Technology & Email Service Fees, and other amounts that become due from the undersigned to BrightStar Senior Living Franchising, LLC and/or its affiliates:

Depository Name: \_\_\_\_\_

Depository Branch: \_\_\_\_\_

Depository Address: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_ Zip \_\_\_\_\_

Routing Number: \_\_\_\_\_

Account Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

For good and valuable consideration, the receipt and sufficiency of which the undersigned hereby acknowledges, the undersigned agrees that:

This authorization is to remain in full force and effect until BrightStar Senior Living Franchising, LLC has received advance written notification from the undersigned of its termination in such manner as to afford BrightStar Senior Living Franchising, LLC and Depository reasonable time and opportunity to act upon such notification.

IN WITNESS WHEREOF, this authorization has been executed on \_\_\_\_\_.

FRANCHISEE (YOU):

\_\_\_\_\_

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

Name: \_\_\_\_\_

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

Phone No.: \_\_\_\_\_

Exhibit B-1-1

**EXHIBIT B-2**

**AUTHORIZATION TO INITIATE DEBIT ENTRIES  
FOR FEES AND PAYMENTS DUE FROM FRANCHISEE**

\_\_\_\_\_, the undersigned franchisee, hereby authorizes BrightStar Technology Group, LLC, a Delaware limited liability company, to initiate debit entries to the checking account indicated and at the depository identified below (the "Depository") to debit to such account the amounts of the entries reflecting technology fees and other amounts that become due from the undersigned to BrightStar Technology Group, LLC and/or its affiliates:

Depository Name: \_\_\_\_\_

Depository Branch: \_\_\_\_\_

Depository Address: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_ Zip \_\_\_\_\_

Routing Number: \_\_\_\_\_

Account Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

For good and valuable consideration, the receipt and sufficiency of which the undersigned hereby acknowledges, the undersigned agrees that:

This authorization is to remain in full force and effect until BrightStar Technology Group, LLC has received advance written notification from the undersigned in such manner as to afford BrightStar Technology Group, LLC and Depository reasonable time and opportunity to act upon such notification.

IN WITNESS WHEREOF, this authorization has been executed on \_\_\_\_\_.

FRANCHISEE (YOU):

\_\_\_\_\_

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

Name: \_\_\_\_\_

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

Phone No.: \_\_\_\_\_

**EXHIBIT C**

**FRANCHISEE OWNERSHIP AND MANAGEMENT INFORMATION**

1. **Form of Entity of Franchisee.**

a. Corporation. You were incorporated on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. You have not conducted business under any name other than your corporate name. The following is a list of all of your directors and officers as of \_\_\_\_\_.

<b>Name of Each Director/Officer</b>	<b>Position(s) Held</b>
_____	_____
_____	_____

b. Limited Liability Company Franchisee. You are a limited liability company formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. You have not conducted business under any name other than your limited liability company name. The following is a list of all of your members as of \_\_\_\_\_.

<b>Name of Each Member (Identify the Managing Member)</b>
_____
_____

2. **Owners.**

You and each of your owners represent and warrant that the following is a complete and accurate list of all your owners, including the full name and mailing address of each owner, and fully describes the nature and extent of each owner's interest in you. You and each owner, as to his or her ownership interest, represent and warrant that each owner is the sole and exclusive legal and beneficial owner of his or her ownership interest in you, free and clear of all liens, restrictions, and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

<b>Owner's Name and Address</b>	<b>Description of Interest, Including Percentage of Ownership Interest</b>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Submitted by you on \_\_\_\_\_.

\_\_\_\_\_, a  
\_\_\_\_\_ corporation/  
limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Owners:

\_\_\_\_\_  
(Signature)  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
(Signature)  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
(Signature)  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
(Signature)  
Print Name: \_\_\_\_\_

Accepted by BrightStar Senior Living Franchising, LLC, and made a part of the  
BRIGHTSTAR CARE HOMES™ Community Franchise Agreement as of \_\_\_\_\_,  
20\_\_.

**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC (US)**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT D

### **PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT**

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by BrightStar Senior Living Franchising, LLC, an Illinois limited liability company ("we", "us", or "our"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including, without limitation, any extensions of its term) and afterward as provided in the Agreement, that \_\_\_\_\_ ("you" or "your") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including, without limitation, any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including, without limitation, any amendments or modifications of the Agreement), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities, including, but not limited to, the non-competition, confidentiality, and transfer requirements, and (iii) the enforcement and other provisions in the Agreement, including the arbitration provision.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with you and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if you fail or refuse punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against you or another person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence we may from time to time grant to you or to another person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including, without limitation, any release of other guarantors), none of which will in any way modify or amend this Guaranty, which will continue and be irrevocable during the term of the Agreement (including, without limitation, any extensions of its term) and afterward for so long as any performance is or might be owed under the Agreement by you or any of your owners and for so long as we have any cause of action against you or any of your owners; (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or you, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; and (6) any of your indebtedness to the undersigned, for whatever reason, whether currently existing or hereafter arising, will at all times be inferior and subordinate to any indebtedness owed by you to us or our affiliates.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which the undersigned may have against you arising as a result of the undersigned's execution of and performance under this Guaranty; (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled; and (iii) all rights to assert or plead any statute of

Exhibit D-1

limitations or other limitations period as to or relating to this Guaranty. The undersigned expressly acknowledges that the obligations under this Guaranty survive expiration or termination of the Agreement.

If we seek to enforce this Guaranty in an arbitration, judicial, or other proceeding and prevail in that proceeding, we are entitled to recover our reasonable costs and expenses (including, but not limited to, attorneys' fees, arbitrators' fees, expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses, and travel and living expenses) incurred in connection with such proceeding. If we are required to engage legal counsel in connection with the undersigned's failure to comply with this Guaranty, the undersigned must reimburse us for any of the above-listed costs and expenses we incur, even if we do not commence a judicial or arbitration proceeding.

Subject to the arbitration obligations (as set forth in the Agreement) and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the city, where we have our principal business address when the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled. **WE AND THE UNDERSIGNED IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY OF THEM. EACH ACKNOWLEDGES THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.**

PERSONAL GUARANTORS:

_____		
(signature)		
_____		
Print Name, Individually		
_____		
Address		
_____		
City	State	Zip Code
_____	_____	_____
Telephone		

_____		
(signature)		
_____		
Print Name, Individually		
_____		
Address		
_____		
City	State	Zip Code
_____	_____	_____
Telephone		

**EXHIBIT E**

**FRANCHISEE REPRESENTATIONS RELATING TO  
BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES™ COMMUNITY FRANCHISE AGREEMENT**

Exhibit E-1

**BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC**  
**FRANCHISEE REPRESENTATIONS**

**Important Instructions:** BrightStar Senior Living Franchising, LLC (“we,” “us,” or “our”) and you are preparing to enter into a Franchise Agreement and other agreements for your construction, development, and operation of one or more BRIGHTSTAR CARE HOMES™ Communities. This document’s purpose is to determine whether any statements or promises were made to you that we have not authorized, that do not appear in or are inconsistent with our franchise documents, and that may be untrue, inaccurate, or misleading. We also want to be sure that you understand certain terms of the agreements you will sign and their ramifications. If you sign this document, you are confirming that what it says is true. In addition, if you sign it, we will take actions in reliance on the truth of what it says. Please review each of the following statements carefully. **Initial the spaces after the statements to confirm your understanding and the accuracy of the statements.**

Franchisee: \_\_\_\_\_  
(the “Franchisee”)

BRIGHTSTAR CARE HOMES™ Community Location (if available at signing): \_\_\_\_\_  
\_\_\_\_\_  
(the “Community”)

Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has independently investigated us; the BrightStar System (as that term is used in our Franchise Agreement); the risks, burdens, and nature of the business you will conduct under the Franchise Agreement; the Community and its proposed site; and the Community’s proposed market area.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

2. Each of the undersigned understands that the business you will conduct under the Franchise Agreement involves risk and that success or failure will be substantially influenced by your ability and efforts and the viability of the Community’s site.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

3. Each of the undersigned understands that we previously might have entered into franchise agreements with provisions different from the provisions of the Community Franchise Agreement and we have the right to enter into franchise agreements in the future with provisions different from the provisions of the Community Franchise Agreement.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

4. If we unilaterally made material changes in your final, ready-to-be-signed copies of the Franchise Agreement and related documents (other than as a result of our negotiations with

you), you have had those documents in hand for at least seven (7) calendar days before signing them and have had ample opportunity to consult with your attorneys, accountants, and other advisors concerning those documents.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

5. You have received a franchise disclosure document (“FDD”) as required by law at least fourteen (14) calendar days before signing the Franchise Agreement, and at least fourteen (14) calendar days before paying any consideration to us or an affiliate in connection with this franchise, and have had ample opportunity to consult with your attorneys, accountants, and other advisors concerning the FDD.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

**[If you are based or will operate in Michigan, you also have received the FDD at least ten (10) business days before signing the Franchise Agreement and at least ten (10) business days before paying any consideration to us or an affiliate in connection with this franchise.]**

**[If you are based or will operate in New York, you also have received the FDD at the earlier of our first personal meeting with you to discuss the franchise opportunity but at least ten (10) business days before signing the Franchise Agreement and at least ten (10) business days before paying any consideration to us or an affiliate in connection with this franchise.]**

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

6. Except as provided in our FDD, we have made no representation, warranty, promise, guaranty, prediction, projection, or other statement, and given no information, as to the future, past, likely, or possible income, sales volume, or profitability, expected or otherwise, of the Community or any other business, except: (None, unless something is filled-in here).

---

---

---

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

7. Each of the undersigned understands that:

7.1 Except as provided in the FDD, we do not authorize our officers, directors, or employees to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection, or other statement or information concerning actual or potential income, sales volume, or profitability, either generally or of any BRIGHTSTAR CARE HOMES™ Community.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

7.2 Actual results vary from time period to time period, and we cannot estimate, project, or predict the results of any particular BRIGHTSTAR CARE HOMES™ Community.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

7.3 We have specifically instructed our officers, directors, and employees that, except as provided in our FDD, they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection, or other statement or give other information as to income, sales volume, or profitability, either generally or with respect to any particular BRIGHTSTAR CARE HOMES™ Community.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

7.4 If any unauthorized representation, warranty, promise, guaranty, prediction, projection, or other statement or information is made or given, the undersigned should not (and will not) rely on it.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

8. Before signing the Franchise Agreement and any related documents, the undersigned has had ample opportunity: (a) to discuss the Franchise Agreement, any related document, and the business you will conduct with its/his/her own attorneys, accountants, and real estate and other advisors; (b) to contact our existing franchisees; and (c) to investigate all statements and information made or given by us and our officers, directors, employees, and agents relating to the BrightStar System, BRIGHTSTAR CARE HOMES™ Communities, and any other subject.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

9. Each of the undersigned understands that the Franchise Agreement licenses certain rights for up to three, and only three, BRIGHTSTAR CARE HOMES™ Communities, located only at the sites specified or to be specified in the Franchise Agreement in accordance with its terms, and that no “exclusive,” “expansion,” “protected,” “non-encroachable,” or other territorial rights, rights of first refusal, or rights of any other kind are granted or have been promised concerning the contiguous or any other market area of the Communities or any other existing or potential BRIGHTSTAR CARE HOMES™ Community or geographical area.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

10. Each of the undersigned understands that the Franchise Agreement (including any riders and exhibits) constitutes the entire agreement between the parties and supersedes all prior

and contemporaneous oral or written agreements, statements, representations (except for those in the FDD), or understandings of us, the undersigned, and you.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

11. Each of the undersigned understands that nothing stated or promised by us that is not specifically set forth in the Franchise Agreement or the FDD can be relied upon by the undersigned or you.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

12. The only state(s) in which each of the undersigned is a resident is (are): \_\_\_\_\_

---

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

13. Each of the undersigned understands the importance of the Community's location. The undersigned and you have had or will have ample opportunity and the means to investigate, review, and analyze independently the Community's site, the market area and all other facts relevant to the selection of a site for a BRIGHTSTAR CARE HOMES™ Community, and the lease or purchase documents for such location.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

14. Each of the undersigned understands that neither our acceptance or selection of any site, nor our negotiation or acceptance of any lease or purchase contract, implies or constitutes any warranty, representation, guarantee, prediction, or projection that the site will be profitable or successful or that the lease or purchase contract is on favorable terms, its often being the case that such documents contain very tough terms.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

15. Each of the undersigned understands that site selection is a difficult and risky proposition. We have not given any representation, warranty, promise, guaranty, prediction, projection, or other statement or information relied upon by the undersigned or you regarding a site's prospects for success or other attributes, even if we reviewed the lease or purchase contract. You will have any lease or purchase contract reviewed by your own attorney and other advisors.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

16. Each of the undersigned understands that the estimated initial investment ranges disclosed in Item 7 of our FDD are for BRIGHTSTAR CARE HOMES™ Communities of a certain size, at certain types of sites, and having certain characteristics that we consider to be fairly standard for BRIGHTSTAR CARE HOMES™ Communities. Your actual investment to develop

your Communities could be incrementally or materially higher than the investment ranges disclosed in Item 7 if you choose to develop a larger Community or a Community that otherwise is atypical when compared with standard BRIGHTSTAR CARE HOMES™ Communities.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

17. The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or you. Each of the undersigned has other considerable skills, abilities, opportunities, and experience in other matters and of a general nature enabling it/him/her to derive satisfactory income from other endeavors.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

18. There is no fiduciary or confidential relationship between us and the undersigned or between us and you. Each of the undersigned expects us to deal, and will act as if we are dealing, with it/him/her at arm's length and in our best interests.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

19. We have advised the undersigned and you to consult with your and their own advisors on the legal, financial, and other aspects of the Franchise Agreement, this document, the Community, any lease, sublease, or purchase contract for the site, and the business contemplated. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

20. Neither we nor our employees have provided the undersigned or you with services or advice that are legal, accounting, or other professional services or advice.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

21. We may communicate directly with your trade suppliers at any time during your operation of the Community and obtain from them any sales and purchasing information relating to their dealings with you.

**\*Insert initials into the following blank to confirm this statement:** \_\_\_\_\_

22. We may sell or transfer our assets, our trademarks, or the BrightStar System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, a recapitalization, a leveraged buy-out, or other economic or financial restructuring.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

23. Each of the undersigned understands that we have (or will have) agreements in place with our vendors that will prohibit them from doing business with the undersigned if our relationship with the undersigned ends for whatever reason. These restrictions are in place to protect the BrightStar System.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

24. Each of the undersigned understands that the Franchise Agreement contains termination damages provisions that apply in certain circumstances and acknowledges that those provisions are fair and reasonable.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

25. The statements made in this document supplement and are cumulative to statements, warranties, and representations made in other documents, such as the Franchise Agreement. The statements made in this document or the Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other.

**\*Insert initials into the following blank to confirm this statement: \_\_\_\_\_**

*[Signature Page Follows]*

Exhibit E-7

**FRANCHISEE (YOU):**

\_\_\_\_\_  
Print Name of Legal Entity

By: \_\_\_\_\_  
**Signature**

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

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

Date: \_\_\_\_\_

**Owners of your legal entity must sign below  
in their individual capacities.**

\_\_\_\_\_  
**Signature**

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

Date: \_\_\_\_\_

\_\_\_\_\_  
**Signature**

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

Date: \_\_\_\_\_

**EXHIBIT F**

**SPOUSAL / LIFE PARTNER CONSENT**

NOTE: THE SPOUSE / LIFE PARTNER OF EACH OWNER OF FRANCHISEE MUST SIGN THIS SPOUSAL / LIFE PARTNER CONSENT.

The individual(s) listed below represents to BrightStar Senior Living Franchising, LLC (“Company”) that each is the spouse (including common law spouse) or life partner of the individual(s) who is an owner of the franchisee entity (“you” or “your”) that has signed a Franchise Agreement with the Company dated \_\_\_\_\_.

In consideration of the Company’s grant to you of the rights under the Franchise Agreement, each of the individual spouses (including common law spouse) or life partners listed below agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves and their heirs, legal representatives, and assigns, that they and each of them:

1. must be firmly bound by all of the terms, provisions, and conditions in the Franchise Agreement;
2. unconditionally guarantee the full and timely performance by you of all of your obligations under the Franchise Agreement, including, without limitation, any of your indebtedness arising under or by virtue of the Franchise Agreement; and
3. agree to be bound by the non-competition covenants in the Franchise Agreement.

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

**EXHIBIT G**  
**CONDITIONAL ASSIGNMENT**  
**OF FRANCHISEE'S TELEPHONE NUMBERS**

1. \_\_\_\_\_, doing business at \_\_\_\_\_  
\_\_\_\_\_ (“Assignor”), in exchange for valuable consideration provided by BrightStar Senior Living Franchising, LLC (“Assignee”), receipt of which is hereby acknowledged, conditionally assigns to Assignee all telephone numbers and listings obtained and utilized by Assignor in operating the Communities under the Franchise Agreement between Assignor and Assignee.

2. The conditional agreement will become effective automatically upon termination or expiration of Assignor’s Franchise Agreement. Upon the occurrence of that condition, Assignor must do all things the telephone company requires to assure the effectiveness of this assignment of telephone numbers as if the Assignee had been originally issued such telephones, telephone numbers, and telephone listings.

3. Assignor agrees to pay the telephone company on or before the effective date of assignment all amounts owed for use of the telephone number(s), including, without limitation, Yellowpages.com advertising. Assignor further agrees to reimburse Assignee for any sums Assignee must pay the telephone company to effectuate this agreement and to cooperate with the telephone company and Assignee fully in effectuating this assignment.

ASSIGNOR:

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

Date: \_\_\_\_\_

ASSIGNEE:

BrightStar Senior Living Franchising, LLC

By: \_\_\_\_\_  
Name \_\_\_\_\_  
Title: \_\_\_\_\_

Exhibit G-1

## EXHIBIT H

### SITE SELECTION ADDENDUM

BrightStar Senior Living Franchising, LLC (“we”, “us”, or “our”) and \_\_\_\_\_ (“you”) have as of \_\_\_\_\_ (the “Effective Date”), entered into the Franchise Agreement (the “Franchise Agreement”) granting to you the right to construct, develop, and operate up to three BRIGHTSTAR CARE HOMES™ Communities providing various services for seniors and other individuals in need, including residential assisted living, memory care, and ancillary services (the “Communities”), and desire to supplement its terms, as set forth below. The parties therefore agree as follows:

1. Within one year (365 days) after the Effective Date (the “First Site Acquisition Deadline”), you must locate and secure, at your own expense, a site for the first Community to be constructed, developed, and operated under the Franchise Agreement, which site we will review and evaluate as provided below. The site for the first Community (as well as the sites for your second and third Communities permitted under the Franchise Agreement, if you choose to develop them) must be physically located within the following site selection area: *If you or your affiliate operates a BrightStar Care Agency, the Site Selection Area will match the franchisee’s “Protected Territory” under its BSC Franchise Agreement. If you or your affiliate does not operate a BrightStar Care Agency, the Site Selection Area will be defined by a collection of contiguous zip codes with a total combined population of approximately 200,000 to 300,000 people and then specifically described here.* (the “Site Selection Area”).

2. Your failure to obtain a site for your first Community by the First Site Acquisition Deadline will constitute a default under the Franchise Agreement and this Site Selection Addendum. Time is of the essence. The provisions below also will govern your selection of a site for the second and third Communities permitted under the Franchise Agreement if you choose to develop them.

3. Prior to your acquisition by lease or purchase of a site for the Community, you must submit to us, in the form we specify, such information or materials we may reasonably require regarding the proposed site. We will have fourteen (14) calendar days after receiving such information and materials from you to accept or reject the site as a location for the Community. No proposed site will be deemed accepted unless we have expressly accepted it in writing.

4. We will grant you access to the Operations Manual, which outlines such site selection guidelines we deem advisable as part of our evaluation of your request for site acceptance. We will not, however, provide on-site evaluation for any proposed site before we receive the information and materials required by Paragraph 3. We may, but are not obligated to, make one trip to your market at our own cost to visit sites you are considering for your Communities so that we can accept or not accept the sites. If we make more than one on-site evaluation, you must reimburse our reasonable expenses, including the costs of travel, lodging, and meals.

Exhibit H-1

5. If you will occupy the Community's premises under a lease, you must send us the lease for our written acceptance before you sign it. We will have fourteen (14) calendar days after receiving the lease to accept or reject it. Our acceptance will be conditioned upon your execution of a Collateral Assignment of Lease in the form we prescribe (a sample of which is attached to this Addendum, but which may change based on the site's circumstances) and the lease's inclusion of the following terms and conditions:

- That the initial term of the lease will be for a minimum of twenty years.
- That use of the premises be restricted solely to the operation of the Community;
- That you be prohibited from subleasing or assigning all or any part of your occupancy rights or extending the term of or renewing the lease without our prior written consent;
- That the lessor provides us copies of any and all notices of default given to you under the lease;
- That we (or our designee) have the right to enter the premises to make modifications necessary to protect the Licensed Marks or the System or to cure any default under the Agreement or under the lease;
- That we (or our designee) have the option, upon default, expiration, or termination of the Franchise Agreement or upon an early termination of the lease, and upon notice to the lessor, to assume all of your rights under the lease terms, including the right to assign or sublease.

6. You must give us a copy of the executed lease and Collateral Assignment of Lease within ten (10) days after signing them.

7. After we have accepted a site for the Community in writing and you have acquired the site by lease or purchase, the site will constitute the Community's Premises referred to in Section 1.1 of the Franchise Agreement and will be identified on Exhibit A to the Franchise Agreement.

8. You acknowledge and agree that our acceptance of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the site's suitability for a BRIGHTSTAR CARE HOMES™ Community or any other purpose. Our acceptance of the site indicates only that we believe the site complies with acceptable minimum criteria that we have established solely for our purposes as of the time of the evaluation. Both parties to this Agreement acknowledge that application of criteria that have been effective with respect to other sites and premises may not predict the potential for all sites and that, after our acceptance of a site, demographic and/or economic factors included in or excluded from our criteria could change, thereby altering the site's potential. Such factors are unpredictable and beyond our control. We will not be responsible for the failure of a site we accept to meet your expectations as to revenue or operational criteria. You further acknowledge and agree that your acceptance of a franchise for

Exhibit H-2

the BRIGHTSTAR CARE HOMES™ Communities granted by the Franchise Agreement is based on what is and will be your own independent investigation of the suitability of the sites for your Communities.

9. This Site Selection Addendum constitutes an integral part of the Agreement between the parties and will control the subject matter it addresses. Except as modified or supplemented by this Site Selection Addendum, the Franchise Agreement's terms are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the Effective Date.

FRANCHISOR (US):  
**BRIGHTSTAR FRANCHISING, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (YOU):  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

This instrument was prepared by  
and after recording return to:

[\_\_\_\_\_]

[\_\_\_\_\_]

[\_\_\_\_\_]

[\_\_\_\_\_]

### COLLATERAL ASSIGNMENT OF LEASE

This Collateral Assignment of Lease (this "Assignment") is made and entered into as of \_\_\_\_\_ by and among \_\_\_\_\_, a <\_\_\_\_\_> ("Landlord"), <\_\_\_\_\_> ("Assignor"), and **BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC**, an Illinois limited liability company ("BSLF"); and

In consideration of the mutual promises and covenants herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, the parties agree as follows:

1. The Assignor hereby assigns, transfers, and sets over unto BSLF all of Assignor's right, title, and interest as tenant in, to, and under that certain Lease Agreement dated <\_\_\_\_\_> and Rider to Lease Agreement dated concurrently herewith between Landlord and Assignor, as amended (with BSLF's consent) (collectively, the "Lease"), for certain real property located at <\_\_\_\_\_> and more particularly described on the attached **Exhibit A** (the "Premises"). This Assignment is for collateral purposes only and, except as specified herein, BSLF shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless BSLF shall exercise its rights by providing the BSLF Notice (as defined herein).

2. Assignor represents and warrants to BSLF that it has full power and authority to so assign the Lease and its interest therein, and Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, the Lease or any of its interest in the Lease or the Premises.

3. In the event (i) of any default by Assignor under the Lease which remains uncured after expiration of any applicable cure period; or (ii) that certain Franchise Agreement dated <\_\_\_\_\_> between BSLF and Assignor, including all amendments and renewals thereof (the "Franchise Agreement"), for a BRIGHTSTAR

Exhibit H-1-1

CARE HOMES Community to be located at Premises should, for any reason, be terminated or expire, BSLF shall have the right for a period of thirty (30) days after the event in (i) or (ii) herein to exercise its rights pursuant to this Assignment by providing written notice to Landlord and Assignor (“BSLF Notice”). If BSLF exercises its rights by providing the BSLF Notice: (a) BSLF shall thereupon become tenant under the Lease with all rights and obligations of tenant commencing upon, first accruing, and effective from and after the date of the BSLF Notice; (b) BSLF shall have the right to take possession of the Premises, expel Assignor therefrom without being guilty of trespass, forcible entry or detainer, or other tort; (c) Assignor shall have no further right, title, or interest in the Lease or the Premises; and (d) Assignor shall peaceably and promptly vacate the Premises and (subject to BSLF’s right to acquire any such property pursuant to the Franchise Agreement) remove its personal property therefrom and any property not removed or otherwise disposed of by the Assignor shall be deemed abandoned. Nothing in this Assignment shall restrict, limit, terminate, waive, or otherwise affect Landlord’s rights against Assignor.

4. In no event shall BSLF be or become liable for any liability or obligation of Assignor accruing or applicable to the period prior to the date of the BSLF Notice. All rents and other obligations under the Lease shall be prorated as of the date of the BSLF Notice. BSLF shall have no liability or obligation to the Landlord under the Lease unless and until it exercises its right by providing the BSLF Notice.

5. Assignor agrees it will not allow or permit any surrender, termination, amendment, or modification of the Lease which adversely affects the rights of BSLF under the Lease or this Assignment without the prior written consent of BSLF, which consent shall not be unreasonably withheld, conditioned, or delayed. Through the term of the Franchise Agreement and any renewals thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day on which such option must be exercised, unless BSLF otherwise agrees in writing. Upon BSLF’s failure to otherwise agree in writing, and upon Assignor’s failure to so extend or renew the Lease as stated herein, Assignor hereby appoints BSLF as its true and lawful attorney-in fact to exercise such extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting such extension or renewal.

6. Anything herein to the contrary notwithstanding, and without waiving any rights BSLF may have under the Franchise Agreement, in the event Assignor acquires fee simple title to the Premises during the term or any extension of the Lease, Assignor shall enter into an option agreement with BSLF (utilizing BSLF’s then-current form) granting BSLF the right to lease the Premises on the same terms as the Lease in the event Assignor ceases to own the Premises or the Franchise Agreement should for any reason be terminated or expire.

7. Landlord consents to this Assignment and agrees to recognize BSLF as tenant under the Lease upon exercising the rights in favor of BSLF as set forth in this Assignment and in the Lease.

8. All notices (including the BSLF Notice) shall be deemed sufficient and properly given in writing (except as otherwise expressly provided herein) if delivered by one of the following methods: (i) by personal delivery or by a reputable delivery service at the street address specified below, or (ii) by first-class, registered or certified mail, postage prepaid, to the post office

Exhibit H-1-2

box specified below or to the street address if no post office box is given. The hand delivery address and mailing address for receipt of notice or other documents by such parties are as follows:

If to Landlord: < \_\_\_\_\_ >  
< \_\_\_\_\_ >  
< \_\_\_\_\_ >  
Attention: < \_\_\_\_\_ >

If to Assignor: < \_\_\_\_\_ >  
< \_\_\_\_\_ >  
< \_\_\_\_\_ >  
Attention: < \_\_\_\_\_ >

If to BSLF: BrightStar Senior Living Franchising LLC  
1125 Tri-State Parkway, Suite 700  
Gurnee, Illinois 60031  
Attention: CEO

Any of the above-mentioned parties may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. Any notice hereunder signed on behalf of the notifying party by its identified attorney-at-law shall be valid and effective to the same extent as if signed by such party. Any notice or other communications shall be deemed delivered when actually delivered to the address of the party to whom directed or, if sent by mail, three (3) days after such notice or document is deposited in the United States mail, as provided above.

9. Time is of the essence.

10. This Assignment shall inure to the benefit of and be binding upon their respective heirs, successors, representatives, and permitted assigns.

11. This Assignment shall be governed by, and construed in accordance with, the laws of the state in which the Premises are located.

*[Signature Page Follows]*

Exhibit H-1-3

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Assignment on the day and year first above written.

LANDLORD:

<\_\_\_\_\_>

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

Name: \_\_\_\_\_

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

State of \_\_\_\_\_

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this <\_\_\_\_\_>  
by \_\_\_\_\_ (name), \_\_\_\_\_ (title) of  
<\_\_\_\_\_>, on behalf of the company.

\_\_\_\_\_

(SEAL)

Notary Public

My commission expires:

Exhibit H-1-4

ASSIGNOR:

<\_\_\_\_\_>

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

Name: \_\_\_\_\_

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

State of \_\_\_\_\_

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
<\_\_\_\_\_> by \_\_\_\_\_, \_\_\_\_\_ of  
<\_\_\_\_\_>, on behalf of the company.

\_\_\_\_\_

(SEAL)

Notary Public

My commission expires:

Exhibit H-1-5

BSLF:

**BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC**

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

Name: \_\_\_\_\_

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

State of \_\_\_\_\_

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
<\_\_\_\_\_> by \_\_\_\_\_, \_\_\_\_\_ of **BRIGHTSTAR**  
**SENIOR LIVING FRANCHISING, LLC**, on behalf of the company.

\_\_\_\_\_

(SEAL)

Notary Public

My commission expires:

**EXHIBIT A**

**TO COLLATERAL ASSIGNMENT OF LEASE**

**LEGAL DESCRIPTION OF THE PREMISES**

Exhibit H-1-7

**EXHIBIT I**

**FRANCHISOR AND FRANCHISEE ACKNOWLEDGMENTS**

We and you acknowledge the following:

You will be a corporation owned initially in majority by that corporation's 401(k) plan and in minority by \_\_\_\_\_ in (their/his/her) individual legal capacity. The 401(k) plan will not be a guarantor of franchise royalty payments or any other payment obligations under the Franchise Agreement. This does not relieve \_\_\_\_\_ in (their/his/her) individual legal capacity from (their/his/her) obligation to personally guarantee performance under the Franchise Agreement.

Additionally, \_\_\_\_\_ will be treated as the Control Person for purposes of operational obligations, training requirements, or other provisions in the Franchise Agreement requiring performance of the "Control Person," since instead the majority shareholder will at least initially be the corporation's 401(k) plan. The mix of 401(k) and individual ownership outlined in the above paragraph will be permitted under the Franchise Agreement.

Finally, transfer fee provisions and restrictions contained in the Franchise Agreement will not apply to redemptions of stock by the corporation that is initially held by the 401(k) plan. The purpose of this paragraph is to permit \_\_\_\_\_ to cause the corporation to redeem stock from the 401(k) so that (they/he/she) will eventually own and control 100% of the stock in (their/his/her) individual legal capacity.

This Acknowledgment supersedes any contradictory provisions in the Franchise Agreement or any modifications to that Agreement and is incorporated into the Franchise Agreement in its entirety. It does not change the enforceability of the Franchise Agreement in any manner against \_\_\_\_\_ acting in (their/his/her) individual legal capacity in using (their/his/her) own assets to guarantee performance under the Franchise Agreement.

**BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC (US)**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE (YOU):**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Exhibit I-1

**EXHIBIT J**  
**BUSINESS ASSOCIATE AGREEMENT**

Exhibit J-1

## BUSINESS ASSOCIATE AND CONFIDENTIALITY AGREEMENT

\_\_\_\_\_ (“Covered Entity”) and BrightStar Senior Living Franchising, LLC (“BrightStar” or “Business Associate”) hereby enter into this Agreement, effective as of Effective Date of the Franchise Agreement (the “Effective Date”).

### **Recitals**

A. BrightStar arranges for certain products and services (the “Services”) as a franchisor to Covered Entity as a franchisee, as set forth in the BrightStar Senior Living Franchising BRIGHTSTAR CARE HOMES™ Community Franchise Agreement between Covered Entity and BrightStar (“Franchise Agreement”).

B. The Parties’ performance under the Franchise Agreement may or will require Covered Entity to disclose and/or provide to Business Associate private and/or protected health and/or medical information as defined under, and governed by, applicable state law and Individually Identifiable Health Information and/or Electronic Protected Health Information as defined in the Health Insurance Portability and Accountability Act (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act (“HITECH”), and/or regulations promulgated under such laws (state law, HIPAA, and HITECH are hereafter referred to collectively as “Privacy Laws”) and may or will require BrightStar to receive, access, review, maintain, retain, modify, record, store, forward, produce, hold, use, create, disclose, and/or destroy such information (the “PHI”).

C. BrightStar’s performance of the Services may give rise to certain legal obligations under Privacy Laws and BrightStar may be considered a “business associate” and franchisee may be a “covered entity” as those terms are defined in 45 C.F.R. § 160.103. This Agreement will not apply to relationships between the parties where BrightStar is not considered a “business associate” as defined in 45 C.F.R. 160.103.

Accordingly, the parties hereto (“Parties”) agree to the terms and conditions set forth below:

### **Terms of Agreement**

1. Performance and Compliance with Law. The Parties will work together in good faith to determine applicability of Privacy Laws, to comply with applicable Privacy Laws, and to amend this Agreement as necessary for Covered Entity and Business Associate to comply with applicable Privacy Laws, as modified and/or supplemented from time to time.

2. Interpretation. Any ambiguity herein must be resolved in favor of a meaning that permits both Covered Entity and Business Associate to comply with applicable Privacy Laws, consistent with the Franchise Agreement. Terms that are not otherwise defined herein shall have the meanings given to them by HIPAA, the HITECH Act, and their implementing regulations.

Exhibit J-2

3. Privileges and Protections. This Agreement does not constitute or evidence a waiver of, nor does it amend, the attorney-client privilege, the attorney work-product doctrine, and/or any other applicable privileges or protections.

4. Business Associate's Obligations.

4.1 Handling of the PHI and Safeguards. Business Associate agrees to prevent access, use and/or disclosure of PHI other than as permitted or required by this Agreement and/or applicable Privacy Laws, and will implement and use, at all times, appropriate administrative, physical and technical safeguards to (i) prevent access, use or disclosure of PHI other than as permitted by this Agreement and/or Privacy Laws; and (ii) reasonably and appropriately protect the confidentiality, integrity, security, and availability of PHI.

4.2 Minimum Necessary Use and Disclosure. Business Associate will determine the amount of PHI necessary for performance of the Services and will make reasonable efforts to limit the receipt, use, and disclosure of PHI to the minimum necessary as required by the Privacy Laws.

4.3 Data Aggregation and De-identification. Business Associate may use PHI to aggregate information to provide reports regarding health care operations to Covered Entity. The parties agree that Business Associate may de-identify PHI as defined by and in compliance with Privacy Laws and may use such de-identified information as permitted by applicable law.

4.4 Management and Administration. Business Associate may use and disclose PHI for management and administrative purposes. In doing so, Business Associate will comply with all applicable Privacy Laws and with Covered Entity's obligations under subpart E of 45 CFR Part 164.

4.5 Disclosures to Subcontractors and/or Third Parties. Business Associate shall ensure that all representatives, subcontractors, persons and/or entities (other than entities that are merely conduits) to whom Business Associate discloses or provides the PHI execute a written Business Associate Agreement, as required under the Privacy Laws, in which such third persons and/or entities expressly agree to the same restrictions and conditions that apply to Business Associate hereunder, as applicable. If a Business Associate Agreement is not required by the Privacy Laws, Business Associate shall obtain reasonable assurances from all persons and entities who have access to or are recipients of the PHI that: (i) the PHI will be held confidential and used or further disclosed only as required by law or for the purposes for which it was disclosed to the third party; and (ii) the third party will promptly notify Business Associate of any Compromise of PHI, and Business Associate will, in turn, notify Covered Entity.

4.6 Access to, or Amendment of, PHI. If Business Associate maintains any PHI in a Designated Record Set on behalf of Covered Entity, Business Associate agrees:

- (a) to provide access to the PHI in a Designated Record Set to authorized individuals as required by Privacy Laws and in the time, manner, and

Exhibit J-3

format designated by such individuals to the extent required by Privacy Laws; and

- (b) to make any amendment(s) to PHI in a Designated Record Set as requested by Covered Entity and/or authorized individuals pursuant to 45 C.F.R. § 164.526.

4.7 Restrictions on PHI. Business Associate will comply with any patient restrictions on the Use and Disclosure of PHI requested by Covered Entity under Section 5.3 below.

4.8 Accounting of PHI Disclosures. Business Associate will document and report to Covered Entity all disclosures of PHI that are required for Covered Entity to provide an accounting under 45 C.F.R. § 164.528 and/or the Privacy Laws. If an individual contacts Business Associate directly for such an accounting, Business Associate will direct the individual to contact Covered Entity.

4.9 Reporting of Violations and Security Incidents. Business Associate will promptly report to Covered Entity any impermissible use or disclosure under Privacy Laws of which it becomes aware that Compromises the security or privacy of the PHI (“Breach”). Business Associate will include in the report of Breach the following information if known or can be reasonably obtained:

- (a) Contact information for individuals who may be impacted by the Breach;
- (b) The date of Breach and a brief description of the circumstances surrounding the Breach;
- (c) A description of the type of information involved; and
- (d) What Business Associate is doing to investigate the Breach and mitigate harm to individuals.

In addition, Business Associate will report attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system that does not Compromise the security or privacy of the PHI (“Security Incidents”). Business Associate will identify and respond internally to suspected or known Security Incidents, and will mitigate, to the extent practicable, their harmful effects, document their outcomes, and provide such documentation to Covered Entity upon request. Notice is hereby deemed provided, and no further notice will be given, with respect to routine unsuccessful attempts at unauthorized access to the PHI such as pings and other broadcast attacks on firewalls, denial of service attacks, failed login attempts, and port scans.

The parties will meet and confer in good faith before notifying affected individuals, government agencies, and/or commencing any legal action regarding any suspected or actual Breach or Security Incident and/or breach of this Agreement and shall comply with applicable

Exhibit J-4

Privacy Laws regarding the need for and nature of any notification of individuals or reporting to government agencies.

4.10 Mitigation and Notification. Mitigation efforts by Business Associate shall not require Business Associate to pay the costs of credit monitoring or other similar credit protection services unless required by law. Business Associate will not be responsible for notifying individuals of a Breach and will not be responsible for any notification costs.

4.11 Audits and Inspections. Business Associate will make its internal practices, books, and such records as are not protected by applicable legal privilege or work product protection relating to the use, disclosure, and/or compromise of PHI available to Covered Entity to determine compliance with applicable Privacy Laws and this Agreement, and to the Secretary of the United States, Department of Health and Human Services and/or other authorized lawful authority as required by law or authorized by Covered Entity in writing.

4.12 Prohibition on Sale of PHI and use of PHI for Marketing. Business Associate will not directly or indirectly receive remuneration in exchange for any PHI and will not use or disclose PHI for Fundraising and/or Marketing purposes, except with prior written consent of Covered Entity and in accordance with applicable Privacy Laws.

## 5. Covered Entity's Obligations.

5.1 HIPAA Compliance. Covered Entity agrees that it will comply with Privacy Laws, including, but not limited to, using appropriate safeguards to protect the privacy, security, and integrity of electronic PHI and training workforce members on the appropriate use of the property management and other electronic information systems BrightStar's Franchise Agreement requires Covered Entity to use in its operations.

5.2 Notice of Privacy Practices. Covered Entity is responsible for using the services of Business Associate in accordance with its Notice of Privacy Practices (NPP). Covered Entity will provide a copy of its NPP to Business Associate upon request.

5.3 Restrictions and Revocations. Covered Entity will promptly notify Business Associate in writing of any patient-requested restrictions, changes to, or revocation of consent and/or authorization to use and/or disclose PHI that may affect Business Associate's ability to perform its obligations under this Agreement or the Franchise Agreement.

5.4 Compliant Requests. Covered Entity will not request or cause Business Associate to make a Use or Disclosure of PHI in a manner that does not comply with Privacy Laws.

5.5 Authorizations. Covered Entity will obtain all consents and authorizations necessary and/or required by law for Covered Entity and Business Associate to fulfill their obligations under applicable Privacy Laws and this Agreement.

## Exhibit J-5

5.6 Accounting of PHI Disclosures. Covered Entity will include in individual accountings requested under the Privacy Laws, including without limitation, 45 C.F.R. § 164.528, any disclosures by Business Associate, to the extent such disclosures are made.

5.7 Meet and Confer. Upon any suspected or actual Breach, unauthorized disclosure of the PHI or breach of this Agreement, Covered Entity will meet and confer in good faith with Business Associate before notifying affected individuals, government agencies, and/or commencing any legal action.

## 6. Term and Termination.

6.1 Term. The term of this Agreement will commence upon receipt by Business Associate of any PHI, or the date set forth below, whichever is earlier, and will terminate upon discharge of Business Associate's obligations under the Franchise Agreement and this Agreement, including the obligations set forth in Section 6.3 below, and/or performance of the Services.

6.2 Effects of Termination. Covered Entity acknowledges that due to the relationship with Business Associate, it will not be feasible for Business Associate to return or destroy PHI after the termination of the Franchise Agreement. Business Associate will continue to extend the protections of this Agreement to PHI and limit further Uses and Disclosures of such PHI to those purposes that make the return or destruction infeasible or contrary to the Privacy Laws, for so long as Business Associate maintains such PHI.

6.3 Breach. If either party hereto breaches its obligations under this Agreement, the non-breaching party will provide the other with notice and a thirty (30) day period to cure the breach. If the breaching party fails to cure the breach or cure is not possible within thirty (30) days, the non-breaching party may terminate this Agreement immediately upon written notice and without further legal action or declaration.

## 7. Miscellaneous.

7.1 Entire Agreement. This Agreement and the Franchise Agreement, the consistent terms of which are incorporated herein, constitute the entire agreement between the Parties and supersede all prior negotiations, discussions, representations, or proposals, whether oral or written, unless expressly incorporated herein, related to the subject matter of this Agreement. Unless otherwise expressly provided herein, this Agreement may not be modified unless in writing signed by the duly authorized representatives of the parties.

7.2 Severability. If any provision of this Agreement or part thereof is found to be invalid, the remaining provisions will remain in full force and effect.

7.3 Waiver. Any failure of a party to insist upon strict compliance with any term, undertaking, or condition of this Agreement will not be deemed to be a waiver of such term, undertaking, or condition. To be effective, a waiver must be in writing, signed and dated by the parties to this Agreement.

Exhibit J-6

7.4 No Third-Party Beneficiaries. Except as otherwise provided in the Privacy Laws or this Agreement, there are no third-party beneficiaries to this Agreement. Business Associate's obligations are to Covered Entity only.

7.5 Successors and Assigns. This Agreement will inure to the benefit of, and be binding upon, the successors and assigns of the parties. However, this Agreement is not assignable by any party without the prior written consent of the other parties.

7.6 Dispute Resolution. If at any time during or after the term of this Agreement either party hereto believes that a dispute exists between them, then the parties agree that they shall follow the Dispute Resolution process outlined in the Franchise Agreement.

7.7 Counterparts. This Agreement may be executed in counterparts, by manual, electronic, or facsimile signature, each of which will be deemed an original and all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF the undersigned duly authorized representatives of the parties hereby execute this Business Associate Agreement as of \_\_\_\_\_.

**COVERED ENTITY:**

**BUSINESS ASSOCIATE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT K**  
**CONTROL PERSON ADDENDUM**

Exhibit K-1

**EXHIBIT K  
CONTROL PERSON ADDENDUM**

1. Control Person. One of your owners must be the Control Person. We require that your Communities at all times be under your designated Control Person's direct supervision. You represent and warrant to us that the following person, and only the following person, is the Control Person:

<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
-------------	--------------	----------------

---

2. Control Person's Responsibilities. Your Control Person must meet our standards and requirements and must have successfully completed the BRIGHTSTAR CARE HOMES™ Community initial training program. Your Control Person is the individual who has the authority to actively direct your business affairs regarding the Communities, is responsible for overseeing the general management of the Communities, and has authority to sign all contracts. You must seek our approval if you want the Control Person to be someone other than your owner during the franchise term. Prior to there being any change to your designated Control Person, you must give us advance written notice of this change, and we must confirm that your proposed replacement Control Person meets our then-current Control Person standards and requirements.

2. Default of the Agreement. You will be in default under the Franchise Agreement if any of the following occurs: (i) at any time during the Franchise Agreement's term, your Communities are not under the designated Control Person's direct supervision, (ii) you designate a replacement Control Person without first providing us with advance written notice of this change and we do not approve the change, or (iii) any replacement Control Person does not meet our then-current Control Person standards and requirements. Upon any of these occurrences, we have the right, after giving you advance written notice of the default and a 15-day opportunity to cure the default, to terminate the Franchise Agreement.

FRANCHISOR:  
**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC (US)**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE (YOU):

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE DISCLOSURE  
DOCUMENT**

**OPERATIONS MANUAL TABLE OF CONTENTS**

**OUR OPERATIONS MANUAL CONTAINS A TOTAL OF 395 PAGES AND COVERS  
THE FOLLOWING TOPICS:**

**TABLE OF CONTENTS**



# Table of Contents

<b>Brightstar Care Homes Brand Promise .....</b>	<b>1</b>
<b>Our Core Values .....</b>	<b>2</b>
<b>BRIGHTSTAR CARE HOMES Positioning Statement. ....</b>	<b>3</b>
<b>Welcome Letter.....</b>	<b>4</b>
<b>History of BrightStar.....</b>	<b>6</b>
<b>BRIGHTSTAR CARE HOMES Services Provided</b>	
<b>Advertising Materials &amp; Sales Aids .....</b>	<b>7</b>
<b>Approved Suppliers .....</b>	<b>7</b>
<b>Franchisee Councils .....</b>	<b>7</b>
<b>Initial Training.....</b>	<b>8</b>
<b>Ongoing Research &amp; Development.....</b>	<b>9</b>
<b>Ongoing Training &amp; Support .....</b>	<b>9</b>
<b>Site Selection.....</b>	<b>9</b>
<b>Use of Trademarks.....</b>	<b>10</b>
<b>BRIGHTSTAR CARE HOMES Franchisee Responsibilities.....</b>	<b>11</b>
<b>Responsibilities to Your Residents &amp; Residents' Families .....</b>	<b>11</b>
<b>Responsibilities to Your Employees .....</b>	<b>12</b>
<b>Responsibilities to Fellow Franchisees.....</b>	<b>13</b>
<b>Responsibilities to the Franchisor.....</b>	<b>13</b>
<b>Glossary .....</b>	<b>14</b>
<b>Visits from the Support Center.....</b>	<b>15</b>
<b>Paying Fees.....</b>	<b>16</b>

# Table of Contents

<b>Project Plan .....</b>	<b>1</b>
<b>Establishment of Business Form.....</b>	<b>3</b>
<b>Developing Your Community .....</b>	<b>4</b>
<b>Site Selection Criteria ◀ .....</b>	<b>4</b>
<b>Market Area Analysis ◀ .....</b>	<b>9</b>
<b>Competitive Analysis ◀ .....</b>	<b>13</b>
<b>Identifying Your Local Competition ◀ .....</b>	<b>14</b>
<b>Research Your Competition ◀ .....</b>	<b>14</b>
<b>Hit the Phones ◀ .....</b>	<b>16</b>
<b>Review the Results ◀ .....</b>	<b>16</b>
<b>Obtaining the Site ◀ .....</b>	<b>17</b>
<b>Building Out the Community .....</b>	<b>19</b>
<b>Construction Criteria ◀ .....</b>	<b>20</b>
<b>Working with an Architect ◀ .....</b>	<b>20</b>
<b>Selecting a Contractor ◀ .....</b>	<b>21</b>
<b>Reviewing Bids ◀ .....</b>	<b>23</b>
<b>Selecting the Contractor ◀ .....</b>	<b>23</b>
<b>Construction Phase ◀ .....</b>	<b>24</b>
<b>Communicating with the Support Center During Construction ◀ .....</b>	<b>25</b>
<b>Working with your Contractor to Stay On-Schedule ◀ .....</b>	<b>25</b>

<b>Approving “Change Orders” ◀.....</b>	<b>27</b>
<b>Key Equipment Arrives During Construction ◀ .....</b>	<b>27</b>
<b>Finish Miscellaneous Projects ◀ .....</b>	<b>27</b>
<b>Municipal Inspection ◀ .....</b>	<b>31</b>
<b>Final Review by Support Center ◀.....</b>	<b>31</b>
<b>Determination of Punch List ◀.....</b>	<b>31</b>
<b>Final Municipal Inspection ◀ .....</b>	<b>32</b>
<b>Permit of Occupancy ◀ .....</b>	<b>32</b>
<b>Warranty Walk-Thru ◀ .....</b>	<b>33</b>
<b>Required List of Fixtures, Furniture, and Equipment.....</b>	<b>34</b>
<b>Initial Inventory .....</b>	<b>35</b>
<b>Contracting with Required Utilities &amp; Services.....</b>	<b>36</b>
<b>Obtaining Required Licenses, Certifications, &amp; Permits .....</b>	<b>39</b>
<b>Setting Up Bank Accounts ◀ .....</b>	<b>42</b>
<b>Accounts to Open ◀ .....</b>	<b>42</b>
<b>Procuring Required Insurance Policies.....</b>	<b>43</b>
<b>Meeting Your Tax Obligations.....</b>	<b>46</b>
<b>Meeting your Tax Obligations Employer Identification Number ◀ ....</b>	<b>46</b>
<b>Federal Taxes ◀ .....</b>	<b>46</b>
<b>State Taxes ◀ .....</b>	<b>47</b>
<b>Property Taxes ◀ .....</b>	<b>47</b>
<b>Conducting Your Grand Opening ◀ .....</b>	<b>49</b>
<b>Planning ◀ .....</b>	<b>49</b>

# Table of Contents

<b>EEOC GUIDELINES IN HIRING EMPLOYEES.....</b>	<b>1</b>
Employers Covered by EEOC-Enforced Laws ◀.....	1
How Employees Are Counted ◀.....	2
Record Keeping Requirements ◀.....	2
Reporting Requirements ◀.....	3
Charge Processing Procedures ◀.....	3
Mediation ◀.....	4
Remedies ◀.....	4
Regulatory Enforcement Fairness Act ◀.....	4
Technical Assistance ◀.....	5
Informal Guidance ◀.....	5
Publications ◀.....	5
<b>LAWS REGARDING HARASSMENT .....</b>	<b>6</b>
Sexual Harassment ◀.....	6
Racial & Ethnic Harassment ◀.....	7
Pregnancy Discrimination ◀.....	7
Religious Accommodation ◀.....	7
<b>IMMIGRATION REFORM/CONTROL ACT .....</b>	<b>8</b>
<b>AMERICANS WITH DISABILITIES ACT (ADA) .....</b>	<b>9</b>
<b>WAGE AND LABOR LAWS .....</b>	<b>12</b>
<b>OSHA COMPLIANCE.....</b>	<b>17</b>
OSHA Requirements ◀.....	17
Small Business Employers ◀.....	17
Contact Information ◀.....	18
<b>PROFILE OF THE IDEAL BRIGHTSTAR SENIOR LIVING</b>	
EMPLOYEE.....	19
JOB DESCRIPTIONS .....	24
DELEGATING RESPONSIBILITY .....	25
RECRUITING EMPLOYEES.....	26
Determining Hiring Needs ◀.....	27
Getting the Word Out ◀.....	27
Prescreening ◀.....	28

<b>Pre-Screening ◀</b> .....	<b>29</b>
<b>THE INTERVIEW PROCESS</b> .....	<b>31</b>
<b>Interviewing Techniques ◀</b> .....	<b>34</b>
<b>Conducting the Interview ◀</b> .....	<b>36</b>
<b>Second Interview ◀</b> .....	<b>42</b>
<b>Testing Procedures ◀</b> .....	<b>43</b>
<b>Reference Check Procedures ◀</b> .....	<b>44</b>
<b>Background Checks ◀</b> .....	<b>44</b>
<b>Drug Screening ◀</b> .....	<b>45</b>
<b>Certification Verification ◀</b> .....	<b>45</b>
<b>Job Offer ◀</b> .....	<b>46</b>
<b>HIRING ON A PROBATIONARY PERIOD</b> .....	<b>47</b>
<b>EMPLOYEE ONBOARDING</b> .....	<b>48</b>
<b>Completing New Hire Paperwork ◀</b> .....	<b>48</b>
<b>Policies, Procedures, &amp; Benefits ◀</b> .....	<b>50</b>
<b>Overview of Operation ◀</b> .....	<b>50</b>
<b>Job Specific Orientation ◀</b> .....	<b>50</b>
<b>New Employee TouchPoints ◀</b> .....	<b>51</b>
<b>TRAINING EMPLOYEES</b> .....	<b>52</b>
<b>Training Tips ◀</b> .....	<b>52</b>
<b>Initial Training / Orientation of New Employees ◀</b> .....	<b>53</b>
<b>Use of Training Quizzes, Tests, &amp; Certification ◀</b> .....	<b>55</b>
<b>Ongoing Training ◀</b> .....	<b>55</b>
<b>DEVELOPING PERSONNEL POLICIES</b> .....	<b>57</b>
<b>TIME TRACKING PROCEDURES</b> .....	<b>61</b>
<b>UNIFORM &amp; DRESS CODE</b> .....	<b>62</b>
<b>CONDUCTING PERFORMANCE EVALUATIONS</b> .....	<b>65</b>
<b>Evaluation Process ◀</b> .....	<b>66</b>
<b>Employee Satisfaction ◀</b> .....	<b>67</b>
<b>PROGRESSIVE DISCIPLINE PROCEDURES</b> .....	<b>68</b>
<b>SEPARATION/TERMINATION PROCEDURES</b> .....	<b>71</b>
<b>Termination ◀</b> .....	<b>71</b>
<b>Resignation ◀</b> .....	<b>74</b>

# Table of Contents

<b>LEAD/REFERRAL GENERATION PROCEDURES .....</b>	<b>1</b>
Referral Sources .....	1
The Adult Child .....	7
The Resident .....	8
<b>SCHEDULING APPOINTMENTS.....</b>	<b>11</b>
<b>OVERVIEW OF THE BRIGHTSTAR SENIOR LIVING</b>	
<b>SALES PROCESS.....</b>	<b>13</b>
Selling Points .....	14
Resident Groups Served .....	16
Goals and Services at our Community ◀.....	17
Preparing for the Sales Appointment ◀.....	18
<b>The BrightStar Senior Living Sales</b>	
Presentation ◀ .....	23
BrightStar Star Senior Living Tour ◀ .....	24
Touring with the Adult Child ◀.....	37
Assessing Needs and Qualification ◀.....	39
Frequently Asked Questions ◀ .....	41
Presenting the Cost ◀.....	44
Overcoming Typical Objections ◀ .....	45
Closing Procedures ◀.....	46
<b>SALES MANAGEMENT PROCEDURES .....</b>	<b>48</b>
Sales-Tracking Logs ◀ .....	48
Using a Lead-Tracking System ◀.....	48
Generating Prospect Management Reports ◀.....	49

# Table of Contents

<b>USE OF TECHNOLOGY</b> .....	1
<b>Yardi Software System</b> ◀.....	1
<b>iPod Touch</b> ◀.....	1
<b>ADMISSION OF A RESIDENT</b> .....	2
<b>Admission Procedures</b> ◀.....	2
<b>Rates</b> ◀.....	5
<b>Setting Up Payment Method</b> ◀.....	5
<b>Initial Assessment</b> ◀.....	5
<b>Care Levels</b> ◀.....	6
<b>Interpretive Guidelines</b> ◀.....	10
<b>Communication of Rules of the House</b> ◀.....	29
<b>Scheduling Move-In</b> ◀.....	29
<b>HIPAA Requirements</b> ◀.....	30
<b>RESIDENT FILE MANAGEMENT/CHART AUDIT</b> .....	31
<b>Resident Charts</b> ◀.....	32
<b>Chart Audit</b> ◀.....	34
<b>MANAGING PERSONNEL</b> .....	35
<b>Creating Culture</b> .....	35
<b>Registered Nurse Oversight</b> .....	36
<b>Scheduling Employees</b> ◀.....	36
<b>Communicating with Employees</b> ◀.....	37
<b>Hosting Team Member Meetings</b> ◀.....	38
<b>Weekly Leadership Meetings</b> ◀.....	38
<b>Administrator and Franchisee Meetings</b> ◀.....	39
<b>Motivating Employees</b> ◀.....	41
<b>COMMUNITY RECORD MANAGEMENT</b> .....	43
<b>Licensure &amp; Permits</b> ◀.....	43
<b>Community Maintenance Records</b> ◀.....	45
<b>GENERATING REPORTS</b> .....	46
<b>Reports</b> ◀.....	46

<b>BILLING PROCEDURES</b> .....	<b>48</b>
<b>Respite Care Billing</b> ◀ .....	<b>49</b>
<b>Additional Fees</b> ◀ .....	<b>49</b>
<b>Collection Procedures</b> ◀ .....	<b>50</b>
<b>INVENTORY MANAGEMENT</b> .....	<b>51</b>
<b>Ordering Products</b> ◀ .....	<b>51</b>
<b>Vendor Selection</b> ◀ .....	<b>52</b>
<b>Receiving Procedures</b> ◀ .....	<b>52</b>
<b>Conducting Physical Inventory</b> ◀ .....	<b>53</b>
<b>FRANCHISE REPORTING REQUIREMENTS</b> .....	<b>54</b>
<b>Royalty Payment</b> ◀ .....	<b>54</b>
<b>Making Your Advertising Contributions</b> ◀ .....	<b>54</b>
<b>Financial Statements</b> ◀ .....	<b>55</b>

# Table of Contents

<b>HOURS OF OPERATION</b> .....	<b>1</b>
<b>RESIDENT SERVICE PROCEDURES</b> .....	<b>2</b>
<b>Resident Service Philosophy</b> ◀ .....	<b>2</b>
<b>Connecting with Residents</b> ◀ .....	<b>5</b>
<b>BrightStar 24/7/30</b> ◀ .....	<b>9</b>
<b>Leadership On-Duty</b> ◀ .....	<b>10</b>
<b>Retention Techniques</b> ◀ .....	<b>10</b>
<b>Resident Survey</b> ◀ .....	<b>12</b>
<b>Quality Assurance Program</b> ◀.....	<b>12</b>
<b>Telephone Answering Procedures / Telephone Etiquette</b> ◀.....	<b>15</b>
<b>Handling Complaints / Grievance Procedure</b> ◀ .....	<b>16</b>
<b>COMMUNITY BULLETIN BOARD</b> .....	<b>18</b>
<b>DAILY PROCEDURES</b> .....	<b>19</b>
<b>Shift Change</b> ◀ .....	<b>19</b>
<b>RECEPTION PROCEDURES</b> .....	<b>20</b>
<b>INTERACTING / WORKING WITH RESIDENTS</b> .....	<b>21</b>
<b>RESIDENT SERVICES MANUAL &amp; CLINICAL GUIDELINES</b> .....	<b>23</b>
<b>RESIDENT RECORD, CHARTING, AND ASSESSMENTS</b> .....	<b>24</b>
<b>Resident Charting</b> ◀.....	<b>25</b>
<b>Weights &amp; Vital Signs Documentation</b> ◀ .....	<b>26</b>
<b>Calibration of Blood Sugar Monitors</b> ◀ .....	<b>26</b>
<b>Input &amp; Output Monitoring</b> ◀.....	<b>26</b>
<b>Care Connection Meeting</b> ◀ .....	<b>26</b>
<b>RESIDENT AT RISK</b> .....	<b>29</b>
<b>Nutrition at Risk (NAR)</b> ◀ .....	<b>31</b>
<b>RESIDENT MOVING PROCEDURES</b> .....	<b>50</b>
<b>Move-In Procedures</b> ◀ .....	<b>50</b>
<b>Move-Out Procedures</b> ◀ .....	<b>52</b>
<b>LIFE ENRICHMENT PROGRAMS</b> .....	<b>53</b>

<b>Life Enrichment Brand Standards</b> ◀ .....	<b>55</b>
<b>Program Schedule</b> ◀ .....	<b>56</b>
<b>Physical Activities</b> ◀ .....	<b>56</b>
<b>Social Activities</b> ◀ .....	<b>56</b>
<b>Intellectual Programming</b> ◀ .....	<b>57</b>
<b>It Is Never 2 Late (iN2L)</b> ◀ .....	<b>57</b>
<b>Active Programming</b> ◀ .....	<b>58</b>
<b>Creative Programming</b> ◀ .....	<b>58</b>
<b>Spiritual Enrichment</b> ◀ .....	<b>58</b>
<b>Remembrance Event</b> ◀ .....	<b>59</b>
<b>Coordinating &amp; Scheduling Activities</b> ◀ .....	<b>59</b>
<b>Resident Advisory Committee</b> ◀ .....	<b>60</b>
<b>Resident Council</b> ◀ .....	<b>60</b>
<b>HOUSEKEEPING PROCEDURES</b> .....	<b>62</b>
<b>Housekeeping Standards</b> ◀ .....	<b>62</b>
<b>Required Cleaning</b> ◀ .....	<b>63</b>
<b>Proper Cleaning of a Room, Common Area &amp; Restrooms</b> ◀ .....	<b>63</b>
<b>Laundry Procedures</b> ◀ .....	<b>64</b>
<b>Safety Rules</b> ◀ .....	<b>66</b>
<b>Health &amp; Safety</b> ◀ .....	<b>68</b>
<b>OUTSIDE PROVIDER SERVICES</b> .....	<b>69</b>
<b>RESIDENT SECURITY &amp; SAFETY INSPECTION</b> .....	<b>71</b>
<b>Abuse, Neglect &amp; Exploitation Prevention</b> ◀ .....	<b>71</b>
<b>Reportable Events</b> ◀ .....	<b>74</b>
<b>Fall Prevention</b> ◀ .....	<b>78</b>
<b>Incident Investigation &amp; Reporting</b> ◀ .....	<b>79</b>
<b>Medication Incident Reporting</b> ◀ .....	<b>81</b>
<b>Abuse, Neglect &amp; Exploitation Reporting</b> ◀ .....	<b>81</b>
<b>Emergency Care / Do Not Resuscitate (DNR) Orders</b> ◀ .....	<b>83</b>
<b>Hospice Policy</b> ◀ .....	<b>84</b>
<b>Interacting with a Resident's Physician</b> ◀ .....	<b>85</b>
<b>Elopement</b> ◀ .....	<b>86</b>
<b>Handling Significant Changes in Resident's Health</b> ◀ .....	<b>86</b>
<b>Lifting &amp; Moving Residents</b> ◀ .....	<b>87</b>
<b>INFECTION CONTROL</b> .....	<b>88</b>
<b>Blood and Bodily Fluid Exposure</b> ◀ .....	<b>88</b>
<b>Disposal of Hazardous Waste</b> ◀ .....	<b>89</b>
<b>Hand Washing</b> ◀ .....	<b>89</b>

<b>Laundry &amp; Linens Procedures ◀</b> .....	<b>91</b>
<b>Policy on Reporting Communicable Diseases ◀</b> .....	<b>91</b>
<b>Universal Precautions ◀</b> .....	<b>92</b>
<b>MEDICATION MANAGEMENT</b> .....	<b>94</b>
<b>Pharmacy Requirements ◀</b> .....	<b>94</b>
<b>Initial Medication Management ◀</b> .....	<b>95</b>
<b>Assessment for Self-Administration of Medication ◀</b> .....	<b>96</b>
<b>Medication Management Overview ◀</b> .....	<b>96</b>
<b>Medication / Narcotic Charting ◀</b> .....	<b>99</b>
<b>Handling of Physicians Orders ◀</b> .....	<b>100</b>
<b>Medication Errors ◀</b> .....	<b>100</b>
<b>Medication Storage ◀</b> .....	<b>101</b>
<b>Discontinuing Medication / Medication Disposal ◀</b> .....	<b>101</b>
<b>Medication Review ◀</b> .....	<b>102</b>
<b>DINING SERVICES</b> .....	<b>103</b>
<b>BrightStar Care Home Care Home Dining Brand Standards ◀</b> .....	<b>103</b>
<b>Dining Etiquette ◀</b> .....	<b>104</b>
<b>Dietary Services ◀</b> .....	<b>105</b>
<b>Food Services ◀</b> .....	<b>105</b>
<b>IMPAC Menu System ◀</b> .....	<b>108</b>
<b>BrightStar Care Home Menu Standards ◀</b> .....	<b>108</b>
<b>Proper Dining Area Setup ◀</b> .....	<b>110</b>
<b>Food Display ◀</b> .....	<b>111</b>
<b>Food Handling Procedures ◀</b> .....	<b>111</b>
<b>REQUIRED KITCHEN CLEANING &amp; MAINTENANCE</b> .....	<b>119</b>
<b>Cleaning the Kitchen ◀</b> .....	<b>119</b>
<b>Maintaining Cleanliness of Equipment &amp;</b>	
<b>Utensils ◀</b> .....	<b>120</b>
<b>Maintaining Equipment ◀</b> .....	<b>123</b>
<b>Hood ◀</b> .....	<b>124</b>
<b>Equipment Maintenance ◀</b> .....	<b>124</b>
<b>MAINTENANCE AND COMMUNITY ISSUES</b> .....	<b>126</b>
<b>Life Safety System ◀</b> .....	<b>126</b>
<b>Community Inspections ◀</b> .....	<b>127</b>
<b>Requests for Repair ◀</b> .....	<b>127</b>
<b>Holiday Decorations Standards ◀</b> .....	<b>127</b>
<b>SAFETY &amp; SECURITY ISSUES AND EMERGENCY PROCEDURES</b> .....	<b>129</b>
<b>Workers' Compensation Issues ◀</b> .....	<b>129</b>

<b>Emergency Orientation Procedures</b>	<b>130</b>
<b>Death of a Resident</b>	<b>131</b>
<b>Emergency Telephone Numbers</b>	<b>132</b>
<b>Emergency Plan</b>	<b>132</b>
<b>Evacuation Plan</b>	<b>133</b>
<b>Monitoring Entryways</b>	<b>134</b>
<b>Fire Procedures</b>	<b>134</b>
<b>Flood Procedures</b>	<b>136</b>
<b>Elopement / Missing Resident Procedure</b>	<b>137</b>
<b>Bomb Threats</b>	<b>138</b>
<b>Severe Weather Procedures</b>	<b>139</b>
<b>Utility Outages</b>	<b>140</b>
<b>Combative Residents</b>	<b>141</b>

Total Number of Pages: 395

**EXHIBIT D**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE DISCLOSURE  
DOCUMENT**

**CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION AGREEMENT**

## **CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION AGREEMENT**

WHEREAS, the undersigned is an officer, director, member, manager, key employee, partner or owner of an interest in the equity or voting interests of \_\_\_\_\_, the Franchisee under, and signatory to, that certain Franchise Agreement dated \_\_\_\_\_, (the “Franchise Agreement”) entered into with BrightStar Senior Living Franchising, LLC (“Company”) granting Franchisee the right to own and operate a BRIGHTSTAR CARE HOMES Community on the terms and conditions stated in the Franchise Agreement.

WHEREAS, the undersigned acknowledges that, in order to induce Company to enter into the Franchise Agreement, Franchisee must cause certain persons owning an interest in Franchisee, or who are associated with Franchisee in an executive or similar capacity, to sign this Confidentiality, Non-Disclosure and Non-Competition Agreement (“Agreement”) for the benefit of Company.

NOW, THEREFORE, the undersigned, having read this Agreement and understanding its terms, hereby agrees as follows:

1. Nondisclosure of Confidential Information.

a. The undersigned agrees not to disclose, duplicate, sell, reveal, divulge, publish, furnish, or communicate, either directly or indirectly, any Confidential Information (as defined below) to any other person, firm or entity, unless authorized in writing by Company.

b. The undersigned agrees not to use any Confidential Information for his or her own personal gain or to further the purposes of others, whether or not the Confidential Information has been conceived, originated, discovered or developed, in whole or in part, by the undersigned or represents the undersigned’s work product. To the extent the undersigned has assisted in the preparation of any information which Company considers to be Confidential Information or has prepared or created such information by himself or herself, the undersigned hereby assigns any rights that he or she may have in such information as creator to Company, including all ideas made or conceived by the undersigned.

c. The undersigned understands and agrees that the use, publication or duplication of the Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by the undersigned.

d. The provisions of this paragraph 1 shall survive the expiration or termination of all contracts between Company and Franchisee.

e. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding, provided the undersigned shall have used its best efforts, and shall have afforded Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

f. The term “Confidential Information” shall have the same meaning assigned to it in the Franchise Agreement. A copy of the relevant Sections of the Franchise Agreement are attached to this Agreement as Schedule 1.

2. Return of Proprietary Materials.

Upon expiration or termination of the Franchise Agreement, the undersigned shall surrender to Franchisee, or, if directed by Company, directly to Company, all materials in the possession of the undersigned relating to or concerning any Confidential Information. The undersigned understands and agrees that such materials shall be and remain the sole property of Company.

3. Agreements Regarding Competition.

a. For purposes of this Paragraph 3, the term “Competing Business” shall mean (a) any business whose primary purpose is housing or caring for persons over the age of sixty (60), or (b) any business granting franchises or licenses to others to operate the type of business specified in clause (a).

b. For as long as the Franchise Agreement shall remain in effect, the undersigned agrees that he or she shall neither directly nor indirectly, whether individually, or through, on behalf of, as a member of, or in conjunction with any person, persons, partnership, corporation, or other legal entity, operate, advise on the development or operation of, be employed in a managerial or sales capacity by, or have any interest as an owner of any business, other than as a Franchisee of the Company, that would be considered to be a Competing Business located anywhere in the world, provided, however, the restrictions stated in this paragraph shall not apply to the undersigned after twenty-four (24) months from the date that the undersigned ceases to be an officer, director, member, manager, key employee, partner or owner of an interest in the equity or voting interests in Franchisee.

c. For a period of twenty-four (24) months after expiration or termination of the Franchise Agreement, or an event of transfer as defined in the Franchise Agreement, whichever occurs first, the undersigned agrees that it, he or she shall neither directly nor indirectly, whether individually, or through, on behalf of, as a member of, or in conjunction with any person, persons, partnership, corporation, or other legal entity, operate, advise on the development or operation of, be employed in a managerial or sales capacity by, or have any interest as an owner of any business, other than as a Franchisee of the Company, that would be considered to be a Competing Business within 25 mile radius of any franchise or corporate-owned BRIGHTSTAR CARE HOMES Communities.

d. This Agreement does not prohibit the undersigned from owning 2% or less of the voting stock of a company that is in a Competing Business and whose shares are publicly traded on a national exchange.

e. The parties understand and agree that the undersigned may engage in any activities not expressly prohibited by this Agreement. However, in connection with permitted activities, the undersigned shall not (i) use the Confidential Information or any of the Licensed

Marks (as that term is defined in the Franchise Agreement); (ii) engage in any conduct or activity which suggests or implies that Company endorses, or authorizes, the undersigned's activities; or (iii) induce any person to engage in conduct prohibited by this Agreement.

4. Interference.

The undersigned agrees not to, directly or indirectly, for itself or on behalf of any other person, divert, or attempt to divert, any business or customer of any BRIGHTSTAR CARE HOMES Community to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Licensed Marks or the BrightStar System.

5. Irreparable Harm to Company.

a. The undersigned understands and agrees that Company will suffer irreparable injury not capable of precise measurement in monetary damages if it discloses or misuses any Confidential Information or if the undersigned breaches the covenants contained in this Agreement. Accordingly, in the event of a breach of this Agreement by the undersigned, the undersigned consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment, appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted.

b. The undersigned agrees that the award of equitable remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

6. Survival.

The agreements made by the undersigned shall survive the expiration or termination of all contracts between Company and Franchisee.

7. Validity; Conformity With Applicable Law.

a. Wherever possible, each provision of this Agreement shall be interpreted in a manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited thereunder, the provision shall be ineffective only to the extent of the prohibition or invalidity without invalidating the remainder of this Agreement.

b. If any provision of Paragraph 3 is void or unenforceable under Illinois law, but would be enforceable as written or as modified under the laws of any state having jurisdiction over the undersigned (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement regarding competition, but only with respect to the subjects covered in Paragraph 3.

8. Miscellaneous

a. Any waiver granted to the undersigned by Company excusing or reducing any obligation or restriction imposed under this Agreement shall be evidenced by a writing signed by Company in order to be effective and shall be effective only to the extent specifically allowed in such writing. No waiver granted by Company shall constitute a continuing waiver. Any waiver granted by Company shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in exercising any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

b. This Agreement sets forth the entire agreement made by the undersigned pertaining to the subject matter hereof, fully superseding any and all prior agreements or understandings that may exist between the undersigned and the Company pertaining to such subject matter. No amendment, change, modification or variance to or from the terms and conditions contained in this Agreement shall be binding on the undersigned unless it is contained in a writing and duly signed by the undersigned and Company.

c. This Agreement shall be binding on the undersigned's heirs, executors, successors and assigns as though originally signed by such persons.

d. The parties agree that all capitalized terms in this Agreement shall have the same meaning assigned to them in any Franchise Agreement between Company and Franchisee and incorporate such definitions into this Agreement.

IN WITNESS WHEREOF, the undersigned has entered into this Agreement as of the date shown above the undersigned's signature.

\_\_\_\_\_  
Signature of Individual

DATED: \_\_\_\_\_

\_\_\_\_\_  
Print Name of Individual

**SCHEDULE 1**  
**CONFIDENTIAL INFORMATION**

The following Section of the Franchise Agreement shall define the term “Confidential Information” for purposes of this Agreement: Section 12

**EXHIBIT E**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE DISCLOSURE  
DOCUMENT**

**STATE SPECIFIC ADDENDA**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF CALIFORNIA**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO THE EXECUTION OF ANY AGREEMENT.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

The following risk factor is added to the page of the Franchise Disclosure Document entitled “Special Risks to Consider about *This Franchise*”:

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

**Item 1, Additional Disclosures.** The following statements are added to Item 1:

You are responsible for obtaining, maintaining, and owning any related permits, licenses, or other indications of authority for your Community that may be necessary and appropriate to perform the fullest extent of the BrightStar business model and for operation of your Community.

Attached as Appendix 1 to this “Additional Disclosure Document Disclosures Required by the State of California” is a list of other California laws that may apply to your franchise.

**Item 3, Additional Disclosure.** The following statement is added to Item 3:

Neither BrightStar Senior Living Franchising, LLC nor any person listed in Item 2 is subject to any currently-effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

**Item 5, Additional Disclosure.** The following paragraph is added at the end of Item 5 of the Disclosure Document:

Despite the payment provisions above, we will defer the payment of all initial fees you owe to us or our affiliates until such time as we have fulfilled all initial obligations owed to you under the Franchise Agreement or other agreements and you have commenced doing business.

**Item 6, Additional Disclosure.** The following statement is added to Item 6:

The highest interest rate in California is 10%.

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the city and state in which Franchisor's headquarters are located at the time the action is filed with the costs being borne by each party, provided, however, that the single arbitrator's fee will be shared equally by the parties.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

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

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law.

Any condition, stipulation, or provision in the Franchise Agreement which would result in your waiver of compliance with any provision of the California Franchise Relations Act is void to the extent that such provision violates such law.

You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 2000 – 20043).

## **APPENDIX 1 TO DISCLOSURES**

### **LAWS THAT APPLY IN THE STATE OF CALIFORNIA**

Below is a list of other California laws that may apply to your franchise. We do not provide assistance in determining which specific federal, state, or local laws apply to the operation of your Community. It is critical before you purchase a franchise for the Community that you determine whether you will qualify under applicable laws to own and operate the franchise. You should also determine the initial and annual cost of compliance with those laws. We therefore strongly urge you to retain competent local counsel before you purchase a franchise for the Community. You should consult with that counsel regarding the possible application of the laws and regulations described below to the operation of your Community. You should also ask for advice on other laws and regulations that may apply to the operation of your Community.

- a. Financial Management (See Cal. Code Regs. tit. 22 §§ 47417). These provisions include requirements relating to operating budget, billing and collection, accounts receivable and payable, payroll processing, and bad debt.
  - Charge Verification. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Billing and Collections. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Accounts Receivable Review. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Bad Debt Policy. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Cash Receipts. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Purchasing Authorization and Accounts Payable. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Fixed Assets and Depreciation. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Payroll Processing. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Allocation of Time Worked. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Annual Operating Budget. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Financial Management and Control. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Fiscal Solvency. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Financial Reports. (See Cal. Code Regs. Tit. 22 §§ 47417)
  - Fee Determination. (See Cal. Code Regs. Tit. 22 §§ 47417)
- b. Referral Prohibitions (Speier Bill) (Cal. Bus. & Prof. Code § 650.01)

Note: This is similar to the federal Stark law and prohibits referrals to certain health care providers if the practitioner or immediate family member has a financial interest.

- c. California Anti-Kickback/Anti-Fee Splitting Statute (Cal. Bus. & Prof. Code § 650)
- d. Medical Referral Services – (Cal. Health & Safety Code § 445)

Note: This is a criminal statute, related to Anti-Kickback Statute at Cal. Bus. & Prof. Code § 650, which prohibits anyone from referring or recommending a person, “for profit,” to a physician, hospital, health-related Community, or dispensary, for “any type of medical care or treatment of any ailment or physical condition.”



**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF ILLINOIS**

1. The following is added to the end of Item 5:

Despite the payment provisions above, we will defer the payment of all initial fees that you owe us or our affiliates until such time as we have fulfilled all initial obligations owed to you under the Franchise Agreement or other agreements and you have commenced doing business.

2. The following statement is added to Item 17:

The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.

Franchisees’ rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void. However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

This Addendum to Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between BrightStar Senior Living Franchising, LLC (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. **Background.** The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being signed because: (a) you are a resident of the State of Illinois; or (b) the franchise offer and sale activity occurred in Illinois and the BRIGHTSTAR CARE HOMES™ Community will be located in Illinois.

2. **Initial Fees.** Section 4.1 of the Franchise Agreement is amended by adding the following language at the end:

Despite the payment provisions above, we will defer the payment of all initial fees that you owe to us or our affiliates until such time as we have fulfilled all initial obligations owed to you under the Franchise Agreement and you have commenced doing business.

3. **Illinois Franchise Disclosure Act.** The following language is added as a new Section 16.11 of the Franchise Agreement:

16.11. **ILLINOIS FRANCHISE DISCLOSURE ACT.**

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum as of the date set forth under our signature below.

*[Signature Page Follows]*



**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MARYLAND**

1. The following is added to the end of Items 5 and 7:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the Franchise Agreement and the BRIGHTSTAR CARE HOMES™ Community has opened for business.

2. The “Summary” sections of Items 17(c) and (m) in the Franchise Disclosure Document, captioned “Requirements for you to renew or extend” and “Conditions for our approval of transfer,” are amended by adding the following:

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

3. The “Summary” section of Item 17(h) in the Franchise Disclosure Document, captioned “Cause’ defined – non-curable defaults,” is amended by adding the following:

The Agreement provides for termination upon your insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 *et seq.*), but we will enforce it to the extent enforceable.

4. The “Summary” section of Item 17(v) in the Franchise Disclosure Document, captioned “Choice of forum,” is amended to read as follows:

Subject to arbitration requirements, litigation generally must be in courts located closest to where we have our principal business address when the action is commenced (it currently is in Illinois), although you may, subject to your arbitration obligations, commence a lawsuit against us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The “Summary” section of Item 17(w) in the Franchise Disclosure Document, captioned “Choice of law,” is amended to read as follows:

Except for federal law and claims arising under the Maryland Franchise Registration and Disclosure Law, Illinois law applies.

6. The following is added at the end of the chart in Item 17 of the Franchise Disclosure Document:

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

This Addendum to Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between BrightStar Senior Living Franchising, LLC (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. **Background.** The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being signed because: (a) you are a resident of the State of Maryland; or (b) the BRIGHTSTAR CARE HOMES™ Community will be located in Maryland.

2. **Releases.** Sections 2.2.3, 10.1, 13.4.1.9, 13.6, and 15.3.5 of the Franchise Agreement are amended by adding the following:

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

3. **Initial Fees.** Section 4.1 of the Franchise Agreement is amended by adding the following language at the end:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments that you owe shall be deferred until we complete our pre-opening obligations under the Franchise Agreement and the BRIGHTSTAR CARE HOMES™ Community has opened for business.

4. **Termination.** Section 14.1 of the Franchise Agreement is amended by adding the following:

Termination upon bankruptcy might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we intend to enforce this provision to the extent enforceable.

5. **Consent to Jurisdiction.** Section 16.7 of the Franchise Agreement is amended by adding the following language:

However, subject to your arbitration obligations, nothing in this Section affects your right under the Maryland Franchise Registration and Disclosure Law to bring a lawsuit in Maryland for claims arising under that law.

6. **Limitation of Claims.** Section 16.8 of the Franchise Agreement is amended by adding the following language:

Any limitation of claims will not act to reduce the three (3) year statute of limitations afforded you for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

7. **Non-Waiver**. The following language is added to the end of Section 16.9 of the Franchise Agreement:

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

8. **Governing Law**. Section 23 of the Franchise Agreement is amended by adding the following language:

Despite anything to the contrary stated above, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum as of the date set forth under our signature below.

**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC** an Illinois limited  
liability company

By: \_\_\_\_\_  
[Signature]

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

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

**DATED:** \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Print Name of Legal Entity

By: \_\_\_\_\_  
[Signature]

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

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

Date: \_\_\_\_\_

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MINNESOTA**

1. **Item 5, Additional Disclosure.** The following paragraph is added at the end of Item 5 of the Disclosure Document:

Despite the payment provisions above, we will defer the payment of all initial fees that you owe to us or our affiliates until such time as we have fulfilled all initial obligations owed to you under the Franchise Agreement or other agreements and you have commenced doing business.

2. **Item 13, Additional Disclosure:** The following statement is added to Item 13:

We will protect your right to use the Marks or indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name to the extent required by Minn. Stat. Sec. 80C.12, Subd.1(g).

3. **Notice of Termination:** The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

4. **Governing Law, Jurisdiction and Venue and Choice of Forum.** The following statement is added to Item 17:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. **General Release.** The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between BrightStar Senior Living Franchising, LLC (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. **Background.** The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This addendum is being signed because: (a) the franchise offer or sale activity occurred in Minnesota; or (b) the BRIGHTSTAR CARE HOMES™ Community will be located in Minnesota.

2. **Renewal and Termination.** The following sentence is added to the end of Sections 2.1 and 14:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivision 3, 4, and 5 which require, except in certain cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

3. **Releases.** The following sentence is added to the end of Sections 2.2 and 13.4:

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

4. **Initial Fees.** Section 4.1 is amended by adding the following language at the end:

Despite the payment provisions above, we will defer the payment of all initial fees that you owe to us or our affiliates until such time as we have fulfilled all initial obligations owed to you under the Franchise Agreement and you have commenced doing business.

5. **Governing Law, Jurisdiction, and Venue.** The following sentences are added to the end of Sections 16.3 and 16.7:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring arbitration or litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

6. **Limitations of Actions.** The following is added to the end of Section 16.8 of the Franchise Agreement:



**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud;

embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

- (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or
- (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), titled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the

non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

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

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

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of Law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR USE IN NEW YORK**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between BrightStar Senior Living Franchising, LLC (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. **Background.** The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being signed because: (a) the offer or sale of the franchise was made in the State of New York; or (b) you are a resident of New York and the BRIGHTSTAR CARE HOMES™ Community will be located or operated in New York.

2. **Releases.** The following sentence is added to the end of Sections 2.2.3, 10.1, 13.4.1.9, 13.6, and 15.3.5:

, provided, however, that all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **Transfer.** The following sentence is added at the end of Section 13.1:

We will not assign our rights under the Franchise Agreement except to an assignee who in our good faith and judgment is willing and able to assume our obligations under the Franchise Agreement.

4. **Termination by You.** Section 14.7 of the Franchise Agreement is amended by adding the following as the last sentence:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **Governing Law.** The following sentence is added to the end of Section 23:

HOWEVER, THE GOVERNING CHOICE OF LAW SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE GENERAL BUSINESS LAW OF THE STATE OF NEW YORK.

6. **Binding Effect.** Section 25 of the Franchise Agreement is amended by adding the following language:

Modifications to the Operations Manual will not unreasonably affect your obligations, including economic requirements, under this Agreement.



**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF NORTH DAKOTA**

1. The following language is added as the last paragraph of Items 5 and 7:

Despite the payment provisions above, we will defer your payment of the initial franchise fee due to us under the Franchise Agreement until we have fulfilled all of our initial obligations to you under this Agreement and you have commenced operating the BRIGHTSTAR CARE HOMES™ Community. You must pay us the initial franchise fee on the day you begin operating your BRIGHTSTAR CARE HOMES™ Community.

2. The “Summary” sections of Items 17(c) and 17(m) are amended by adding the following:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. The “Summary” section of Item 17(i) is amended by adding the following:

The Commissioner has determined termination or liquidated damages to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

4. The “Summary” section of Item 17(r) is amended by adding the following:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

5. The “Summary” section of Item 17(v) is amended by adding the following:

To the extent required by the North Dakota Franchise Investment Law, but subject to your arbitration obligations, you may bring an action in North Dakota.

6. The “Summary” section of Item 17(w) is amended by adding the following:

Except for federal law, North Dakota law applies.

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between BrightStar Senior Living Franchising, LLC (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. **Background.** The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This addendum is being signed because (a) you are a resident of the State of North Dakota and the BRIGHTSTAR CARE HOMES™ Community you will operate under the Franchise Agreement will be located or operated in North Dakota, and/or (b) any of the franchise offer or sales activity occurred in North Dakota.

2. **Releases.** The following language is added to the end of Sections 2.2.3, 10.1, 13.4.1.9, 13.6, and 15.3.5 of the Franchise Agreement:

Any release executed will not apply to the extent otherwise prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law.

3. **Initial Fees.** Section 4.1 of the Franchise Agreement is amended by adding the following language at the end:

Despite the payment provisions above, we will defer your payment of the initial franchise fee due to us under the Franchise Agreement until we have fulfilled all of our initial obligations to you under this Agreement and you have commenced operating the BRIGHTSTAR CARE HOMES™ Community. You must pay us the initial franchise fee on the day you begin operating your BRIGHTSTAR CARE HOMES™ Community.

4. **Covenant Not to Compete.** Section 12.4 of the Franchise Agreement is amended by adding the following:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent allowed under the law.

5. **Arbitration.** The third sentence of Section 16.3 of the Franchise Agreement is amended to read as follows:

All proceedings, including the hearing, will be conducted at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed, provided, however, that to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration proceedings will be held at a site to which we and you agree.

6. **Consent to Jurisdiction.** The following language is added at the end of Section 16.7 of the Franchise Agreement:

However, to the extent required by applicable law, but subject to your arbitration obligations, you may bring an action in North Dakota.

7. **Limitation of Claims.** The following sentence is added to the end of Section 16.8 of the Franchise Agreement:

The statutes of limitations under North Dakota law apply with respect to claims arising under the North Dakota Franchise Investment Law.

8. **Waiver of Punitive Damages and Jury Trial.** If and then only to the extent required by the North Dakota Franchise Investment Law, Sections 16.9 and 16.10 of the Franchise Agreement are deleted in their entirety.

9. **Governing Law.** The following language is added at the end of Section 23 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum as of the date set forth under our signature below.

**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC** an Illinois limited  
liability company

**FRANCHISEE:**

\_\_\_\_\_  
Print Name of Legal Entity

By: \_\_\_\_\_  
[Signature]

By: \_\_\_\_\_  
[Signature]

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

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

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

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

**DATED:** \_\_\_\_\_

Date: \_\_\_\_\_

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF RHODE ISLAND**

1. The following language is added to the end of the “Summary” section of Item 17(v), entitled Choice of forum:

Subject to arbitration requirements, litigation generally must be where we have our principal business address at the time the action is commenced (it currently is in Chicago, Illinois), except that, to the extent required by the Rhode Island Franchise Investment Act, you may bring an action in Rhode Island.

2. The following language is added to the end of the “Summary” section of Item 17(w), entitled Choice of law:

Except for Federal Arbitration Act and other federal law, and except as otherwise required by the Rhode Island Franchise Investment Act, Illinois law applies.



**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF SOUTH DAKOTA**

1. The following language is added as the last paragraph of Items 5 and 7:

Despite the payment provisions above, we will defer your payment of the initial franchise fee due to us under the Franchise Agreement until we have fulfilled all of our initial obligations to you under this Agreement and you have commenced operating the BRIGHTSTAR CARE HOMES™ Community. You must pay us the initial franchise fee on the day you begin operating your BRIGHTSTAR CARE HOMES™ Community. Section 4.1 of the Franchise Agreement is amended by adding the following language at the end:



**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF VIRGINIA**

1. The following risk factor is added to the page of the Franchise Disclosure Document titled “Special Risks to Consider about *This Franchise*”:

**Estimated Initial Investment.** You will be required to make an estimated initial investment ranging from \$1,147,916 to \$1,762,720. This amount exceeds the franchisor’s stockholders’ negative equity as of January 2, 2022, which is (\$2,423,581).

2. **Item 5, Additional Disclosure.** The following paragraph is added at the end of Item 5 of the Disclosure Document:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to us until we have completed our pre-opening obligations under the Franchise Agreement.

3. **Item 17, Additional Disclosure.** In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for BrightStar Senior Living Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

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

**ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR USE IN VIRGINIA**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between BrightStar Senior Living Franchising, LLC (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. **Background.** The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being signed because the BRIGHTSTAR CARE HOMES™ Community that you will operate under the Franchise Agreement will be located in Virginia.

2. **Initial Fees.** Section 4.1 of the Franchise Agreement is amended by adding the following language at the end:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Franchise Agreement.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum as of the date set forth under our signature below.

**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC** an Illinois limited  
liability company

By: \_\_\_\_\_  
[Signature]

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

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

**DATED:** \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Print Name of Legal Entity

By: \_\_\_\_\_  
[Signature]

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

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

Date: \_\_\_\_\_

**WASHINGTON ADDENDUM TO THE  
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT,  
FRANCHISE REPRESENTATIONS, AND RELATED AGREEMENTS**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between BrightStar Senior Living Franchising, LLC (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. **Background.** The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being signed because: (a) you are domiciled in Washington; and/or (b) the BRIGHTSTAR CARE HOMES™ Community you will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the franchise offer or sales activity occurred in Washington.

2. **Initial Fees.** Section 4.1 of the Franchise Agreement is amended by adding the following language at the end:

Despite the payment provisions above, we will defer your payment of the initial franchise fee due to us under the Franchise Agreement until we have fulfilled all of our initial obligations to you under this Agreement and you have commenced operating the BRIGHTSTAR CARE HOMES™ Community. You must pay us the initial franchise fee on the day you begin operating your BRIGHTSTAR CARE HOMES™ Community.

3. **Washington Law.** The following paragraphs are added to the end of the Franchise Agreement:

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

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, you may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the

agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum as of the date set forth under our signature below.

**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC** an Illinois limited  
liability company

**FRANCHISEE:**

\_\_\_\_\_  
Print Name of Legal Entity

By: \_\_\_\_\_  
[Signature]

By: \_\_\_\_\_  
[Signature]

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

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

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

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

**DATED:** \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT F**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE DISCLOSURE  
DOCUMENT**

**FINANCIAL STATEMENTS**



# **BrightStar Senior Living Franchising, LLC**

**Financial Statements**  
For the Years Ended January 2, 2022 and  
January 3, 2021

# **BrightStar Senior Living Franchising, LLC**

---

Financial Statements  
For the Years Ended January 2, 2022 and January 3, 2021

# BrightStar Senior Living Franchising, LLC

## Contents

---

Independent Auditor's Report	3-4
<b>Financial Statements</b>	
Balance Sheets as of January 2, 2022 and January 3, 2021	5
Statements of Operations for the Years Ended January 2, 2022 and January 3, 2021	6
Statements of Member's Deficit for the Years Ended January 2, 2022 and January 3, 2021	7
Statements of Cash Flows for the Years Ended January 2, 2022 and January 3, 2021	8
Notes to Financial Statements	9-15



## Independent Auditor's Report

BrightStar Senior Living Franchising, LLC  
Gurnee, Illinois

### *Opinion*

We have audited the financial statements of BrightStar Senior Living Franchising, LLC (the Company), which comprise the balance sheets as of January 2, 2022 and January 3, 2021, the related statements of operations, member's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of January 2, 2022 and January 3, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

BDO USA, LLP

March 31, 2022

# BrightStar Senior Living Franchising, LLC

## Balance Sheets

	January 2, 2022	January 3, 2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 441,824	\$ 198,255
Accounts receivable, net	36,462	25,245
Prepaid expenses	9,537	21,420
<b>Total Current Assets</b>	<b>487,823</b>	<b>244,920</b>
<b>Long-Term Assets</b>		
Equipment, net	4,660	6,900
<b>Total Assets</b>	<b>\$ 492,483</b>	<b>\$ 251,820</b>
<b>Liabilities and Member's Deficit</b>		
<b>Current Liabilities</b>		
Accrued salaries and payroll tax	\$ 49,148	\$ 30,640
Other current liabilities	8,630	5,810
<b>Total Current Liabilities</b>	<b>57,778</b>	<b>36,450</b>
<b>Long-Term Liabilities</b>		
Deferred revenue (non-refundable)	169,933	83,133
Notes payable, affiliated companies, net	2,688,353	2,212,366
<b>Total Long-Term Liabilities</b>	<b>2,858,286</b>	<b>2,295,499</b>
<b>Total Liabilities</b>	<b>2,916,064</b>	<b>2,331,949</b>
<b>Member's Deficit</b>	<b>(2,423,581)</b>	<b>(2,080,129)</b>
<b>Total Liabilities and Member's Deficit</b>	<b>\$ 492,483</b>	<b>\$ 251,820</b>

See accompanying notes to financial statements.

# BrightStar Senior Living Franchising, LLC

## Statements of Operations

<i>Year ended</i>	January 2, 2022	January 3, 2021
<b>Revenue</b>		
Royalty fees	\$ 280,095	\$ 224,720
General marketing fund fees	56,019	44,984
System fees	25,390	30,339
Initial franchisee fees	3,200	-
Other	2,307	6,760
<b>Total Revenue</b>	<b>367,011</b>	<b>306,803</b>
<b>Expenses</b>		
Payroll and related expenses	419,478	256,683
Fee paid to partner	-	100,000
Professional fees	196,295	94,142
Marketing	21,823	86,413
Travel and meals	25,115	35,779
IT services	28,033	28,434
Amortization	-	8,977
Occupancy and office expense	7,795	8,531
Insurance	953	1,904
Depreciation	2,240	2,219
Miscellaneous expenses	8,731	20,147
<b>Total Expenses</b>	<b>710,463</b>	<b>643,229</b>
<b>Loss, before income tax provision</b>	<b>(343,452)</b>	<b>(336,426)</b>
<b>Income Tax Provision</b>	<b>-</b>	<b>-</b>
<b>Net Loss</b>	<b>\$ (343,452)</b>	<b>\$ (336,426)</b>

*See accompanying notes to financial statements.*

# BrightStar Senior Living Franchising, LLC

## Statements of Member's Deficit

---

	Member's Deficit
<b>Balance, December 29, 2019</b>	\$ (1,743,703)
Net loss	(336,426)
<b>Balance, January 3, 2021</b>	(2,080,129)
Net loss	(343,452)
<b>Balance, January 2, 2022</b>	\$ (2,423,581)

*See accompanying notes to financial statements.*

# BrightStar Senior Living Franchising, LLC

## Statements of Cash Flows

<i>Year ended</i>	January 2, 2022	January 3, 2021
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (343,452)	\$ (336,426)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization expense	-	8,977
Depreciation expense	2,240	2,219
Decrease (increase) in:		
Accounts receivable	(11,217)	4,207
Prepaid expenses	11,883	(5,481)
Increase (decrease) in:		
Other current liabilities	2,820	(19,012)
Deferred revenue (non-refundable)	86,800	-
Accrued salaries and payroll tax	18,508	(12,860)
<b>Net Cash Used in Operating Activities</b>	<b>(232,418)</b>	<b>(358,376)</b>
<b>Cash Flows from Investing Activities</b>		
Equipment purchases	-	(1,713)
<b>Net Cash Used in Investing Activities</b>	<b>-</b>	<b>(1,713)</b>
<b>Cash Flows from Financing Activities</b>		
Notes receivable/payable, net, affiliated companies	475,987	449,853
<b>Net Cash Provided by Financing Activities</b>	<b>475,987</b>	<b>449,853</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>243,569</b>	<b>89,764</b>
Cash and Cash Equivalents, beginning of year	198,255	108,491
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 441,824</b>	<b>\$ 198,255</b>

*See accompanying notes to financial statements.*

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

### 1. Description of Business and Operations

BrightStar Senior Living Franchising, LLC (the Company) is a member of a consolidated group whose parent is BrightStar Group Holdings, Inc. (the Parent), which consists of 17 additional members—BrightStar 10+3, Inc.; International Franchise Holdings, Inc.; BrightStar Technology Group, LLC; 24-7 BrightStar Operations, LLC; 24-7 BrightStar Healthcare, LLC (BrightStar Nevada); BrightStar Franchising, LLC; BrightStar Senior Living, LLC; BrightStar Toronto Operations ULC; BrightStar CRDM, LLC; BrightStar Florida Operations, LLC; BrightStar Georgia Operations, LLC; BrightStar Senior Living Development of Fort Wayne, LLC; BrightStar Senior Living Operations of Fort Wayne, LLC; BrightStar Senior Living Development of Mason, LLC; and Brightstar Senior Living Operations of Mason, LLC; BrightStar Owned LLC; and BrightStar Scottsdale Operations, LLC. BrightStar Senior Living Franchising, LLC is organized as a limited liability company under the laws of the state of Illinois and it is a franchiser of businesses that has developed a system for constructing, operating, identifying, and promoting assisted living and memory care facilities under the BRIGHTSTAR SENIOR LIVING® trademark and related commercial symbols. These facilities provide various services for seniors and other individuals in need, including residential assisted living, memory care, and ancillary assisted living services and are marketed as BrightStar Senior Living Communities. The Company also operates a smaller residential care home model for assisted living for seniors and other individuals in need that is marketed as BrightStar Care Homes Communities.

The Company's fiscal year ends on the nearest Sunday to December 31. There were 52 weeks and 53 weeks, respectively, included in the years ended January 2, 2022 and January 3, 2021.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

#### *Liquidity and Management's Plans*

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and settlement of obligations in the normal course of business. The Company incurred operating losses from operations of \$343,452, had member's deficit of \$2,423,581 and had negative cash flows from operating activities of \$232,418 for the year ended January 2, 2022. Additionally, during 2021, the Company required additional advances of \$556,587 from its Parent and other affiliated companies (see Note 3) to fund operations and address cash flow needs.

Management has evaluated its plans whereby the Parent has committed to provide financial support to the Company by providing written assurances that it will provide, as required, additional advances of up to the amount of \$1,000,000 to support the operating, investing, and financing activities of the Company through at least one year and a day beyond the report date.

In addition, the Company has historically received advances primarily through BrightStar Franchising, LLC from the Parent. These notes are non-interest bearing and due on demand. The Parent and affiliated companies (see Note 3) will not call these notes for payment through at least one year and a day beyond the report date.

The Company's ability to continue as a going concern is dependent on the continued financial support of its Parent and the extension of the due date of the notes and the ability of the Company to execute its plan.

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

### ***Basis of Accounting***

The Company maintains its books and records on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred.

### ***Cash and Cash Equivalents***

For purposes of the statements of cash flows, cash equivalents include the general checking account held by the Company. From time-to-time, cash balances may exceed federally insured limits of \$250,000. The Company believes the associated credit risk to be minimal.

### ***Accounts Receivable***

The Company grants credit to its customers in the normal course of business. Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company may create payment plans for customers with significant past-due balances. The Company maintains an allowance for doubtful accounts to cover potential credit losses relating to its accounts receivable. The allowance is based on the Company's historical collection experience, as well as an analysis of specific past-due accounts. All accounts or portions thereof deemed to be uncollectible by management are written off in the period in which that determination is made. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for doubtful accounts recorded as of January 2, 2022 and January 3, 2021.

### ***Revenue Recognition***

Under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, the Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. The Company recognizes revenue only when it satisfies a performance obligation by transferring a promised good or service to the customer. The good or service is considered to be transferred when the customer obtains control, meaning when the customer has the ability to direct the use and obtain substantially all of the remaining benefits of the good or service. At each contract inception, the Company determines whether control of a good or service transfers to a customer over time or at a point in time.

### ***Franchise Revenue***

The terms of the franchise agreements for BrightStar Senior Living Communities are typically for 20 years. As of January 2, 2022 and January 3, 2021 there were four franchises. No new franchises are currently in consideration.

The terms of the franchise agreements for the BrightStar Care Homes Communities model are typically for 20 years, As of January 2, 2022, there were four franchises operating. There were three franchises operating under an affiliated entity as of January 3, 2021.

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

As part of each agreement, the Company identified one performance obligation that requires the Company to provide a combination of the following:

- *Intellectual Property (IP)* - Licenses grant a non-exclusive right to establish and operate an assisted living and memory care facility under the trademarks and systems established as part of the BrightStar license during the term of the agreement.
- *Operations Manual and Brand-Specific Training Services* - These provide training programs, operating manuals, development of standards and pricing policies, specific to the BrightStar brand.
- *Marketing Services* - These are ongoing local and national advertising programs that are implemented throughout the course of the contract term.
- *Continuing Consulting Services* - These include the review of plans and equipment and merchandise selection.

The Company determined that the services noted above represent a set of integrated or highly interrelated tasks/services and are, therefore, accounted for as a single-performance obligation of providing the franchise license.

In addition, the Company has also determined the following performance obligation is included in the contracts but is distinct from the above performance obligation:

- *Non-Brand-Specific Training* - This training relates to educating the franchisees as to the appropriate business model for operating a franchise. The services could be provided by another third party to the franchisee and do not relate specifically to the license of the BrightStar intellectual property.

The contracts the Company enters contain several types of payments, as follows:

### *BrightStar Senior Living Communities*

- *Initial Fees* - Franchise agreements require a nonrecurring and nonrefundable initial fee of \$50,000. Initial franchise fees are due and payable when a contract is signed. The initial franchise fee is not in exchange for any particular products, services, or assistance but instead solely in consideration of the Company's granting the franchise to the franchisee.
- *Royalty Fees* - The Company receives monthly royalty payments based on a percentage of each franchisee's net billings. The franchisee is required to meet a minimum revenue level for the payment of these royalty fees in any given month.
- *General Marketing Fund Fees* - These are based on the greater of \$2,000 or a portion of franchisee net billings to contribute to the local franchise and to the national brand advertising activities directed by the franchisor. These fees are typically due on a monthly basis over the course of the contract term.
- *Monthly Technology Fees* - The Company receives monthly fees for technology software and support based on the greater of \$250/month or 0.83% of franchisee net billings.
- *Renewal Fees* - Franchise agreements include renewal options and require the franchisee to pay a renewal fee.

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

- *Transfer Fees* - Franchise agreements include transfer options and require the franchisee to pay a transfer fee.

### *BrightStar Care Homes Communities*

- *Initial Fees* - Franchise agreements require a nonrecurring and nonrefundable initial fee of \$50,000 for an affiliate that is not an existing franchisee. For existing franchisees, an initial fee of \$30,000 will be charged, with an additional \$10,000 for each additional community under the agreement (up to 2 additional locations in one agreement). Initial franchise fees are due and payable when a contract is signed. The initial franchise fee is not in exchange for any particular products, services, or assistance but instead solely in consideration of the Company's granting the franchise to the franchisee.
- *Royalty Fees* - The Company receives monthly royalty payments based on a 5% of each franchisee's net billings during the preceding calendar month. The franchisee is required to meet a minimum revenue level for the payment of these royalty fees in any given month.
- *General Marketing Fund Fees* - These are based on the greater of 2.50% of the prior month's net billings or \$500 per month, per community (up to three per franchise agreement) to contribute to the local franchise and to the national brand advertising activities directed by the franchisor. These fees are typically due on a monthly basis over the course of the contract term.
- *Monthly Technology Fees* - The Company receives monthly fees for technology software and support based on the greater of \$250/month or 0.83% of franchisee prior month net billings for each community operating under the franchise agreement.
- *Renewal Fees* - Franchise agreements include renewal options and require the franchisee to pay a renewal fee.
- *Transfer Fees* - Franchise agreements include transfer options and require the franchisee to pay a transfer fee of \$15,000.

The Company recognizes revenue for each performance obligation identified within the customer contracts when, or as, the performance obligation is satisfied by transferring the promised goods or services. All revenue is recognized over time. The Company recognizes revenue over time for the combined franchise license performance obligation and for the non-brand-specific training, as these performance obligations involve a continuous transfer of control to the customer.

The standard specifically identifies franchise rights as an example of a symbolic license. This type of license is satisfied over time since the customer simultaneously receives and consumes the benefit as the entity performs its obligation to provide access and, therefore, meets the criterion of recognizing revenue over time. Royalty fees represent the majority of consideration the Company receives under franchise agreements and are recognized over time at the greater of the actual royalty earned or the contract monthly minimum each month. Revenue related to upfront fees allocated to this single-performance obligation is recognized over time using a straight-line (time-lapse) measure of progress as the control of various services is provided to the customer ratably over the term of the contract for the initial upfront fee. The renewal option provides continued access for the franchise rights (symbolic license) for an extended period of time and, therefore, would also be recognized over time (over the course of the renewal term) as it meets the above-mentioned criterion.

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

For the non-brand-specific training, the Company also recognizes revenue over time since the customer simultaneously receives and consumes the benefit as the entity performs the training. Revenue for this performance obligation is recognized over time using an input measure of progress based upon hours of training performed.

### ***General Marketing Fund (GMF)***

The GMF funds received from the franchisees are recognized as revenue over time when incurred and marketing expenses are recognized when incurred within the Company's statements of operations. GMF income and GMF expense for the year ended January 2, 2022 were \$56,019 and \$3,898, respectively, and are included within the statements of operations. GMF income and GMF expense for the year ended January 3, 2021 were \$44,984 and \$62,182, respectively, and are included within the statements of operations.

Contract assets include accrued revenue for items not invoiced as of period end due to billing occurring subsequent to the performance obligation being fulfilled. Contract assets were \$36,462 and \$25,245 as of January 2, 2022 and January 3, 2021, respectively, included within accounts receivable. Contract liabilities include initial franchise fees received upfront for the right to use the BrightStar Senior Living brand. These fees are recognized ratably over the initial term of the individual contracts, which typically lasts 20 years. The total balance of the contract liabilities, reflected as deferred revenue (non-refundable), was \$169,933 and \$83,133 as of January 2, 2022 and January 3, 2021, respectively.

### ***Franchise-Development Costs***

The Company has capitalized certain development costs that were incurred with the expectation of producing future profits from the sale and continued operations of franchised outlets and territories. These costs are being amortized on a straight-line basis over five years, which as of January 2, 2022, are fully depreciated. Amortization expense for franchise development costs was \$0 and \$8,777 for the years ended January 2, 2022 and January 3, 2021, respectively.

### ***Income Taxes***

The Company's Parent has elected to be taxed as an S-Corporation under provisions of the Internal Revenue Code. Under those provisions, the Company's Parent does not pay federal income taxes. Instead, the Parent's stockholder is liable for individual federal income taxes on the Parent's consolidated taxable income.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

### ***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In October 2019, FASB deferred the effective date of ASU 2016-02 for private companies, not-for-profit organizations and certain small public companies. Private entities will apply ASU 2016-02 for annual periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact that adoption of ASU 2016-02 will have on its financial statements and related disclosures.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which applies primarily to the Company's accounts receivable impairment loss allowances. The guidance provides a revised model whereby the current expected credit losses are used to compute impairment of financial instruments. The new model requires evaluation of historical experience and various current and expected factors, which may affect the estimated amount of losses and requires determination of whether the affected financial instruments should be grouped in units of account. This standard is effective for private entities for annual periods beginning after December 15, 2022. The Company is currently assessing the impact of this standard on the Company's financial position, results of operations, and cash flows.

In January 2021, the FASB issued ASU 2021-02, *Franchisors - Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*, related to revenue recognition of pre-opening services for franchisors that are not public business entities. The amendments introduce a new practical expedient that simplifies the application of the guidance about identifying performance obligations. The practical expedient permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. In addition, a policy election can be made to recognize pre-opening services as a single-performance obligation. The Company is currently evaluating the impact that adoption of ASU 2021-02 will have on its financial statements and related disclosures.

### 3. Notes Payable - Affiliated Companies, Net

The Company has historically received advances from/provided advances to the Parent and its wholly owned affiliates. These notes are non-interest bearing and due on demand. These affiliates will not call these notes for payment through at least one year and a day beyond the report date (see Note 2), resulting in a classification of long-term in the balance sheets for the years ended January 2, 2022 and January 3, 2021.

The following is a summary of transactions with affiliated entities that can be settled on a net basis:

	January 2, 2022	January 3, 2021
BrightStar Franchising, LLC	\$ (3,105,741)	\$ (2,631,046)
BrightStar Senior Living Development of Fort Wayne, LLC	(34,287)	31,762
BrightStar Senior Living Operations of Fort Wayne, LLC	408,214	367,831
BrightStar Group Holdings, Inc.	(11,099)	(11,099)
BrightStar Senior Living Operations of Mason, LLC	70,403	30,186
BrightStar Senior Living Development of Mason, LLC	(15,843)	-
<b>Total</b>	<b>\$ (2,688,353)</b>	<b>\$ (2,212,366)</b>

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

### 4. Contingencies

From time-to-time, the Company is involved in legal proceedings, claims, or investigations that are incidental to the conduct of the Company's business. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future financial position or results of operations.

The Company is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Company carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements, if any, have not exceeded coverage.

### 5. Risks and Uncertainties

#### *COVID-19*

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the impact that the pandemic may have on the Company's industry, financial condition, liquidity, and future results of operations. Although the Company cannot estimate the length or gravity of the COVID-19 outbreak at this time, the Company continues to actively monitor any impacts that the COVID-19 outbreak may have on its business.

### 6. Subsequent Events

The Company has evaluated subsequent events through March 31, 2022, the date the financial statements became available for issuance.



# **BrightStar Senior Living Franchising, LLC**

**Financial Statements**  
For the Years Ended January 3, 2021 and  
December 29, 2019

# **BrightStar Senior Living Franchising, LLC**

---

Financial Statements  
For the Years Ended January 3, 2021 and December 29, 2019

# BrightStar Senior Living Franchising, LLC

## Contents

---

Independent Auditor's Report	3-4
<b>Financial Statements</b>	
Balance Sheets as of January 3, 2021 and December 29, 2019	5
Statements of Operations for the Years Ended January 3, 2021 and December 29, 2019	6
Statements of Member's Deficit for the Years Ended January 3, 2021 and December 29, 2019	7
Statements of Cash Flows for the Years Ended January 3, 2021 and December 29, 2019	8
Notes to Financial Statements	9-15



## **Independent Auditor's Report**

BrightStar Senior Living Franchising, LLC  
Gurnee, Illinois

### ***Opinion***

We have audited the financial statements of BrightStar Senior Living Franchising, LLC (the Company), which comprise the balance sheets as of January 3, 2021 and December 29, 2019, and the related statements of operations, member's deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of January 3, 2021 and December 29, 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

*BDO USA, LLP*

Chicago, Illinois  
April 23 2021

# BrightStar Senior Living Franchising, LLC

## Balance Sheets

	January 3, 2021	December 29, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 198,255	\$ 108,491
Accounts receivable, net	25,245	29,452
Prepaid expenses	21,420	15,939
<b>Total Current Assets</b>	<b>244,920</b>	<b>153,882</b>
<b>Long-Term Assets</b>		
Equipment, net	6,900	7,406
Franchise-development costs, net	-	8,977
<b>Total Long-Term Assets</b>	<b>6,900</b>	<b>16,383</b>
<b>Total Assets</b>	<b>\$ 251,820</b>	<b>\$ 170,265</b>
<b>Liabilities and Member's Deficit</b>		
<b>Current Liabilities</b>		
Accrued salaries and payroll tax	\$ 30,640	\$ 43,500
Other current liabilities	5,810	24,822
<b>Total Current Liabilities</b>	<b>36,450</b>	<b>68,322</b>
<b>Long-Term Liabilities</b>		
Deferred revenue (non-refundable)	83,133	83,133
Notes payable, affiliated companies, net	2,212,366	1,762,513
<b>Total Long-Term Liabilities</b>	<b>2,295,499</b>	<b>1,845,646</b>
<b>Total Liabilities</b>	<b>2,331,949</b>	<b>1,913,968</b>
<b>Member's Deficit</b>	<b>(2,080,129)</b>	<b>(1,743,703)</b>
<b>Total Liabilities and Member's Deficit</b>	<b>\$ 251,820</b>	<b>\$ 170,265</b>

*See accompanying notes to financial statements.*

# BrightStar Senior Living Franchising, LLC

## Statements of Operations

<i>Year ended</i>	January 3, 2021	December 29, 2019
<b>Revenue</b>		
Royalty fees	\$ 224,720	\$ 211,089
General marketing fund fees	44,984	42,218
System fees	30,339	20,867
Initial franchisee fees	-	1,600
Other	6,760	1,920
<b>Total Revenue</b>	<b>306,803</b>	<b>277,694</b>
<b>Expenses</b>		
Payroll and related expenses	256,683	201,397
Fee paid to partner	100,000	-
Professional fees	94,142	128,139
Marketing	86,413	83,775
Travel and meals	35,779	52,116
IT services	28,434	45,262
Amortization	8,977	12,001
Occupancy and office expense	8,531	9,783
Insurance	1,904	2,028
Depreciation	2,219	1,205
Miscellaneous expenses	20,147	4,111
<b>Total Expenses</b>	<b>643,229</b>	<b>539,817</b>
<b>Loss, before income tax benefit</b>	<b>(336,426)</b>	<b>(262,123)</b>
<b>Income Tax Provision</b>	<b>-</b>	<b>-</b>
<b>Net Loss</b>	<b>\$ (336,426)</b>	<b>\$ (262,123)</b>

*See accompanying notes to financial statements.*

# BrightStar Senior Living Franchising, LLC

## Statements of Member's Deficit

---

	Member's Deficit
<b>Balance</b> , December 30, 2018	\$ (1,407,373)
Cumulative-adjustment effect, new revenue recognition standard	(74,207)
Net loss	(262,123)
<b>Balance</b> , December 29, 2019	(1,743,703)
Net loss	(336,426)
<b>Balance</b> , January 3, 2021	\$ (2,080,129)

*See accompanying notes to financial statements.*

# BrightStar Senior Living Franchising, LLC

## Statements of Cash Flows

<i>Year ended</i>	January 3, 2021	December 29, 2019
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (336,426)	\$ (262,123)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization expense	8,977	12,001
Depreciation expense	2,219	1,205
Decrease (increase) in:		
Accounts receivable	4,207	8,172
Prepaid expenses	(5,481)	3,146
Increase (decrease) in:		
Other current liabilities	(19,012)	20,140
Deferred revenue (non-refundable)	-	(1,601)
Accrued salaries and payroll tax	(12,860)	14,789
<b>Net Cash Used in Operating Activities</b>	<b>(358,376)</b>	<b>(204,271)</b>
<b>Cash Flows from Investing Activities</b>		
Equipment purchases	(1,713)	(5,475)
<b>Net Cash Used in Investing Activities</b>	<b>(1,713)</b>	<b>(5,475)</b>
<b>Cash Flows from Financing Activities</b>		
Notes receivable/payable, net, affiliated companies	449,853	254,515
<b>Net Cash Provided by Financing Activities</b>	<b>449,853</b>	<b>254,515</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>89,764</b>	<b>44,769</b>
Cash and Cash Equivalents, beginning of year	108,491	63,722
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 198,255</b>	<b>\$ 108,491</b>

*See accompanying notes to financial statements.*

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

### 1. Description of Business and Operations

BrightStar Senior Living Franchising, LLC (the Company) is a member of a consolidated group whose parent is BrightStar Group Holdings, Inc. (the Parent), which consists of 15 additional members—BrightStar 10+3, Inc.; International Franchise Holdings, Inc.; BrightStar Technology Group, LLC; 24-7 BrightStar Operations, LLC; 24-7 BrightStar Healthcare, LLC (BrightStar Nevada); BrightStar Franchising, LLC; BrightStar Senior Living, LLC; BrightStar Toronto Operations ULC; BrightStar CRDM, LLC; BrightStar Florida Operations, LLC; BrightStar Georgia Operations, LLC; BrightStar Senior Living Development of Fort Wayne, LLC; BrightStar Senior Living Operations of Fort Wayne, LLC; BrightStar Senior Living Development of Mason, LLC; and Brightstar Senior Living Operations of Mason, LLC. BrightStar Senior Living Franchising, LLC is organized as a limited liability company under the laws of the state of Illinois and it is a franchiser of businesses that has developed a system for constructing, operating, identifying and promoting assisted living and memory care facilities under the BRIGHTSTAR SENIOR LIVING® trademark and related commercial symbols. These facilities provide various services for seniors and other individuals in need, including residential assisted living, memory care and ancillary assisted living services.

The Company's fiscal year ends on the nearest Sunday to December 31. There were 53 weeks and 52 weeks, respectively, included in both the year ended January 3, 2021 and the year ended December 29, 2019.

#### ***COVID-19 and CARES Act***

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the impact that the pandemic may have on the Company's industry, financial condition, liquidity and future results of operations. Although the Company cannot estimate the length or gravity of the COVID-19 outbreak at this time, the Company continues to actively monitor any impacts that the COVID-19 outbreak may have on its business.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law. The CARES Act, among other things, included provisions relating to refundable payroll tax credits, deferment of employer-side social security payments and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. To date, the Company has not been significantly impacted by the provisions of the CARES Act.

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

#### *Liquidity and Management's Plans*

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and settlement of obligations in the normal course of business. The Company has incurred operating losses from operations of \$336,426, had member's deficit of \$2,080,129 and had negative cash flows from operating activities of \$358,376 for the year ended January 3, 2021. Additionally, during 2020, the Company required additional advances of \$476,696 from its Parent and an affiliate, BrightStar Franchising, LLC, to fund operations and address cash flow needs.

Management has evaluated its plans whereby the Parent has committed to provide financial support to the Company by providing written assurances that it will provide, as required, additional advances of up to the amount of \$700,000 to support the operating, investing and financing activities of the Company through at least one year and a day beyond the report date.

In addition, the Company has historically received advances through BrightStar Franchising, LLC from the Parent. These notes are non-interest bearing and due on demand (see Note 3). BrightStar Franchising, LLC will not call these notes for payment through at least one year and a day beyond the report date.

The Company's ability to continue as a going concern is dependent on the continued financial support of its Parent and the extension of the due date of the notes and the ability of the Company to execute its plan.

#### *Basis of Accounting*

The Company maintains its books and records on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred.

#### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, cash equivalents include the general checking account held by the Company. From time-to-time, cash balances may exceed federally insured limits of \$250,000. The Company believes the associated credit risk to be minimal.

#### *Accounts Receivable*

The Company grants credit to its customers in the normal course of business. Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company may create payment plans for customers with significant past-due balances. The Company maintains an allowance for doubtful accounts to cover potential credit losses relating to its accounts receivable. The allowance is based on the Company's historical collection experience, as well as an analysis of specific past-due accounts. All accounts or portions thereof deemed to be uncollectible by management are written off in the period in which that determination is made. Balances outstanding after management has

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts was \$0 at January 3, 2021 and December 29, 2019.

### *Revenue Recognition*

Under Accounting Standards Codification (ASC) 606, the Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company recognizes revenue only when it satisfies a performance obligation by transferring a promised good or service to the customer. The good or service is considered to be transferred when the customer obtains control, meaning when the customer has the ability to direct the use and obtain substantially all of the remaining benefits of the good or service. At each contract inception, the Company determines whether control of a good or service transfers to a customer over time or at a point in time.

### *Franchise Revenue*

The terms of the franchise agreements are typically for 20 years. As of January 3, 2021, there were four franchises. As of December 29, 2019, there were three franchises.

As part of each agreement, the Company identified one performance obligation that requires the Company to provide a combination of the following:

- *Intellectual Property (IP)* - Licenses grant a non-exclusive right to establish and operate an assisted living and memory care facility under the trademarks and systems established as part of the BrightStar license during the term of the agreement.
- *Operations Manual and Brand-Specific Training Services* - These provide training programs, operating manuals, development of standards and pricing policies, specific to the BrightStar brand.
- *Marketing Services* - These are ongoing local and national advertising programs that are implemented throughout the course of the contract term.
- *Continuing Consulting Services* - These include the review of plans and equipment and merchandise selection.

The Company determined that the services noted above represent a set of integrated or highly interrelated tasks/services and are, therefore, accounted for as a single-performance obligation of providing the franchise license.

In addition, the Company has also determined the following performance obligation is included in the contracts but is distinct from the above performance obligation:

- *Non-Brand-Specific Training* - This training relates to educating the franchisees as to the appropriate business model for operating a franchise. The services could be provided by another third party to the franchisee and do not relate specifically to the license of the BrightStar intellectual property.

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

The contracts the Company enters contain several types of payments, as follows:

- *Initial Fees* - Franchise agreements require a nonrecurring and nonrefundable initial fee of \$50,000. Initial franchise fees are due and payable when a contract is signed. The initial franchise fee is not in exchange for any particular products, services or assistance but instead solely in consideration of the Company's granting the franchise to the franchisee.
- *Royalty Fees* - The Company receives monthly royalty payments based on a percentage of each franchisee's net billings. The franchisee is required to meet a minimum revenue level for the payment of these royalty fees in any given month.
- *General Marketing Fund Fees* - These are based on the greater of \$2,000 or a portion of franchisee net billings to contribute to the local franchise and to the national brand advertising activities directed by the franchisor. These fees are typically due on a monthly basis over the course of the contract term.
- *Monthly Technology Fees* - The Company receives monthly fees for technology software and support based on the greater of \$250/month or 0.83% of franchisee net billings.
- *Renewal Fees* - Franchise agreements include renewal options and require the franchisee to pay a renewal fee.
- *Transfer Fees* - Franchise agreements include transfer options and require the franchisee to pay a transfer fee.

The Company recognizes revenue for each performance obligation identified within the customer contracts when, or as, the performance obligation is satisfied by transferring the promised goods or services. All revenue is recognized over time. The Company recognizes revenue over time for the combined franchise license performance obligation and for the non-brand-specific training, as these performance obligations involve a continuous transfer of control to the customer.

The standard specifically identifies franchise rights as an example of a symbolic license. This type of license is satisfied over time since the customer simultaneously receives and consumes the benefit as the entity performs its obligation to provide access and, therefore, meets the criterion of recognizing revenue over time. Royalty fees represent the majority of consideration the Company receives under franchise agreements and are recognized over time at the greater of the actual royalty earned or the contract monthly minimum each month. Revenue related to upfront fees allocated to this single-performance obligation is recognized over time using a straight-line (time-lapse) measure of progress as the control of various services is provided to the customer ratably over the term of the contract for the initial upfront fee. The renewal option provides continued access for the franchise rights (symbolic license) for an extended period of time and, therefore, would also be recognized over time (over the course of the renewal term) as it meets the above-mentioned criterion.

For the non-brand-specific training, the Company also recognizes revenue over time since the customer simultaneously receives and consumes the benefit as the entity performs the training. Revenue for this performance obligation is recognized over time using an input measure of progress based upon hours of training performed.

### **General Marketing Fund (GMF)**

The GMF funds received from the franchisees are recognized as revenue over time when incurred and marketing expenses are now recognized when incurred within the Company's statements of

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

operations. GMF income and GMF expense for the year ended January 3, 2021 were \$44,984 and \$62,182, respectively, and are included within the statements of operations. GMF income and GMF expense for the year ended December 29, 2019 were \$42,218 and \$54,126, respectively, and are included within the statements of operations.

Contract assets include accrued revenue for items not invoiced as of period end due to billing occurring subsequent to the performance obligation being fulfilled. Contract assets were \$25,245 and \$29,452 as of January 3, 2021 and December 29, 2019, respectively, included within accounts receivable. Contract liabilities include initial franchise fees received upfront for the right to use the BrightStar Senior Living brand. These fees are recognized ratably over the initial term of the individual contacts, which typically lasts 20 years. The total balance of the contract liabilities, reflected as deferred revenue (non-refundable), was \$83,133 as of January 3, 2021 and December 29, 2019.

### ***Franchise-Development Costs***

The Company has capitalized certain development costs that were incurred with the expectation of producing future profits from the sale and continued operations of franchised outlets and territories. These costs are being amortized on a straight-line basis over five years, which as of January 3, 2021, are fully depreciated. Amortization expense for franchise development costs was \$8,777 and \$12,001 for the years ended January 3, 2021 and December 29, 2019, respectively.

### ***Impairment of Long-Lived Assets***

The Company reviews long-lived assets, such as franchise-development costs subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognized as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. No indicators of impairment were identified for the years ended January 3, 2021 and December 29, 2019.

### ***Income Taxes***

The Company's Parent has elected to be taxed as an S-Corporation under provisions of the Internal Revenue Code. Under those provisions, the Company's Parent does not pay federal income taxes. Instead, the Parent's stockholder is liable for individual federal income taxes on the Parent's consolidated taxable income.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

### *Recent Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In October 2019, FASB deferred the effective date of ASU 2016-02 for private companies, not-for-profit organizations and certain small public companies. Private entities will apply ASU 2016-02 for annual periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact that adoption of ASU 2016-02 will have on its financial statements and related disclosures.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which applies primarily to the Company's accounts receivable impairment loss allowances. The guidance provides a revised model whereby the current expected credit losses are used to compute impairment of financial instruments. The new model requires evaluation of historical experience and various current and expected factors, which may affect the estimated amount of losses and requires determination of whether the affected financial instruments should be grouped in units of account. This standard is effective for private entities for annual periods beginning after December 15, 2022. The Company is currently assessing the impact of this standard on the Company's financial position, results of operations and cash flows.

In January 2021, the FASB issued Accounting Standards Update (ASU) 2021-02, *Franchisors - Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*, related to revenue recognition of pre-opening services for franchisors that are not public business entities. The amendments introduce a new practical expedient that simplifies the application of the guidance about identifying performance obligations. The practical expedient permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. In addition, a policy election can be made to recognize pre-opening services as a single-performance obligation. The Company is currently evaluating the impact that adoption of ASU 2021-02 will have on its financial statements and related disclosures.

# BrightStar Senior Living Franchising, LLC

## Notes to Financial Statements

---

### 3. Notes Payable - Affiliated Companies, Net

The Company has historically received advances from/provided advances to the Parent and its wholly owned affiliates. These notes are non-interest bearing and due on demand. BrightStar Franchising, LLC, an affiliate of the Parent, will not call these notes for payment through at least one year and a day beyond the report date (see Note 2), resulting in a classification of long-term in the balance sheets for the years ended January 3, 2021 and December 29, 2019.

The following is a summary of intercompany transactions that can be settled on a net basis:

	January 3, 2020	December 29, 2019
BrightStar Franchising, LLC	\$ (2,631,046)	\$ (2,165,449)
BrightStar Senior Living Development of Fort Wayne, LLC	31,762	46,758
BrightStar Senior Living Operations of Fort Wayne, LLC	367,831	356,178
BrightStar Group Holdings, Inc.	(11,099)	-
BrightStar Senior Living Operations of Mason, LLC	30,186	-
<b>Total</b>	<b>\$ (2,212,366)</b>	<b>\$ (1,762,513)</b>

### 4. Contingencies

From time-to-time, the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company's business. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future financial position or results of operations.

The Company is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Company carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements, if any, have not exceeded coverage.

### 5. Subsequent Events

The Company has evaluated subsequent events through April 23, 2021, the date the financial statements became available for issuance.

**EXHIBIT G**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

OPEN COMMUNITIES

Principals	Franchisee	Address	City	ST	Zip Code	Phone
Caroline Moore	Bright Blooms, LLC	3940 S. Summerset Way	Boise	ID	83709	(208) 338-7879
Caroline Moore	Bright Blooms, LLC	4073 W. Prickly Pear Drive	Eagle	ID	83616	(208) 338-7879
Caroline Moore	Bright Blooms, LLC	2903 W. Taft Street	Boise	ID	83703	(208) 338-7879
Caroline Moore	Bright Blooms, LLC	2222 S. Stephen Avenue	Boise	ID	83706	(208) 338-7879

UNDER CONSTRUCTION

Principals	Franchisee	Address	City	ST	Zip Code	Phone
Caroline Moore	Bright Blooms, LLC	3336 N. Meridian Rd	Meridian	ID	83646	(208) 338-7879
Caroline Moore	Bright Blooms, LLC	5578 N. Eagle Rd.	Boise	ID	83713	(208) 338-7879

**EXHIBIT H**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE DISCLOSURE DOCUMENT**

**RELEASE OF CLAIMS**

**RELEASE OF CLAIMS**  
**THIS FORM IS SUBJECT TO CHANGE OVER TIME**

For and in consideration of the agreements and covenants described below, BrightStar Senior Living Franchising, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) enter into this Release of Claims (“Agreement”).

**RECITALS**

A. Franchisor and Franchisee entered into a BrightStar Senior Living Franchising, LLC Care Homes Franchise Agreement dated \_\_\_\_\_.

B. [NOTE: Describe the circumstances relating to the release.]

C. Subject to and as addressed with greater specificity in the terms and conditions identified below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

**AGREEMENTS**

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims by Franchisor.** In consideration of, and only upon full payment of \$\_\_\_\_\_ to Franchisor, and the other terms and conditions of this Agreement, the receipt and sufficiency of which are hereby acknowledged, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives, does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorneys’ fees), complaints, judgments, and executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.

5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which are hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorneys’ fees), complaints, charges, judgments, and executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

***[The following is additional language for California-based franchisees –  
remove for all other states]***

*Each of the parties acknowledges a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:*

*“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor.”*

*The Franchisee and its authorized signatories hereto recognize that he, she, or it may have some claim, demand, or cause of action against Franchisor and the other Franchisor Released Parties of which he, she, or it is unaware and unsuspecting, and which he, she, or it is giving up by signing this Addendum. Each of the Franchisee and its authorized signatories hereby waive and relinquish every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that such right or benefit may lawfully be waived.*

6. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained in this Agreement, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

8. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

9. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the laws of the state of \_\_\_\_\_.

10. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

*[Signature Page Follows]*

Dated: \_\_\_\_\_

BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC

By \_\_\_\_\_

Its \_\_\_\_\_

Dated: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

**EXHIBIT I**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE DISCLOSURE  
DOCUMENT**

**MICROSOFT TEAMS/ONE-DRIVE/WEB VERSION  
OFFICE PACKAGE OPT-IN ADDENDUM**

**MICROSOFT TEAMS/ONE-DRIVE/WEB VERSION OFFICE PACKAGE  
OPT-IN ADDENDUM**

---

This addendum (the “Addendum”) to the BrightStar Senior Living Franchising, LLC BRIGHTSTAR CARE HOMES Community Franchise Agreement is made and entered into as of \_\_\_\_\_ (the “Execution Date”) by and between BrightStar Senior Living Franchising, LLC, an Illinois limited liability company with its principal place of business at 1125 Tri-State Parkway, Suite 700, Gurnee, Illinois 60031 (“we,” “us,” or “our”), and \_\_\_\_\_, with an address at \_\_\_\_\_ (“you” or “your”).

**BACKGROUND**

A. On \_\_\_\_\_, 20\_\_, the parties entered into a BrightStar Senior Living Franchising, LLC BRIGHTSTAR CARE HOMES Community Franchise Agreement (collectively, the “Franchise Agreement”) pursuant to which you were granted the right to open and operate a BRIGHTSTAR CARE HOMES Community at the premises defined in Exhibit A to the Franchise Agreement (the “Community”).

B. You have requested us to provide you with Microsoft Teams, One-Drive, and The Web version of Microsoft’s Office package, which also includes a storage limit of 1TB per account for Teams/One Drive (collectively, the “Teams Package”).

C. All capitalized terms not defined in this Addendum have the meanings ascribed to them in the Franchise Agreement. To the extent the terms of this Addendum are inconsistent with any terms of the Franchise Agreement, the terms of this Addendum will supersede and govern.

D. The parties wish to amend the terms of the Franchise Agreement pursuant to the terms and conditions of this Addendum.

**AGREEMENT**

NOW THEREFORE, in consideration of the agreements, covenants and promises contained in this Addendum and the Franchise Agreement, and for other consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Incorporation. The “Background” provisions above are incorporated into and made a part of this Addendum by this reference.

2. By execution of this Addendum, you acknowledge and agree that beginning the month you are provided the Teams Package, you will be charged \$7.80 per user per month based on active Teams Package users during the prior month. The \$7.80 per user per month is not prorated (e.g., whether you are issued a Teams Package user account for you or an employee on the 1<sup>st</sup> of the month or on the 30<sup>th</sup> of the month you will be charged \$7.80). The monthly fee is

subject to change. We will provide a 30 day notice prior to any fee changes. You may elect, upon 30 days' notice to us, to terminate your and your Agency's staff's use of the Teams Package.

4. Entire Agreement. The Franchise Agreement and this Addendum constitute the entire, full, and complete agreement between the parties concerning the Agency. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall control. Except as amended hereby, all the other terms and conditions of the Franchise Agreement are ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Addendum the date and year first written above.

**BRIGHTSTAR SENIOR LIVING  
FRANCHISING, LLC (FRANCHISOR)**

By: \_\_\_\_\_  
Printed Name: Janet M. Henline  
Title: Director, Franchise Administration

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending
Illinois	April 7, 2022
Indiana	April 5, 2022
Maryland	Pending
Michigan	March 31, 2022
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	April 5, 2022

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J**

**TO BRIGHTSTAR SENIOR LIVING FRANCHISING, LLC  
BRIGHTSTAR CARE HOMES COMMUNITY FRANCHISE DISCLOSURE  
DOCUMENT**

**RECEIPTS**

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If BrightStar Senior Living Franchising, LLC 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.

[Michigan law requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If BrightStar Senior Living Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is BrightStar Senior Living Franchising, LLC, located at 1125 Tri-State Parkway, Suite 700, Gurnee, Illinois 60031. Its telephone number is (888) 684-8250.

The issuance date of this Franchise Disclosure Document is March 31, 2022.

The name, principal business address, and telephone number of each franchise seller offering the franchise: Brad Jacobsen, Pete First, Chris Connolly, Karen Garrett, Dean Ulizio, Shelly Sun, and David Pallaschke, 1125 Tri-State Parkway, Suite 700, Gurnee, IL 60031 847-693-2035.

We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular states. I received a Franchise Disclosure Document from BrightStar Senior Living Franchising, LLC dated as of March 31, 2022, that included the following Exhibits:

A – List of State Administrators and Agents for Service of Process; B – BRIGHTSTAR CARE HOMES Community Franchise Agreement (including exhibits); C – Operations Manual Table of Contents; D – Confidentiality, Non-Disclosure and Non-Competition Agreement; E – State Specific Addenda; F – Financial Statements; G – List of Franchisees; H – Release of Claims; I – Microsoft Teams/One-Drive/Web Version Office Package Opt-in Addendum; J– Receipts.

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

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

Address: \_\_\_\_\_

City: \_\_\_\_\_ State \_\_\_\_\_

Phone ( ) \_\_\_\_\_ Zip \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

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

Address: \_\_\_\_\_

City: \_\_\_\_\_ State \_\_\_\_\_

Phone ( ) \_\_\_\_\_ Zip \_\_\_\_\_

Prospective Franchisee’s Copy

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If BrightStar Senior Living Franchising, LLC 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.

[Michigan law requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If BrightStar Senior Living Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is BrightStar Senior Living Franchising, LLC, located at 1125 Tri-State Parkway, Suite 700, Gurnee, Illinois 60031. Its telephone number is (888) 684-8250.

The issuance date of this Franchise Disclosure Document is March 31, 2022.

The name, principal business address, and telephone number of each franchise seller offering the franchise: Brad Jacobsen, Pete First, Chris Connolly, Karen Garrett, Dean Ulizio, Shelly Sun, and David Pallaschke, 1125 Tri-State Parkway, Suite 700, Gurnee, IL 60031 847-693-2035.

We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular states. I received a Franchise Disclosure Document from BrightStar Senior Living Franchising, LLC dated as of March 31, 2022, that included the following Exhibits:

A – List of State Administrators and Agents for Service of Process; B – BRIGHTSTAR CARE HOMES Community Franchise Agreement (including exhibits); C – Operations Manual Table of Contents; D – Confidentiality, Non-Disclosure and Non-Competition Agreement; E – State Specific Addenda; F – Financial Statements; G – List of Franchisees; H – Release of Claims; I – Microsoft Teams/One-Drive/Web Version Office Package Opt-in Addendum; and J – Receipts.

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

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

Address: \_\_\_\_\_

City: \_\_\_\_\_ State \_\_\_\_\_

Phone ( ) \_\_\_\_\_ Zip \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

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

Address: \_\_\_\_\_

City: \_\_\_\_\_ State \_\_\_\_\_

Phone ( ) \_\_\_\_\_ Zip \_\_\_\_\_