

## FRANCHISE DISCLOSURE DOCUMENT



Recognizing Children's Gifts  
Behavioral Health Network

RCG Behavioral Health Franchising, Inc.  
A Virginia Corporation  
911 Sturbridge Drive, Richmond, VA 23236  
804-796-0073  
franchise@rcghealthnetwork.com  
<https://rcghealthnetwork.com/>

As an RCG Behavioral Health Network franchisee, you will operate a business offering top-quality behavioral services to help individuals on the Autism Spectrum reach their highest potential. RCG provides comprehensive programs in a center-based environment, in addition to services in the home, starting as early as two years old.

The total investment necessary to begin operation of a RCG Behavioral Health Network franchise is \$282,100 to \$584,067. This includes \$50,700 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Sherman A. Adkins, Jr. and Tarsha Adkins at 911 Sturbridge Drive, Richmond, VA 23236 and 804-796-0073.

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: April 28, 2025

## How to Use This Franchise Disclosure Document

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

| QUESTION   | WHERE TO FIND INFORMATION   |
|--|---|
| <b>How much can I earn?</b>  | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F. |
| <b>How much will I need to invest?</b>   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.  |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit D 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 RCG Behavioral Health Network 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 RCG Behavioral Health Network franchisee?</b>                  | Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.   |
| <b>What else should I know?</b>  | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.   |

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

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

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

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

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

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

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

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

## **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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 and Area Development Agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. 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 Virginia than in your own state.
2. **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.
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. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business franchise franchisor, its affiliates, or suppliers that the franchisor designates, at prices 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 franchise business.
5. **Unregistered Trademark.** The primary trademark 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.
6. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.

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.

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## Exhibits

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement
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- E. Operations Manual Table of Contents
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- I. Receipts

**Item 1**

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

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means RCG Behavioral Health Franchising, Inc, the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a RCG Behavioral Health Network franchise, as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers and directors.

We were formed as a corporation in the state of Delaware on June 14, 2023, and converted to a Virginia corporation on April 28, 2025. Our principal business address is 911 Sturbridge Drive, Richmond, VA 23236. We do business under our company name. We do not own or operate any businesses of the type you will be operating. We have not offered franchises in any other line of business. We only offer franchises which operate under the “RCG Behavioral Health Network” trademarks. We began offering franchises in July 2023. We have no other business activities.

**Our Parents, Predecessors and Affiliates**

We have no parent or predecessor company.

We have an affiliated company, RCG Behavioral Health Network, LLC. RCG Behavioral Health Network, LLC has operated RCG Behavioral Health Network in Richmond, Virginia since 2012. RCG Behavioral Health Network, LLC is the owner of the Marks and has exclusively licensed use of the Marks to us.

This affiliate has the same business address as us and operates three sites currently of the type of business being franchised. The locations are operated from the following addresses:

8040 Villa Park Dr., Suite 100, Richmond, VA 23228

931 Sturbridge Dr., Richmond, VA 23236

941 Sturbridge Dr., Richmond, VA 23236

**The Franchise Offered:**

If you sign a franchise agreement with us, you will develop and operate a business offering top-quality behavioral services to help individuals on the Autism Spectrum reach their highest potential, under the trade name RCG Behavioral Health Network. RCG provides comprehensive programs in a center-based environment, in addition to services in the home, starting as early as two years old. The business model will generally begin with location-based services being offered and a franchisee will transition to the offering to home-based services where you will provide services to the client in their home.

### **Market and Competition:**

We operate in the Behavioral Services market that is well developed and competitive in most markets. Our products and services are offered year-round. You will compete for customers with independent owners, national chains, regional chains, and franchised businesses, offering behavioral services to individuals on the Autism Spectrum.

### **Industry Laws and Regulations:**

Your Franchised Business will be subject to many federal, state, and local laws, regulations, and licensing requirements. You must comply with all laws, regulations, and licensing requirements that apply to your Franchised Business. You are responsible for investigating and evaluating the federal, state, and local laws that may apply to the structuring and operation of your Franchised Business, and the federal, state, and local restrictions regarding the ownership of your Franchised Business and the individuals that may or may not provide services through your Franchised Business. We require you to consult with an attorney regarding the laws and regulations and the permit, license, and certificate requirements that may apply to your Franchised Business before signing a Franchise Agreement with us.

The health care industry is heavily regulated. Some of the laws, regulations, and licensing requirements that apply to mental health clinics and will apply to your Franchised Business, relate to the practice of mental health and the licensing and operation of counseling services; privacy of patient records (including the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and the Health Information for Economic and Clinical Health Act, or HITECH); the relationship of providers and suppliers of health care services with mental health professionals, including state and federal anti-kickback and self-referral laws and state Medicaid laws concerning reimbursement for services for those who participate in Medicaid; prohibitions on fee splitting and self-referral restrictions (such as the federal “Stark Law” and similar state laws); and payment systems for medical benefits available to individuals through private insurance and government resources (including Medicare and Medicaid). Your Franchised Business may also be required to meet credentialing and enrollment requirements in order to participate in private and government insurance programs.

Whether many of these laws, regulations, and licensing requirements will apply to your Franchised Business, will depend on the location of your Franchised Business, the type of products and services you offer through your Franchised Business, and the types of private and government insurance that you accept at your Franchised Business. The laws and regulations and the permit, license, and certificate requirements that apply to counseling and therapy clinics varies state by state.

### **Corporate Practice of Medicine**

You must not engage in the practice of medicine, mental health, or any other profession that requires specialized training, licensure, or certification unless properly trained, licensed, and certified. You must obtain and maintain all required permits, licenses, and certificates necessary for the operation of your Franchised Business and for offering counseling and therapy products and services. We require, and all states also require, that any person who provides counseling and

therapy products and services through your Franchised Business pass all applicable licensing tests and board certifications, be licensed mental health professionals according to state law, and maintain at all times all permits, licenses, and certificates necessary to provide these products and services. You may not employ or retain any person who does not meet these requirements, and under no circumstance may a non-licensed medical professional influence, or direct the supervision, administration, delivery, or performance of, medical or mental health services.

Many states have adopted the corporate practice of medicine doctrine, which generally only permit medical professionals licensed by the state to provide medical services through a professional corporation, professional limited liability company, or other professional practice entity owned by the licensed medical professionals. Some states limit the legal type of professional practice entity. These laws apply to therapists and counselors providing counseling, medication management, and therapeutic products and services. These laws only permit the professional practice entity to receive payment from patients for medical services or medical reimbursement from government health programs or private payor health plans. These laws may permit licensed medical professionals, or their professional practice entity, to contract with a non-licensed person or entity through a Managed Operation Model.

Many states require that health care providers make a proper disclosure to their patients regarding their affiliation with a person or entity if they will receive, directly or indirectly, remuneration for securing or soliciting the patient. Medicare regulations, and many state regulations, also impose a duty to collect payments from clients.

You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you. You should consult with a legal advisor about legal requirements that may apply to your business.

## **Item 2** **BUSINESS EXPERIENCE**

### **Sherman A. Adkins, Jr.- Chief Visionary Officer**

| <b>Employer</b>                         | <b>Title</b>                      | <b>Start Date<br/>(month/year)</b> | <b>End Date<br/>(month/year)</b> | <b>City, State</b>     |
|---|-----------------------------------|------------------------------------|----------------------------------|------------------------|
| RCG Behavioral Health Franchising, Inc. | Chief Visionary Officer           | June 2023                          | Current                          | Richmond, VA           |
| MySpectrum Counseling & Coaching        | Co-founder & Managing Partner     | July 2019                          | Current                          | North Chesterfield, VA |
| RCG Behavioral Health Network, LLC      | Founder & Chief Visionary Officer | July 2012                          | Current                          | Richmond, VA           |
| EMS VA LLC                              | Co-founder & Managing Partner     | June 2005                          | Current                          | North Chesterfield, VA |

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### Tarsha Adkins- Chief People Officer

| Employer                                | Title                    | Start Date (month/year) | End Date (month/year) | City, State  |
|---|--------------------------|-------------------------|-----------------------|--------------|
| RCG Behavioral Health Franchising, Inc. | Chief People Officer     | June 2023               | Current               | Richmond, VA |
| RCG Behavioral Health Network, LLC      | Chief People Officer     | May 2023                | Current               | Richmond, VA |
| RCG Behavioral Health Network, LLC      | Human Resources Director | Sept 2021               | May 2023              | Richmond, VA |
| Federal Reserve Bank of Richmond        | Project Manager          | Dec 2015                | Sept 2021             | Richmond, VA |

### Tiffanie Johnson - Clinical Director of Franchising

| Employer                                | Title                            | Start Date (month/year) | End Date (month/year) | City, State  |
|---|----------------------------------|-------------------------|-----------------------|--------------|
| RCG Behavioral Health Franchising, Inc. | Clinical Director of Franchising | Apr 2024                | Current               | Richmond, VA |
| RCG Behavioral Health Network, LLC      | Clinical Director                | Mar 2020                | Mar 2024              | Richmond, VA |
| RCG Behavioral Health Network, LLC      | Director of State Services       | May 2015                | Feb 2020              | Richmond, VA |
| Richmond City Public Schools            | Autism Mentor Teacher            | Sep 2008                | Apr 2015              | Richmond, VA |

### LaDonna Branson - Director of Client & Franchise Relations

| Employer                                | Title   | Start Date (month/year) | End Date (month/year) | City, State  |
|---|---|-------------------------|-----------------------|--------------|
| RCG Behavioral Health Franchising, Inc. | Director of Client & Franchise Relations      | Sept 2024               | Current               | Richmond, VA |
| RCG Behavioral Health Network, LLC      | Director of Strategic Planning & Business Ops | July 2023               | Aug 2024              | Richmond, VA |
| RCG Behavioral Health Network, LLC      | Administrative Services Supervisor            | May 2018                | June 2020             | Richmond, VA |
| PANS Research & Advocacy Initiative     | Co-Founder & Board Chair                      | Nov 2015                | Dec 2018              | Richmond, VA |

**Item 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**Item 4**  
**BANKRUPTCY**

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

**Item 5**  
**INITIAL FEES**

When you sign your franchise agreement, you must pay us \$50,000 as the initial franchise fee. This fee is uniform and is not refundable. When you purchase the franchised business, you will be required to pay us for the SalesForce operating license. Your monthly cost for SalesForce will be \$700 per month, the first payment will be due the first month you are in business. This Fee is uniform and non-refundable.

**Item 6**  
**OTHER FEES**

| Type of Fee                     | Amount                                   | Due Date                                    | Remarks  |
|---------------------------------|--|---|--|
| Royalty                         | 6% of your gross sales                   | Monthly, by the 15th of the following month | See Note 1 and Note 2.   |
| Brand Fund Contribution         | 1% of your gross sales                   | Monthly, by the 15th of the following month | See Item 11 for a detailed discussion about these funds. Amounts due will be withdrawn by electronic wire transfer from your designated bank account.  |
| Market Cooperative Contribution | As determined by co-op. Currently, none. | Monthly, by the 15th of the following month | We have the right to establish local or regional advertising cooperatives. The maximum contribution that a co-op may require is 5% of gross sales. Any location owned by us or any affiliate will have the same voting rights as our franchisees. Dues will be imposed by a majority vote and will not be less than 1% of gross sales. If any location owned by us or any affiliates have a majority vote, the maximum fees imposed will not exceed 3% of gross sales. |

| Type of Fee                           | Amount   | Due Date  | Remarks  |
|---------------------------------------|--|---|--|
| Local Marketing/Required Spending     | 1% of your gross sales   | Monthly   | You may only use promotional materials you have purchased from us or that we have provided to you.   |
| Replacement / Additional Training fee | Currently, \$75 per hour   | Prior to attending training   | If you send a manager or other employee to our training program after you open, we will charge our then-current training fee.  |
| Third party vendors                   | Pass-through of costs, plus reasonable administrative charge. Currently, none. | Varies  | We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program. |
| Software subscription                 | Currently, \$700 - \$900 per month   | Monthly (with exception to annual and per claim submission as listed) | We require you to use certain software as described in Item 11.<br>The Salesforce License cost will be paid directly to us, all other software licenses will be paid directly to suppliers and approved vendors.   |
| Billing Services                      | Currently 5% of Gross Sales  | On demand   | You will be required to use for the billing services to you for billing and invoicing your clients.  |
| Non-compliance fee                    | \$500  | On demand   | We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.  |
| Reimbursement                         | Amount that we spend on your behalf, plus 10%                                  | Within 15 days of invoice   | If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.  |

| Type of Fee                   | Amount  | Due Date    | Remarks  |
|-------------------------------|---|-------------|--|
| Late fee                      | \$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law) | On demand   | We may charge a late fee if you fail to make a required payment when due.  |
| Insufficient funds fee        | \$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)   | On demand   | We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.  |
| Costs of collection           | Our actual costs  | As incurred | Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.   |
| Special support fee           | Our then-current fee, plus our expenses. Currently, \$600 per day.  | On demand   | If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).            |
| Customer complaint resolution | Our expenses  | On demand   | We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.                        |
| Records audit                 | Our actual cost   | On demand   | Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period. |
| Special inspection fee        | Currently \$600, plus our out-of-pocket costs   | On demand   | Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.        |

| Type of Fee                       | Amount   | Due Date                           | Remarks   |
|-----------------------------------|--|------------------------------------|---|
| Non-compliance cure costs and fee | Our out-of-pocket costs and internal cost allocation, plus 10%   | When billed                        | We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee. |
| Transfer fee                      | \$10,000 plus any broker fees and other out-of-pocket costs we incur. A transfer to add a business entity or new shareholder or member of the Franchisee entity and such transfer does not change management control of the franchise, the transfer fee is \$1,500 and for a transfer to a spouse, parent or child upon death or permanent disability of Franchisee or a Principal, as the case may be, the transfer fee is \$3,500. | When transfer occurs               | Payable if you sell your business.  |
| Successor Agreement Fee           | \$10,000   | Before signing successor agreement | Payable to us. See Item 17.   |
| Liquidated damages                | An amount equal to royalty fees and Brand Fund contributions for the lesser of (i) 2 years or (ii) the remaining weeks of the franchise term.  | On demand                          | Payable if we terminate your franchise agreement because of your default, or if you terminate the franchise agreement without the right to do so.   |

| Type of Fee                    | Amount   | Due Date  | Remarks   |
|--------------------------------|--|-----------|---|
| Indemnity                      | Our costs and losses from any legal action related to the operation of your franchise                    | On demand | You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence). |
| Prevailing party's legal costs | Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party | On demand | In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.  |

All fees are payable only to us (other than local marketing spend and software subscription charges). All fees are imposed by us and collected by us (other than local marketing spend and software subscription charges). All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

#### Notes

1. “Gross Sales” is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

2. We currently require you to pay royalty fees and other amounts due to us by pre-authorized bank draft. However, we can require an alternative payment method.

### **Item 7** **ESTIMATED INITIAL INVESTMENT**

#### **YOUR ESTIMATED INITIAL INVESTMENT - FRANCHISE AGREEMENT**

| Type of expenditure                | Amount              | Method of payment      | When due                             | To whom payment is to be made |
|------------------------------------|---------------------|------------------------|--------------------------------------|-------------------------------|
| Initial franchise fee (see Note 1) | \$50,000 - \$50,000 | Check or wire transfer | Upon signing the franchise agreement | Us                            |

| Type of expenditure                                | Amount                | Method of payment           | When due                   | To whom payment is to be made     |
|--|-----------------------|-----------------------------|----------------------------|-----------------------------------|
| Rent and Lease Security Deposit (see Note 2)       | \$5,000 - \$16,667    | Check                       | Upon signing lease         | Landlord                          |
| Utilities  | \$500 - \$1,500       | Check, debit, and/or credit | Upon ordering service      | Utility providers                 |
| Leasehold Improvements                             | \$100,000 - \$250,000 | Check                       | As incurred or when billed | Contractors                       |
| Market Introduction Program                        | \$3,500 - \$10,500    | Check, debit, and/or credit | As incurred or when billed | Vendors and suppliers             |
| Furniture, Fixtures, and Equipment                 | \$28,000 - \$55,000   | Check, debit, and/or credit | As incurred                | Vendors and suppliers             |
| Computer Systems (see Note 3)                      | \$7,000 - \$10,000    | Check, debit, and/or credit | As incurred                | Us, Vendors and suppliers         |
| Insurance  | \$2,000 - \$15,000    | Check                       | Upon ordering              | Insurance company                 |
| Vehicle (see Note 4)                               | \$2,000 - \$20,000    | Check                       | Upon purchase              | Vendor                            |
| Signage  | \$2,000 - \$15,000    | Check, debit, and/or credit | Upon ordering              | Vendor                            |
| Office Expenses                                    | \$1,500 - \$3,000     | Check, debit, and/or credit | As incurred                | Vendors                           |
| Licenses and Permits                               | \$400 - \$900         | Check                       | Upon application           | Government                        |
| Dues and Subscriptions                             | \$1,200 - \$2,500     | Check, debit, and/or credit | As incurred                | Vendors, trade organizations      |
| Professional Fees (lawyer, accountant, etc.)       | \$1,000 - \$3,000     | Check, debit, and/or credit | As incurred or when billed | Professional service firms        |
| Travel, lodging and meals for initial training     | \$3,000 - \$6,000     | Cash, debit or credit       | As incurred                | Airlines, hotels, and restaurants |
| Additional funds (for first 3 months) (see Note 5) | \$75,000 - \$125,000  | Varies                      | Varies                     | Employees, suppliers, utilities   |

| Type of expenditure | Amount                | Method of payment | When due | To whom payment is to be made   |
|---------------------|-----------------------|-------------------|----------|---|
| Total               | \$282,100 - \$584,067 |                   |          | This is the total estimated initial investment to open and commence operating your initial location for the first three months (as described more fully in Chart A of this Item 7). See Note 4. |

Notes

1. Please see item 5 for information regarding the initial franchise fee. Neither we nor any affiliate finances any part of your initial investment.

2. Our estimates in this table assume you pay one month rent plus a security deposit before you open for business. For this to occur, you would need to negotiate a “free rent” period for the time it takes to build out your business. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly different. The buildings are typically 3,000 to 5,000 square feet in size and are the facilities that are used to operate the franchised business.

3. The Computer Systems investment range accounts for hardware and software costs associated with the operation of the franchised business. Of this total investment, the SalesForce License Fee of \$700 per month will be paid to us directly. The balance of this investment in Computer Systems will be paid to third party approved suppliers.

4. Vehicle. You need to use a vehicle appropriate for your business, and it must be branded with our logo/wrap. Your vehicle must be approved by us. A Toyota Sienna van is our recommendation. It must be in excellent or better condition, clean, dent-free, and otherwise presenting a professional appearance. The low-end estimate assumes you already have a personal vehicle for the business. The high assumes you lease a new vehicle, with certain fees and costs payable upon signing the lease.

5. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess of income generated by the business. It does not include any salary or compensation for you. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of a RCG Behavioral Health Network business by our affiliate, and our general knowledge of the industry.

**Item 8**  
**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

**Specific Obligations**

The following are our current specific obligations for purchases and leases:

A. Real Estate. Your business location is subject to our approval and must meet our specifications. You must use reasonable efforts to have your landlord sign our Conditional Assignment of Lease(Franchise Agreement, Attachment 4).

B. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Brand Standards Manual, which includes (i) “Special” causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible); (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$3,000,000 aggregate limit, (iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000, and (v) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

C. Point-of-sale software and hardware, and related software and hardware. You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify. See Item 11 for more details.

D. Vehicle. You must use a vehicle appropriate for your business, a Toyota Sienna van with our branded logo/wrap. It must be in excellent or better condition, clean, dent-free, and otherwise presenting a professional appearance. The low-end estimate assumes you already have a personal vehicle for the business. The high assumes you lease a new vehicle, with certain fees and costs payable upon signing the lease.

E. Furniture Fixtures and Equipment. You must purchase required furniture, fixtures and equipment from our approved vendors as prescribed. See our Brand Standards/Operations Manual for details.

F. Salesforce License. You will be required to purchase the Salesforce license from us directly. This will be a monthly software fee.

G. Billing Services. You will be required to use us for billing services to invoice, bill and collect from your clients.

We are currently the supplier of the Billing Services and SalesForce CRM license that you must purchase. We reserve the right to be a supplier (or the sole supplier) of a good or service in the future. Outside of your requirement to use us for the billing services and to purchase the SalesForce license from us, none of our officers own an interest in a supplier to our franchisees.

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

We will derive revenue from the required purchases and leases by franchisees. Because we are a new franchisor, our total revenue in the prior fiscal year was \$0. Our revenue from all required purchases and leases of products and services by franchisees in the prior fiscal year was \$0. The percentage of our total revenues that were from required purchases or leases in the prior fiscal year was 0%.

We estimate that the required purchases and leases to establish your business are 50% to 80% of your total purchases and leases to establish your business. We estimate that the required purchases and leases of goods and services to operate your business are 50% to 80% of your total purchases and leases of goods and services to operate your business.

Paylocity pays us a referral fee of 10% of the fees charged to Franchisee for each payroll and HR system we refer to them. Outside of this relationship, we do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so.

No purchasing or distribution cooperative currently exists. We do negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. However, subject to change in the future.

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

**Item 9**  
**FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

| <b>Obligation</b>  | <b>Section or Article in Franchise Agreement</b>              | <b>Item in Franchise Disclosure Document</b> |
|--|---|--|
| a. Site Selection and Acquisition/Lease                    | 8.1, 10.1   | 11   |
| b. Pre-Opening Purchase/Leases                             | 8.3, 10.5, 12.3.1   | 7, 11  |
| c. Site Development & other Pre-Opening Requirements       | 2.3, 8.2, 8.3, 12.1.1, 12.1.3                                 | 11   |
| d. Initial and Ongoing Training                            | Article 7   | 11   |
| e. Opening   | 8.2.3, 8.3  | 11   |
| f. Fees  | 5.2.7, Article 6, 7.5, 12.2.5, 12.3.7, 12.6, 12.7, 15.3, 16.4 | 5, 6, 7                                      |
| g. Compliance with Standards and Policies/Operating Manual | Article 9, Article 12, 19.1.1                                 | 8, 11  |
| h. Trademarks and Proprietary Information                  | 9.4, 12.1.8, Article 14, 19.2, 19.3, 19.4                     | 13, 14                                       |
| i. Restrictions on Products/Services Offered               | 2.2, 12.1.5   | 8  |
| j. Warranty and Customer Service Requirements              | Not Applicable  | Not Applicable                               |

| Obligation   | Section or Article in Franchise Agreement | Item in Franchise Disclosure Document |
|--|---|---------------------------------------|
| k. Territorial Development and Sales Quotas            | 13.2                                      | 12                                    |
| l. Ongoing Product/Service Purchases                   | 12.1.4, 12.3.7                            | 8, 11                                 |
| m. Maintenance, Appearance and Remodeling Requirements | Article 9, 12.1.2                         | 11                                    |
| n. Insurance   | Article 15                                | 7, 8                                  |
| o. Advertising   | 12.1.9, Article 13                        | 6, 11                                 |
| p. Indemnification                                     | 15.6, 16.3.6, 21.1                        | 14                                    |
| q. Owner's Participation, Management, Staffing         | 11.1, 11.4, 12.1.6                        | 11, 15                                |
| r. Records /Reports                                    | 6.1.3, 12.2                               | 6                                     |
| s. Inspections and Audits                              | 9.2, 12.1.7, 12.2.5                       | 6, 11                                 |
| t. Transfer  | Article 16                                | 17                                    |
| u. Renewal   | Article 5                                 | 17                                    |
| v. Post-Termination Obligations                        | Article 18                                | 17                                    |
| w. Non-Competition Covenants                           | 19.5                                      | 17                                    |
| x. Dispute Resolution                                  | Article 20                                | 17                                    |
| y. Spouse Guaranty                                     | 11.3, Attachment 6                        | 15                                    |

## Item 10 FINANCING

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

**Item 11**  
**FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND  
TRAINING**

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

**Our Pre-Opening Obligations**

Before you open your business:

Before you open your Franchised Business, we will:

- a. designate the boundaries of your territory. (Franchise Agreement, Article 2, Section 10.1). You may operate the Franchised Business from your home. You have no obligation to locate a site, negotiate a lease, or construct or remodel premises for the office of your Franchised Business, and we provide no assistance in this regard (Franchise Agreement, Section 8.1.1).
- b. provide access to the Operations Manual, and other manuals and training aids we designate for use in the operation of your RCG Behavioral Health Network business, as they may be revised from time to time (Franchise Agreement, Section 10.3).
- c. in our discretion, provide you with samples or digital artwork of advertising and promotional materials for your initial marketing activities (Franchise Agreement, Section 10.5).
- d. provide a written list of equipment, signage, supplies and products that will be required to open the Franchised Business and approved or recommended vendors for these items. We do not provide, purchase, deliver, or install any of these items for you (Franchise Agreement, Section 10.4).
- e. provide initial training to you. We will determine, in our sole discretion, whether you satisfactorily complete the initial training program. (Franchise Agreement, Sections 7.1, 7.2).
- f. provide a trainer for on-site training, supervision and assistance for 2 to 5 days in connection with the opening of your Franchised Business. (Franchise Agreement, Section 7.3).
- g. provide you with standards for training of your employees. We do not otherwise assist you with employee hiring and/or training (Franchise Agreement, Section 12.1.8).
- h. offer guidance regarding prices for products and services (Franchise Agreement, Section 12.5).

**Length of Time to Open**

The typical length of time between signing the franchise agreement and the opening of your business is 6-9 months. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your location, obtain business permits and licenses, and hire employees.

## Our Post-Opening Obligations

After you open your business:

During the operation of your franchise, we will:

- a. offer from time to time, in our discretion, mandatory or optional additional training programs, including an annual business meeting or convention, for up to 10 days per year. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to pay a non-attendance fee and obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs (Franchise Agreement, Section 7.4).
- b. upon your request, or as we determine to be appropriate, provide remedial on-site training and assistance. For any on-site remedial training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging. The current fee is \$75 hour per trainer of on-site training (Franchise Agreement, Section 7.5).
- c. upon your request, provide individualized assistance to you within reasonable limits by telephone, video conferencing, electronic mail or postage service, subject at all times to availability of our personnel (Franchise Agreement, Section 7.6).
- d. from time to time, as may become available, provide you with samples or digital artwork, advertising and promotional materials (Franchise Agreement, Section 10.5).
- e. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your products and service to ensure that they meet our standards (Franchise Agreement, Section 12.1.9).
- f. provide you with any written specifications for required equipment, products and services and updated lists of any approved suppliers of these items (Franchise Agreement, Section 10.6).
- g. offer guidance from time to time regarding prices for products and services and provide notice of any changes to suggested prices for services. You are under no obligation to adhere to the suggested prices. (Franchise Agreement, Section 12.5).
- h. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within 10 business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within ten business days, the proposed material and/or campaign is deemed "disapproved". (Franchise Agreement, Section 13.6).

## Advertising

We will use the Brand Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which may be paid for by the Brand Fund). We have no other obligation to conduct advertising.

You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance and profitability. We have the right to change or dissolve the council at any time. (Franchise Agreement, Section 9.6)

We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% and not more than 5% of gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged. (Franchise Agreement, Section 13.4)

You and all other franchisees must contribute to our Brand Fund. Your contribution is 1% of gross sales per month. We reserve the right to have other franchisees contribute a different amount or at a different rate. Outlets that we own are not obligated to contribute to the Brand Fund. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request. (Franchise Agreement, Section 13.1)

Because we are a new franchisor, we did not spend any money from the Brand Fund in our most recently concluded fiscal year. If less than all Brand Funds are spent in the fiscal year in which they accrue, the money will remain in the Brand Fund to be spent in the next year. No money from the Brand Fund is spent principally to solicit new franchise sales.

You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business.

After you open, you must spend at least 1% of gross sales each month on marketing your business.

Point of Sale and Computer Systems (Franchise Agreement, Section 12.3)

We require you to buy (or lease) and use a point-of-sale system and computer system as follows:

Kareo – Claim Submission Software

Paylocity – Payroll and HR Systems

Salesforce – this will be paid to us directly, this software is used to manage the front end of the business and communication with clients. (Approximately \$150 to \$250 per month)

Tableau – KPI and data analytics for managing the day to day business

Rethink – Practice Management and Clinical Software

QuickBooks – Bookkeeping

Google for Business

Fusion Web -future need, not initial

The system will include Kareo, Paylocity, Salesforce, Tableau, Rethink, as our currently required POS/CRM and software systems, credit card processing system, with Google for Business and accounting platform, QuickBooks. These systems will generate or store data such as client data, admissions and intake, invoicing and claim submission, human resource/employee data, payroll, scheduling, reporting, and other accounting information.

We estimate that these systems will cost between \$7,000 and \$10,000 to purchase.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do require you enter into such contract(s) with a third party for the POS/CRM and other required software. You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be \$5,000 to \$7,000 (\$249.75/user/mo, plus \$155/mo, \$50/yr & 55cents/claim submission).

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. We may retrieve, download, analyze and store such information and data at any time. We own all

customer and financial data stored in your POS System. There is no contractual limitation on our right to access the information.

#### Brand Standards Manual

See Exhibit E for the table of contents of our Brand Standards Manual as of the date this disclosure document, with the number of pages devoted to each subject. The Manual has 208 pages.

#### Training Program

Our training program consists of the following:

### **TRAINING PROGRAM**

| <b>Subject</b>                     | <b>Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b>   |
|------------------------------------|------------------------------------|-------------------------------------|---|
| Administrative, Operational and HR | 24 Hours                           | -                                   | Our Location, Richmond, VA or Your Location                       |
| Clinical training & oversight      | 32 Hours                           | 32 Hours                            | Our Location, Richmond, VA or Your Location                       |
| Behavioral Management Training     | 8 hours                            | -                                   | Safety Care location (site near the franchisee)                   |
| Medication Administration Training | 8 hours                            | -                                   | Office of the Medication Administrator (site near the franchisee) |
| CPR/FA                             | 4 hours                            | -                                   | Online  |
| <b>TOTALS:</b>                     | 76 hours                           | 32 hours                            |   |

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes in advance of the opening of the franchisee's location, doing so remotely, at a corporate location, and at the franchisee's location once sufficient build-out has been completed and close to being open, as elaborated on in the additional questions below. This may change as we start to bring on more franchisees.

The instruction materials consist primarily of our Onboarding Checklist which contains links organized by section for all applicable written procedures, training videos, learning checks referred to as Knowledge Reviews (automatically graded with correct answers provided, with a structure in place requiring successful completion via a minimum score threshold), and a shadowing/coaching checklist and approval process all required to successfully and fully complete the necessary training. Additional instructional material will be provided consisting of additional

similar training (additional procedures, additional video training, additional checklists, etc.) for “higher-level” functions required of the franchisee and/or the individual acting as the owner/operator and/or manager of the franchisee.

Training classes will be led by the franchisor(s) and/or its delegate(s), such as a corporate-employed, tenured individual who has been delegated to lead some or all aspects of training (i.e. a manager / assistant manager / senior employee who works at a corporate (franchisor) location). Some aspects of training classes will be self-directed and led by the franchisee themselves as they follow the training structure in place which would include video training and the aforementioned instructional materials created by the franchisor/corporate (so in that sense, it is still being led by the franchisor/corporate/its delegate(s), just done remotely and/or by pre-recorded materials listed in the Onboarding/Training structure).

The instructor, of the franchisor(s) have experience dating back to the establishment of corporate. Franchisor/corporate delegate(s) may have various lengths of experience depending on the individual delegate, but they would typically have minimally one year of experience, if not more, and have had successfully completed both their own training and facilitation of others’ training in the past; the delegate(s) would typically be in a management role at a corporate location or be a “senior,” tenured employee if not in a formal management position.

There is no fee for up to 3 people to attend training. You must pay the travel and living expenses of your employees or managers attending training.

You must attend training. You may send any additional persons to training that you want (up to the maximum described above). You must complete training to our satisfaction at least four weeks before opening your business. You will be required to pass a test which evaluates your understanding for the content and franchise operating content as covered in the training program. Should you fail to pass the test or complete the initial training, we have the right to terminate the franchise agreement with no refund of the initial franchise fee.

Your business must at all times be under your on-site supervision or under the on-site supervision of a general manager who has completed our training program. If you need to send a new general manager to our training program, we will charge a fee, which is currently \$75 per hour. Training outside of initial training and annual training that is needed, which is not recorded training that is in the LMS library will cost \$75 per hour. Initial training and annual training will be housed in our LMS library for future use anytime franchisee needs it for a refresher. Otherwise, we do not currently require additional training programs or refresher courses, but we have the right to do so.

## **Item 12** **TERRITORY**

Under the Franchise Agreement, you have the right to establish and operate one Franchised Business within a territory or territories (the “Territory”) that will be defined before you sign the Franchise Agreement. Your Territory will be your exclusive territory, which means we will not operate, and will not license anyone else the right to operate an RCG Behavioral Health Network in your Territory, provided that you are not in default of your Franchise Agreement. Your Territory

will have a population of approximately 100,000. Your Territory will usually be specified as a radius around your location but may be identified by zip codes, name, jurisdiction boundaries, geographic demarcation lines or a marked map.

The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises or contiguous territories. We may, but have no obligation to, consider granting to you the right to establish additional Franchised Businesses under other franchise agreements or acquire additional territories if you are in compliance with the Franchise Agreement and propose to open another Franchised Business or expand your territory in an area that we approve.

The continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency. There are no circumstances that permit us to modify your territorial rights.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate RCG Behavioral Health Network businesses outside of the Territory and may operate other kinds of businesses within the Territory. Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks, including a product or service similar to those you will sell at your Franchised Business. We also have the right to merge with, acquire, or be acquired by, an existing competitive or non-competitive franchise network, chain or other business; however, we will not convert any acquired business in your Territory to a franchise using our Principal Trademark during the Term of your Franchise Agreement. Although we grant you an exclusive territory, we nevertheless have the right to sell, either directly or through others, our products and services under the Marks in the Territory through alternative distribution channels, which are described below.

We and our affiliates reserve the right to sell products and services under the Marks or other trademarks within or outside the Territory through other channels of distribution, such as through third-party retail outlets, the Internet, catalog sales, telemarketing, and direct marketing (“Alternative Distribution Channels”). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory.

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.

You may solicit a client residing outside of the Territory, provided that (i) the client does not reside in an area serviced by Franchisor or another RCG Behavioral Health Network franchisee, (ii) Franchisee did not solicit the client in violation of this Agreement or the Brand Standards Manual, and (iii) no more than twenty five percent (25%) of Franchisee’s Gross Revenue is derived from services rendered to clients who reside outside of the Territory.

**Item 13**  
**TRADEMARKS**

**Principal Trademark**

RCG Behavioral Health Network, LLC (“Licensor”) is the owner of the Marks and has granted us the exclusive right to use the Marks and license to others the right to use the Marks in the operation of a RCG Behavioral Health outlet in accordance with the System. The Franchise Agreement will license to you the right to operate your Franchised Business under the RCG Behavioral Health Marks, as described below (the “Principal Marks”). The trademark license agreement between us and RCG Behavioral Health Network, LLC is perpetual and non-cancellable.

The Franchise Agreement will license to you the right to operate your Franchised Business under the following principal trademark, which is registered with the U.S. Patent and Trademark Office (“Principal Mark”)

| <b>Trademark</b>                 | <b>Registration Date</b> | <b>Registration Number</b> |
|----------------------------------|--------------------------|----------------------------|
| RCG BEHAVIORAL<br>HEALTH NETWORK | January 12, 2021         | 6242710                    |

All required affidavits have been filed. Registration of the Principal Mark has not been due for renewal as of the Issuance Date of this Disclosure Document.

You must notify us immediately when you learn about an infringement of or challenge to your use of any Principal Mark or other trademark. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of any Principal Mark or other trademark. We have the right to control any administrative proceedings or litigation involving any Principal Mark or other trademark licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

We have the right to substitute different trademarks if we can no longer use the current Principal Mark, or if we determine that substitution of different trademarks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any trademark, including any Principal Mark, or to use one or more additional or substitute trademarks.

You must not directly or indirectly contest our affiliate’s right, or our right, to any Principal Mark or other trademarks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the trademarks. There is no pending infringement, opposition, or cancellation. There is no pending material federal or state court litigation involving the Principal Marks or other trademarks.

There are no agreements currently in effect which limit our right to use or to license others to use the Proprietary Marks, except for the trademark license agreement with RCG Behavioral Health Network, LLC, as described in Item 1.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark or other trademarks.

**Item 14**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, photographs, and other written materials. We also claim copyrights and other proprietary rights in our Manual, website, and social media content.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Operations Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all Confidential Information and trade secrets will remain our exclusive property. You may never (during the initial term, any renewal term, or after the Franchise Agreement expires or is

terminated) reveal any of our Confidential Information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your personnel who have access to our Confidential Information must sign our Confidentiality and Non-Compete Agreement (Franchise Agreement, Attachment 8).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses you incur in claims brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

We reserve the right to modify or discontinue using the subject matter covered by a patent or copyright. In such event, we may require you, at your expense, to modify or discontinue using the subject matter in the operation of your Franchised Business.

### **Item 15**

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

You are not required to participate personally in the direct operation of your business. However, we recommend that you participate.

You must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement which is attached to our Franchise Agreement as Attachment 8.

You are not required to personally conduct “on-premises” supervision (that is, act as general manager) of your business. However, we recommend on-premises supervision by you. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity. If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you to place any other restrictions on your manager. If you are a married individual, your spouse must sign our Spouse Guaranty, which is attached to our Franchise Agreement as Attachment 6.

**Item 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future. You may only offer products and services that we have previously approved. You may only engage in providing products and services to end-consumers.

You may not use our Principal Marks or other trademarks for any other business, and you may not conduct any other business from your Franchised Business premises. You cannot engage in any other business (other than an additional RCG Behavioral Health Network outlet) that competes with your Franchised Business, with us or our affiliates, or with RCG Behavioral Health Network outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes

**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.**

| <b>Provision</b>                                  | <b>Section in franchise or other agreement</b> | <b>Summary</b>   |
|---|--|--|
| a. Length of the franchise term                   | Art. 4   | 10 years from date of franchise agreement.   |
| b. Renewal or extension of the term               | Art. 5   | You may obtain a successor franchise agreement for up to 2 additional 5-year terms.  |
| c. Requirements for franchisee to renew or extend | Sections 5.1 and 5.2                           | For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional 5-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.<br><br>To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; pay us the Successor Agreement fee of \$10,000; continue to maintain your location renovate to our then-current standards; sign then-current form of franchise agreement and related documents (including personal guaranty); sign general release (unless prohibited by applicable law).<br><br>If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either terminate your operation at any time or |

| <b>Provision</b>                                       | <b>Section in franchise or other agreement</b> | <b>Summary</b>   |
|--|--|--|
|  |  | deem you to have renewed your agreement for a 5-year term.   |
| d. Termination by franchisee                           | Not applicable                                 | You may seek termination upon any grounds available by state law.  |
| e. Termination by franchisor without cause             | Section 16.7                                   | The Franchise Agreement will terminate upon your death or permanent disability and the Franchise must be transferred within 6 months to a replacement franchisee that we approve.  |
| f. Termination by franchisor with cause                | Article 17                                     | We may terminate only if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.   |
| g. "Cause" defined--curable defaults                   | Section 17.3                                   | Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).  |
| h. "Cause" defined--non-curable defaults               | Sections 17.1 and 17.2                         | FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of, or plea to a felony, or commission or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured. |
| i. Franchisee's obligations on termination/non-renewal | Section 18.1                                   | Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.  |
| j. Assignment of agreement by franchisor               | Section 16.1.1                                 | No restrictions on our right to assign.  |
| k. "Transfer" by franchisee - defined                  | Section 16.3                                   | For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.   |
| l. Franchisor's approval of transfer by franchisee     | Section 16.3                                   | No transfer is allowed without our consent, which we will not unreasonably withhold.   |
| m. Conditions for franchisor's approval of transfer    | Section 16.3 and 16.4                          | Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise  |

| <b>Provision</b>  | <b>Section in franchise or other agreement</b> | <b>Summary</b>  |
|---|--|---|
|   |  | Agreement; transferee successfully completes our Initial Training Program; you have paid us and third-party creditors all amounts owed; you and the transferee sign a General Release; you shall subordinate any claims you have against the transferee to us; you will indemnify us for misrepresentations in the transfer process (excluding representations in our FDD); our approval of the material terms and conditions of the transfer; payment of a transfer fee.         |
| n. Franchisor's right of first refusal to acquire franchisee's business   | Section 16.6                                   | If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal.  |
| o. Franchisor's option to purchase franchisee's business                  | Section 18.2                                   | You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 30 days to close and (e) you shall give us all customary seller's representations and warranties. |
| p. Death or disability of franchisee                                      | Sections 16.3, 16.4 and 16.7                   | If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to an approved new owner within nine months.  |
| q. Non-competition covenants during the term of the franchise             | Section 19.5.1                                 | Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, any competitor.  |
| r. Non-competition covenants after the franchise is terminated or expires | Section 19.5.2                                 | For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by a competitor located within 20 miles of your former territory or the territory of any other RCG Behavioral Health Network business operating on the date of termination.   |
| s. Modification of the agreement  | Sections 9.4, 14.6, 19.1.4 and 21.12           | No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.  |
| t. Integration/merger clause  | Section 21.12                                  | Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.  |
| u. Dispute resolution by arbitration or mediation                         | Sections 20.1, 20.2, 20.3                      | All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).  |

| <b>Provision</b>   | <b>Section in franchise or other agreement</b> | <b>Summary</b>  |
|--------------------|--|---|
| v. Choice of forum | Section 20.5                                   | Arbitration will take place in Virginia (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law). |
| w. Choice of law   | Section 20.5                                   | Virginia (subject to applicable state law).   |

For additional disclosures required by certain states, refer to Exhibit G - State Addenda to Disclosure Document

### **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.

As of our fiscal year ending December 31, 2024, we had 3 affiliate-owned outlets open and operating and no franchised outlets. This financial performance representation is a historic representation based on the past performance of our 3 affiliate-owned outlets operating in Virginia. These locations have been open since 2016, 2017 and 2018. This representation shows the financial performance of our affiliate-owned outlet for 2024.

### **RCG Behavioral Health Network Operating Results January - December 2024**

|                                   | <b>Location -<br/>Henrico</b> | <b>Location -<br/>RCG Park<br/>Building #1</b> | <b>Location -<br/>RCG Park<br/>Building #2</b> |
|-----------------------------------|-------------------------------|--|--|
| <b>Clients served at location</b> | 13                            | 26   | 24   |
| <b>Income</b>                     |                               |  |  |
| <b>Services</b>                   | 1,398,164.56                  | 2,680,292.95                                   | 2,474,116.56                                   |

|   | \$                  | \$                  | \$                  |
|---|---------------------|---------------------|---------------------|
| <b>Total Income</b>                         | <b>1,398,164.56</b> | <b>2,680,292.95</b> | <b>2,474,116.56</b> |
| <b>Gross Profit</b>                         | <b>1,398,164.56</b> | <b>2,680,292.95</b> | <b>2,474,116.56</b> |
| <b>Expenses</b>                             |                     |                     |                     |
| <b>Advertising &amp; Promotion</b>          | 3,899.70            | 7,109.88            | 6,562.97            |
| <b>Auto Expense</b>                         | 14,003.88           | 25,531.67           | 23,567.70           |
| <b>Bank Charges</b>                         | 66.13               | 120.57              | 111.30              |
| <b>Business Gifts</b>                       | 94.44               | 172.18              | 158.93              |
| <b>Staff Gifts</b>                          | 34.90               | 63.63               | 58.73               |
| <b>Business Licenses &amp; Permits</b>      | 272.91              | 497.57              | 459.30              |
| <b>Charitable Contributions</b>             | 808.80              | 1,474.59            | 1,361.16            |
| <b>Client Curriculum Expenses</b>           | 5,018.31            | 9,149.31            | 8,445.51            |
| <b>Dues &amp; Subscriptions</b>             | 1,819.07            | 3,316.50            | 3,061.39            |
| <b>Education &amp; Training</b>             | 2,155.75            | 3,930.34            | 3,628.00            |
| <b>Employee Background Expenses</b>         | 612.37              | 1,116.46            | 1,030.58            |
| <b>Insurance</b>                            | 15,282.39           | 27,862.65           | 25,719.37           |
| <b>Interest Expense</b>                     | 1,025.83            | 1,870.28            | 1,726.42            |
| <b>Janitorial</b>                           | 7,597.03            | 13,850.80           | 12,785.36           |
| <b>Meals &amp; Entertainment</b>            | 2,829.04            | 5,157.86            | 4,761.10            |
| <b>Miscellaneous Expense</b>                | 289.52              | 527.85              | 487.25              |
| <b>Computer - Software</b>                  | 13,878.33           | 25,302.77           | 23,356.41           |
| <b>Employee Expenses</b>                    | 2,869.94            | 5,232.44            | 4,829.94            |
| <b>Office Supplies</b>                      | 18,997.54           | 34,636.06           | 31,971.74           |
| <b>Outside Services</b>                     | 6,644.28            | 12,113.76           | 11,181.93           |
| <b>Payroll Fees</b>                         | 2,887.06            | 5,263.65            | 4,858.75            |
| <b>Technology Expense</b>                   | 6,031.07            | 10,995.77           | 10,149.94           |
| <b>Payroll - Employee Benefits</b>          | 60,604.35           | 91,989.01           | 84,912.95           |
| <b>Payroll - Salary &amp; Wages - Other</b> | 709,790.18          | 1,294,079.64        | 1,194,535.05        |
| <b>Postage And Delivery</b>                 | 259.49              | 473.09              | 436.70              |
| <b>Rent Expense</b>                         | 102,129.90          | 136,971.00          | 132,843.25          |
| <b>Equipment</b>                            | 1,881.37            | 3,430.09            | 3,166.23            |
| <b>Repairs &amp; Maintenance</b>            | 4,211.83            | 7,678.95            | 7,088.27            |
| <b>Payroll - Tax</b>                        | 53,593.88           | 97,711.62           | 90,195.35           |
| <b>Taxes - Property &amp; Business Tax</b>  | 5,869.39            | 10,700.99           | 9,877.84            |
| <b>Internet</b>                             | 3,930.07            | 7,165.25            | 6,614.08            |
| <b>Telephone - Land Line</b>                | 685.77              | 1,250.29            | 1,154.11            |
| <b>Telephone - Wireless</b>                 | 4,673.87            | 8,521.34            | 7,865.85            |
| <b>Trash Collection</b>                     | 1,866.87            | 3,403.65            | 3,141.83            |
| <b>Travel Expense</b>                       | 689.16              | 1,256.46            | 1,159.82            |
| <b>Utilities</b>                            | 5,226.44            | 9,528.78            | 8,795.80            |
| <b>Total Expenses</b>                       | <b>1,062,530.86</b> | <b>1,869,456.75</b> | <b>1,732,060.91</b> |
| <b>Net Income</b>                           | <b>335,633.70</b>   | <b>810,836.20</b>   | <b>742,055.65</b>   |

#### Franchise Costs

|                           |             |              |              |
|---------------------------|-------------|--------------|--------------|
| <b>Royalty 6%</b>         | \$83,889.87 | \$160,817.58 | \$148,446.99 |
| <b>Brand Fund 1%</b>      | \$13,981.65 | \$26,802.93  | \$24,741.17  |
| <b>Local Marketing 1%</b> | \$13,981.65 | \$26,802.93  | \$24,741.17  |

|  |                     |                     |                     |  |
|--|---------------------|---------------------|---------------------|--|
| <b>Billing Service 5%</b>                            | <b>\$69,908.23</b>  | <b>\$134,014.65</b> | <b>\$123,705.83</b> |  |
|  | <b>\$181,761.39</b> | <b>\$348,438.08</b> | <b>\$321,635.15</b> |  |
| <b>Net Income after factoring in franchise costs</b> | <b>\$153,872.31</b> | <b>\$462,398.12</b> | <b>\$420,420.50</b> |  |

Notes:

1 The information contained in this Table has not been audited.

2 Gross Revenue means all revenue less pass-through sales taxes and refunds to customers.

3 Our affiliate-owned outlet is not subject to the same territorial restrictions or fees that a franchisee will experience.

Written substantiation of the data used in preparing these figures will be made available to you upon reasonable request. The information presented above has not been audited.

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

Other than the above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting, Sherman A. Adkins, Jr. and Tarsha Adkins, 911 Sturbridge Drive, Richmond, VA 23236, and 804-796-0073, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **Item 20** **OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For Years 2022 to 2024**

| <b>Column 1<br/>Outlet Type</b> | <b>Column 2<br/>Year</b> | <b>Column 3<br/>Outlets at the<br/>Start of the Year</b> | <b>Column 4<br/>Outlets at the<br/>End of the Year</b> | <b>Column 5<br/>Net Change</b> |
|---------------------------------|--------------------------|--|--|--------------------------------|
| Franchised                      | 2022                     | 0  | 0  | 0                              |
|                                 | 2023                     | 0  | 0  | 0                              |
|                                 | 2024                     | 0  | 0  | 0                              |
| Company-Owned                   | 2022                     | 3  | 3  | 0                              |

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the<br>Start of the Year | Column 4<br>Outlets at the<br>End of the Year | Column 5<br>Net Change |
|-------------------------|------------------|---|---|------------------------|
|                         | 2023             | 3   | 3   | 0                      |
|                         | 2024             | 3   | 3   | 0                      |
|                         | 2022             | 3   | 3   | 0                      |
| Total Outlets           | 2023             | 3   | 3   | 0                      |
|                         | 2024             | 3   | 3   | 0                      |

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2022 to 2024**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| N/A               | 2022             | 0                               |
|                   | 2023             | 0                               |
|                   | 2024             | 0                               |
| Total             | 2022             | 0                               |
|                   | 2023             | 0                               |
|                   | 2024             | 0                               |

**Table 3**  
**Status of Franchised Outlets**  
**For Years 2022 to 2024**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at<br>the Start<br>of the<br>Year | Column 4<br>Outlets<br>Opened | Column 5<br>Termi-<br>Nations | Column 6<br>Non-<br>Renewals | Column 7<br>Reacquired<br>by<br>Franchisor | Column 8<br>Ceased<br>Operations<br>– Other<br>Reasons | Column 9<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|---|-------------------------------|-------------------------------|------------------------------|--|--|--|
| N/A               | 2022             | 0   | 0                             | 0                             | 0                            | 0  | 0  | 0  |
|                   | 2023             | 0   | 0                             | 0                             | 0                            | 0  | 0  | 0  |
|                   | 2024             | 0   | 0                             | 0                             | 0                            | 0  | 0  | 0  |
| Totals            | 2022             | 0   | 0                             | 0                             | 0                            | 0  | 0  | 0  |
|                   | 2023             | 0   | 0                             | 0                             | 0                            | 0  | 0  | 0  |
|                   | 2024             | 0   | 0                             | 0                             | 0                            | 0  | 0  | 0  |

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2022 to 2024**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at<br>the Start<br>of the<br>Year | Column 4<br>Outlets<br>Opened | Column 5<br>Outlets<br>Reacquired<br>from<br>Franchisee | Column 6<br>Outlets<br>Closed | Column 7<br>Outlets<br>Sold to<br>Franchisee | Column 8<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|---|-------------------------------|---|-------------------------------|--|--|
| Virginia          | 2022             | 3   | 0                             | 0   | 0                             | 0  | 3  |
|                   | 2023             | 3   | 0                             | 0   | 0                             | 0  | 3  |
|                   | 2024             | 3   | 0                             | 0   | 0                             | 0  | 3  |
| Totals            | 2022             | 3   | 0                             | 0   | 0                             | 0  | 3  |
|                   | 2023             | 3   | 0                             | 0   | 0                             | 0  | 3  |
|                   | 2024             | 3   | 0                             | 0   | 0                             | 0  | 3  |

**Table 5**  
**Projected Openings for 2025 As Of December 31, 2024**

| Column 1<br>State | Column 2<br>Franchise Agreements<br>Signed but Outlet Not<br>Opened | Column 3<br>Projected New<br>Franchised Outlets in the<br>Next Fiscal Year | Column 4<br>Projected New Company-<br>Owned Outlets in the<br>Next Fiscal Year |
|-------------------|---|--|--|
| Florida           | 0   | 1  | 0  |
| Georgia           | 0   | 1  | 0  |
| Texas             | 0   | 1  | 0  |
| Virginia          | 0   | 1  | 0  |
| Totals            | 0   | 4  | 0  |

Exhibit F contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

Exhibit F contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date.

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

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

There are no trademark-specific franchisee organizations associated with our franchise system.

**Item 21  
FINANCIAL STATEMENTS**

**We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission.** Exhibit D contains our audited financial statements as of December 31, 2023 and December 31, 2024. Our fiscal year end is December 31.

**Item 22  
CONTRACTS**

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- B. Franchise Agreement
- C. Form of General Release
- G. State Addenda to Agreements

**Item 23  
RECEIPTS**

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

## Exhibit A

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

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

| <b>State</b>    | <b>State Agency</b>   | <b>Agent for Service of Process</b>   |
|-----------------|---|---|
| MINNESOTA       | Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500   | Minnesota Commissioner of<br>Commerce   |
| NEW YORK        | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty Street, 21 <sup>st</sup> Floor<br>New York, NY 10005<br>(212) 416-8222 Phone                        | Attention: New York Secretary of<br>State<br>New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue, 6 <sup>th</sup> Floor<br>Albany, NY 11231-0001<br>(518) 473-2492 |
| NORTH<br>DAKOTA | North Dakota Securities Department<br>600 East Boulevard<br>State Capitol, 14 <sup>th</sup> Floor, Dept. 414<br>Bismarck, ND 58505-0510<br>(701) 328-4712             | North Dakota Securities<br>Commissioner   |
| OREGON          | Department of Consumer and Business Services<br>Division of Finance and Corporate Labor and<br>Industries Building<br>Salem, Oregon 97310<br>(503) 378-4387           | Director of the Department of<br>Consumer and Business Services   |
| RHODE<br>ISLAND | Department of Business Regulation<br>Division of Securities<br>1511 Pontiac Avenue, Building 69-1<br>Cranston, RI 02920<br>(401) 462-9585                             | Director of Rhode Island<br>Department of Business<br>Regulation  |
| SOUTH<br>DAKOTA | Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-3563   | Director of Insurance-Securities<br>Regulation  |
| VIRGINIA        | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9 <sup>th</sup> Floor<br>Richmond, VA 23219<br>(804) 371-9051 | Clerk of State Corporation<br>Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, VA 23219<br>(804) 371-9733  |
| WASHINGTON      | Department of Financial Institutions<br>Securities Division<br>P.O. Box 41200<br>Olympia, WA 98504-1200<br>(360) 902-8760   | Director of Washington Financial<br>Institutions<br>Securities Division<br>150 Israel Road, SW<br>Tumwater, WA 98501  |
| WISCONSIN       | Wisconsin Securities Commissioner<br>Securities and Franchise Registration<br>345 W. Washington Avenue<br>Madison, WI 53703<br>(608) 266-8559                         | Commissioner of Securities of<br>Wisconsin  |

**Exhibit B**  
**FRANCHISE AGREEMENT**

**RCG BEHAVIORAL HEALTH FRANCHISING, INC.**

**RCG BEHAVIORAL HEALTH NETWORK  
FRANCHISE AGREEMENT**

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**FRANCHISEE**

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**EFFECTIVE DATE**

**RCG BEHAVIORAL HEALTH NETWORK  
FRANCHISE AGREEMENT**

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**ATTACHMENTS:**

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## FRANCHISE AGREEMENT

**THIS AGREEMENT** is made and entered this \_\_\_\_\_ (the “Effective Date”) between the franchisor RCG Behavioral Health Franchising, Inc., a Virginia corporation, with its principal address at 911 Sturbridge Drive, Richmond, VA 23236 (herein referred to as “Franchisor”) and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“Principal(s)”). \_\_\_\_\_ and Principal(s) shall be individually and collectively referred to, and each is, the “Franchisee”.

### RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established a top-quality behavioral services in a center-based environment, as well as in the home, to help individuals on the Autism Spectrum reach their highest potential, using the RCG Behavioral Health Network trademarks and Franchisor’s confidential operations manual (“Manual”) of business practices and policies, operations methods, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the “System”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the RCG Behavioral Health Network service marks, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality, appearance, and service.

Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, service, and appearance, and the necessity of operating the business franchised hereunder in conformity with Franchisor’s standards and specifications.

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

#### 1. RECITATIONS. The Recitations set out above form part of this Agreement.

## **2. GRANT OF FRANCHISE.**

2.1 Grant. Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions contained in this Agreement, the license to operate a RCG Behavioral Health Network facility (the “Franchise” or “Franchised Business”), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further developed by Franchisor from time to time. This grant applies only to a single premises within a territory that is designated in Attachment 2 attached hereto and incorporated herein (the “Territory”).

2.2 Limitation. Except as set forth in Section 2.4 below, Franchisee acknowledges that the operation of the Franchise is limited to the provision of management, administration and support services of a RCG Behavioral Health Network facility only, and Franchisee acknowledges and agrees that this Agreement grants no right to Franchisee to supervise, direct, control or perform any medical services at the Franchised Business premises.

2.3. Management Services Agreement. As a condition of Franchisor’s grant of the Franchise, Franchisee shall (i) engage a licensed professional corporation or other professional entity (“Professional Medical Entity”), in accordance with the laws, regulations and rules governing the Territory, to offer behavioral therapy services at the Franchised Business premises and (ii) execute a management services agreement (“Management Services Agreement”) with such Professional Medical Entity, in accordance with the following:

2.3.1 Franchisee, at Franchisee’s sole cost and expense, shall negotiate and prepare a Management Services Agreement with a Professional Medical Entity that complies with all laws, regulations and rules governing the Territory;

2.3.2 The Management Services Agreement shall contain provisions which set forth, at a minimum, that:

- (i) Franchisee shall provide and maintain all equipment, furnishings, facility space, and supplies necessary for the Professional Medical Entity to render behavioral therapy services to patients;
- (ii) Franchisee shall provide office management, administration and support services to the Professional Medical Entity, such as patient scheduling, bookkeeping, accounting, records maintenance, facility maintenance, administrative staffing, and administrative assistance with regard to licensing and insurance;
- (iii) The Professional Medical Entity shall employ and control all physicians and other professionals who render medical service at the RCG Behavioral Health Network facility;
- (iv) The Professional Medical Entity shall independently, without any input from Franchisee, (a) dispense all medical treatment, services, products, and guidance to patients and (b) approve all medical equipment and all medical products and supplies used at the RCG Behavioral Health Network facility;
- (v) The Professional Medical Entity shall own and control all patient medical records; however, the Professional Medical Entity shall grant Franchisee

access to such records, in accordance with applicable law, as necessary for Franchisee to perform Franchisee's administrative functions; and

(vi) The Professional Medical Entity shall pay Franchisee a management services fee that reflects the bona fide amount of the office management, administration and support services provided by Franchisee, which may include fair market rent but shall specifically exclude any compensation for the provision of medical services.

2.3.3 Franchisee shall submit the Management Services Agreement to Franchisor for Franchisor's approval, prior to execution thereof. Franchisor shall approve the Management Services Agreement, or deny with comment, within thirty (30) days of receipt. Franchisee acknowledges that Franchisor's approval of the Management Services Agreement is permission only, and does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the provisions of the Management Services Agreement are (i) in Franchisee's best interest and/or (ii) in compliance with the laws, regulations and rules governing in the Territory. Franchisee releases Franchisor from any claims relating to the need for, and/or content of, the Management Services Agreement.

2.4 Franchisee-Directed Medical Services. Notwithstanding the provisions of Sections 2.2 and 2.3 above, if, in Franchisee's judgment, the laws, regulations, and rules of the Territory permit Franchisee to render medical services on behalf of the Franchised Business directly, Franchisee may submit to Franchisor a request to waive the requirement of a Management Services Agreement, along with documentation that a Management Services Agreement is unnecessary. Franchisor, in Franchisor's sole and absolute discretion, may grant such waiver request on any terms and conditions Franchisor determines. Franchisee expressly agrees that, in the event Franchisor's waives the requirement of a Management Services Agreement such that Franchisee owns and controls all functions of the RCG Behavioral Health Network facility (inclusive of management, administration, and provision of medical services), the definition of "Franchise" or "Franchised Business" in this Agreement shall be deemed to include all such functions. Franchisee shall reimburse Franchisor, upon billing therefor, all legal fees incurred by Franchisor in evaluating such waiver request, whether or not such request is granted.

### **3. TERRITORY.**

3.1 Territory. Subject to Section 3.2 below, Franchisor agrees that during the Term of this Agreement, Franchisor will not operate, and will not authorize any other franchisees to operate, a RCG Behavioral Health Network facility in the Territory using the same Marks as licensed to Franchisee in this Agreement so long as Franchisee is not in default under this Agreement or this Agreement has not been terminated. Except as otherwise specified in this Agreement, Franchisor reserves the right to open, operate or franchise RCG Behavioral Health Network facilities bordering and adjacent to the Territory. Franchisee will be selling its products and services from a single premises that will be determined by Franchisee with Franchisor's prior written approval, which may be withheld or denied in Franchisor's sole discretion. Franchisee is prohibited from

selling and soliciting customers through alternative distribution channels as more fully specified herein.

**3.2 Reservation of Rights.** Franchisee understands and agrees that all rights to any businesses, other than as specified in this Agreement, are fully reserved to Franchisor within or outside of the Territory. By way of example only, Franchisor reserves the right, within and/or outside of the Territory to (i) offer and sell other services or products not offered under the Marks; (ii) offer and sell other behavioral therapy services or healthcare concepts under the Marks or other trademarks; and (iii) engage in solicitation and sales of RCG Behavioral Health Network services or products through the Internet, catalog sales, telemarketing and direct marketing (“Alternate Distribution Channels”). Franchisor further specifically reserves the right to solicit, sell to, negotiated rates with, and service accounts that conduct business across multiple areas either regionally or nationally (“Multi-Market Accounts”). Franchisor may offer Franchisee the right to service Multi-Market Accounts patients in the Territory, provided that Franchisee accepts negotiated terms and meets Franchisor’s specifications; otherwise, Franchisor may service the Multi-Market Accounts patients either directly or permit another franchisee to provide such service. Franchisee will receive no compensation for Franchisor’s sales through Alternate Distribution Channels or unoffered or declined Multi-Market Accounts services made within the Territory. Franchisee agrees that such implementation of Franchisor’s rights pursuant to this Section 3.2 is deemed not to impair or injure Franchisee’s rights pursuant to Article 2 hereof.

**3.3 Solicitation and Sales Restrictions.** Franchisee must target Franchisee’s advertising within the Territory and may only sell and deliver RCG Behavioral Health Network services or products to patients at the approved Franchised Business premises. Franchisee is prohibited from selling and soliciting patients through Alternate Distribution Channels, provided that Franchisee may schedule patient appointments using the Internet through Franchisor’s approved platform(s).

**4. TERM.** Unless terminated earlier in accordance with the terms set forth in this Agreement, this Agreement and the franchise granted hereunder shall commence upon the Effective Date set forth above and terminate on the date that is ten (10) years following the Opening Date, as defined in Section 8 hereof (the “Term”).

**5. SUCCESSOR OPTION.** Subject to the terms and conditions of this Agreement, Franchisee shall have the right, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Franchise is located (the “Successor Franchise Agreement”) for two (2) additional terms of five (5) years. The term of the Successor Franchise Agreement shall commence upon the date of expiration of the Term of this Agreement. Franchisee shall be charged a successor agreement fee equal to ten thousand dollars (\$10,000).

**5.1 Form and Manner of Successor Agreement.** If Franchisee desires to exercise Franchisee’s option to enter into a Successor Franchise Agreement, it shall be done in the following manner:

- 5.1.1 Not less than six (6) months prior to the expiration of the Term of this Agreement, Franchisee shall request from Franchisor in writing, a copy of Franchisor's then-current Disclosure Document (including Franchisor's then-current franchise agreement).
- 5.1.2 Franchisee must execute and return to Franchisor all required documents, including any and all ancillary documents, within thirty (30) days after receipt by Franchisee of a copy of Franchisor's then-current Disclosure Document.
- 5.1.3 The Successor Franchise Agreement shall supersede this Agreement in all respects, and Franchisee understands and acknowledges that the terms of such new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees.
- 5.1.4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to this Paragraph 5 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise Franchisee's option to enter into the Successor Franchise Agreement, and such failure shall cause Franchisee's right and option to automatically lapse and expire, without further notice by Franchisor.
- 5.1.5 Franchisee acknowledges that the initial Term of this Agreement provides Franchisee more than a sufficient opportunity to recoup Franchisee's investment in the Franchise, as well as a reasonable return on such investment.

5.2 Conditions of Successor Agreement. Franchisee's right to enter into a Successor Franchise Agreement is conditioned upon the following:

- 5.2.1 Franchisee shall be in full compliance with this Agreement and shall have materially performed Franchisee's obligations under this Agreement, the Manual and under all other agreements that may be in effect between Franchisee and Franchisor, including but not limited to all monetary obligations.
- 5.2.2 Franchisee shall not have committed three (3) or more events constituting default during the Term of this Agreement, whether or not such defaults were cured.
- 5.2.3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.
- 5.2.4 Franchisee shall have obtained the right to continue to occupy the premises of the Franchised Business following the expiration of the Term hereof for the full term of the Successor Franchise Agreement and/or have received Franchisor's approval regarding locating the Franchised Business to different premises.
- 5.2.5 Franchisee shall execute a general release of all claims Franchisee may have against RCG Behavioral Health Franchising, Inc. its parent, subsidiaries and

affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in the form acceptable to Franchisor. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.

- 5.2.6 Franchisee performs such remodeling, repairs, replacements and redecoration as Franchisor may require to cause the Franchised Business premises, equipment, fixtures, furnishings and furniture to conform to the plans and specifications being used for new or remodeled franchised businesses at the time that the Successor Franchise Agreement is executed.
- 5.2.7 Franchisee shall pay the required Successor Agreement Fee and sign the Successor Franchise Agreement.

**5.3 Notice Required by Law.** If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law. If Franchisor is not offering new RCG Behavioral Health Network franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then-current form of Successor Franchise Agreement at the time Franchisee advises Franchisor pursuant to Paragraph 5.1 hereof that Franchisee desires to enter into a Successor Agreement, Franchisor may, in Franchisor's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate renewal term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then current form of Successor Franchise Agreement. Any timeframes specified in this Paragraph 5 shall be inclusive of any state mandated notice periods.

**5.4 Additional Reservation of Rights.** Notwithstanding anything herein to the contrary, Franchisor reserves the right not to enter into a successor franchise agreement for this Franchise as a result of a decision to withdraw from the Territory in which Franchisee's Franchised Business is located.

## **6. FEES.**

**6.1 Initial Franchise and Royalty Fee.** As part of the consideration for the right to operate the Franchise granted herein, Franchisee shall pay to Franchisor the following fees:

**6.1.1 Initial Franchise Fee.** Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee of Fifty Thousand Dollars (\$50,000.00) (the "Initial Fee"). **The Initial Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.** Franchisee shall pay the full amount of the Initial Fee to Franchisor upon Franchisee's execution of this Agreement.

**6.1.2 Royalty Fee.** Franchisee agrees to pay Franchisor, weekly and throughout the Term, a royalty fee equal to six percent (6%) of the Gross Revenue, as hereinafter defined, realized from the Franchised Business and from any other revenues received using Franchisor's methods, operations and/or trade secrets (the "Royalty Fee"). The term "Gross Revenue" includes all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited to, the management services fee payable pursuant to the Management Services Agreement and all other revenues received using Franchisor's methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. Gross Revenue, however, does not include (i) any sales tax or similar taxes collected from patients and turned over to the governmental authority imposing the tax, or (ii) properly documented refunds to patients. Gross Revenue specifically does not include payments for the provision of medical services, unless Franchisee directs medical services pursuant to Section 2.4 hereof.

**6.1.3 Gross Revenue Reports.** Franchisee shall, by Tuesday of the week following the close of immediately prior calendar week (Monday through Sunday), furnish Franchisor with a report showing Franchisee's Gross Revenue at or from the Franchised Business and/or made pursuant to the rights granted hereunder during such period (the "Gross Revenue Report"). The Gross Revenue Report shall be in such form and shall contain such information as Franchisor may from time to time prescribe. Franchisor reserves the right to establish a point-of-sale system ("POS System") that Franchisor may require Franchisee to use in the operation of the Franchised Business. At Franchisor's option, Franchisee shall submit, or grant Franchisor access to, the Gross Revenue Report by an electronic transfer of data via the POS System at the times and interims then specified by Franchisor.

**6.1.4 Method of Payment.** Franchisee shall, together with the submission of the Gross Revenue Report, pay Franchisor the Royalty Fee or Alternative Royalty Payment, as applicable, and the Brand Fund Contribution, as defined and more particularly described in Article 13, then due. At Franchisor's request, Franchisee must execute documents, including but not limited to, the Authorization attached as Attachment 3, that allow Franchisor to automatically take the Royalty Fee or Alternative Royalty Payment, as applicable, and Brand Fund Contribution due as well as other sums due Franchisor, from business bank accounts via electronic funds transfers or Automated Clearing House ("ACH") payments. Franchisee's failure to allow electronic funds transfers or ACH payments on an ongoing basis is a material breach of this Agreement. Franchisor reserves the right to modify the method and frequency of collection of the Royalty Fee or Alternative Royalty Payment, as applicable, and Brand Fund Contribution upon forty-five (45) days' prior notice to Franchisee.

**6.2 Internal Systems Fee.** Franchisor reserves the right to impose an internal systems fee, in an amount that Franchisor reasonably determines, for the development, adoption and/or use of new or improved technology for the benefit of the System and Franchised Business, including but not limited to, email addresses required for use in the Franchised Business, a franchise portal, or other operations or communications systems ("Internal Systems Fee"). In Franchisor's sole discretion, Franchisor may (i) increase the amount of the Internal Systems Fee or (ii) replace the technology with different technology, developed by Franchisor or a third-party, and Franchisee shall pay the then-current fees for the replacement technology and for continuous access thereto. Payment of the Internal Systems Fee will be made in the manner and frequency as reasonably determined by Franchisor.

6.3 Late Fee. If the Royalty Fee or Alternative Royalty Payment, as applicable, Brand Fund Contribution, any other sum payable to Franchisor, or any Gross Revenue Reports are not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of One Hundred Dollars (\$100.00) plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law). This late fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay the Royalty Fee, or Alternative Royalty Payment, as applicable, the Brand Fund Contribution, other sum due, and/or submit Gross Revenue Reports in accordance with the terms of this Agreement.

6.4 Interest. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of eighteen percent (18%) per annum or at the highest rate permitted by law, whichever is lower.

6.5 Non-Sufficient Funds Fee. In the event any of Franchisee's checks are returned, or an electronic funds transfer from Franchisee's bank account is denied, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, a non-sufficient funds fee of Thirty Dollars (\$30.00) per occurrence. This non-sufficient funds fee is reasonably related to Franchisor's costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement.

6.6 Taxes. If any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on Franchisor for any Royalty Fee, or Alternative Royalty Payment, as applicable, Brand Fund Contribution or other fees due and payable to Franchisor under this Agreement, Franchisee shall pay Franchisor a sum equal to the amount of such tax.

## 7. TRAINING.

7.1 Initial Training Program. Franchisee (specifically including all Principals) shall attend and complete to Franchisor's sole and absolute satisfaction, Franchisor's initial training program ("Initial Training Program") prior to the opening of the Franchised Business. The Initial Training Program consists of a course conducted at Franchisor's headquarters and/or at an operating RCG Behavioral Health Network outlet. Franchisor reserves the right to designate an alternate location for any component of the Initial Training Program. Franchisee must at all times during the term of this Agreement have principal(s) who have successfully completed the Initial Training Program to Franchisor's sole and complete satisfaction. No charge shall be made for up to three (3) individuals to take the Initial Training Program prior to opening the Franchised Business ("Initial Trainees"). Notwithstanding the foregoing, Franchisee shall be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals and wages.

7.2 Satisfactory Completion. Franchisor shall determine, in Franchisor's sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Training Program. If the Initial Training Program is not satisfactorily completed or if Franchisor, in Franchisor's reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial

Training Program cannot be satisfactorily completed by Franchisee or Principal(s), Franchisor may terminate this Agreement.

**7.3 Opening Assistance.** Upon the opening of the Franchised Business, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor. The trainer will provide on-site opening training, supervision, and assistance to Franchisee for two (2) to five (5) days at no charge to Franchisee.

**7.4 Additional Training.** Franchisor may offer mandatory and/or optional additional training programs from time to time and as may be set forth in the Manual. If required by Franchisor, Franchisee or Principal(s) shall participate in additional training. Franchisor reserves the right to impose a reasonable fee for all additional training programs. Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals, and wages. Franchisee's failure to attend and/or complete mandatory additional training or failure to attend Franchisor's national business meeting or annual convention is a material default of this Agreement. Franchisee or Principal(s) shall be required to obtain any missed mandatory additional training at a location Franchisor designates. Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Principal(s), and Franchisor's training personnel. Franchisee shall pay to Franchisor any incurred expenses by Franchisor's training personnel within ten (10) days of Franchisor's billing thereof to Franchisee.

**7.5 On-Site Remedial Training.** Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee at the Franchised Business premises. For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

**7.6 Counseling and Assistance.** In addition to visits by Franchisor's field representatives, as Franchisor deems appropriate, Franchisor shall, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Franchised Business pursuant to Section 7.5, furnish consultation and assistance to Franchisee, either in person or by telephone, video conference, electronic mail or postal service, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Franchised Business, including consultation and advice regarding marketing, operational issues, bookkeeping and System improvements.

## **8. FRANCHISED BUSINESS SITE REQUIREMENTS.**

### **8.1 Site Selection.**

8.1.1 Franchisee assumes all cost, liability, expense and responsibility for obtaining and developing a site for the Franchised Business within the Territory and for constructing and equipping the Franchised Business at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Business unless the site location is approved by Franchisor. While Franchisor may render assistance to Franchisee in the selection of a site, as set forth in Section 8.1.2 below, Franchisee has sole responsibility for procuring and developing a site for the Franchised Business and Franchisee may and is encouraged to consult with professionals of Franchisee's choosing in discharging such responsibility. Franchisee acknowledges that Franchisor's approval of a prospective site is permission only, does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Franchised Business operated at that site will be profitable or otherwise successful, and cannot, and does not, create a liability for Franchisor. Franchisee releases Franchisor from any claims over the site location selection and evaluation by Franchisor, and Franchisee shall hold Franchisor harmless with respect to Franchisee's selection of the site for the Franchisee's Franchised Business.

8.1.2 Franchisee shall locate a site that satisfies the site selection guidelines provided to Franchisee by Franchisor and shall submit to Franchisor, in writing, a description of the site, together with written certification the site complies with Franchisor's site selection guidelines, and such other information and materials as Franchisor may reasonably require. Recognizing that time is of the essence, Franchisee shall submit such information and materials for a proposed site to Franchisor for its consent no later than forty-five (45) days after the execution of this Agreement. Franchisor shall have ten (10) business days after receipt of this information and materials to consent, in its sole and absolute discretion, to the proposed site as the location for the Franchised Business. If Franchisor fails to respond to Franchisee's submission within ten (10) business days, such proposed site shall be deemed "disapproved". No site may be used for the location of the Franchised Business unless it is consented to in writing by Franchisor.

8.1.3 Within thirty (30) days after Franchisor has consented to the site for the Franchised Business (or such longer period as Franchisor consents to in writing), Franchisee shall execute a purchase contract or lease therefor and obtain physical possession of the premises. Any lease must include Franchisor's Conditional Assignment of Lease Agreement, a copy of which is attached hereto as Attachment 4. Failure by Franchisee to acquire the site for the Franchised Business within ninety (90) days following the Effective Date shall constitute a material event of default under this Agreement.

8.1.4 Upon consent by Franchisor to the site for the Franchised Business, Franchisor shall set forth the Franchised Business premises address and Territory in Attachment 2 of this Agreement and shall provide a copy thereof to Franchisee. Attachment 2, as completed by Franchisor, shall be incorporated herein and made a part hereof. Franchisee shall notify Franchisor within fifteen (15) days of any error or rejection of Attachment 2; otherwise, the Attachment 2 provided to Franchisee shall be deemed final.

## **8.2 Construction.**

8.2.1 Franchisee shall be responsible for obtaining clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants relating to the Franchised Business premises. Prior to beginning the construction or remodeling of the Franchised Business site, Franchisee shall (a) obtain Franchisor's approval of Franchisee's architect and contractor, which approval shall not be unreasonably withheld, (b) adapt Franchisor's prototypical construction plans and specifications, provided to Franchisee, for the construction of the Franchised Business premises and submit such adapted plans and specifications to Franchisor for approval, (c) obtain all permits, licenses, insurance and certifications required for the lawful construction or remodeling and operation of the Franchised Business, including, but not limited to, permits for the installation of signage, and (d) certify in writing to Franchisor that all required approvals, clearances, permits, insurance and certifications have been obtained.

8.2.2 During the time of construction or remodeling, Franchisee shall provide Franchisor, or its designated representative, with such periodic reports regarding the progress in obtaining all licenses and permits; and of the construction or remodeling as may be reasonably requested by Franchisor or its representative. In addition, Franchisor or its representative may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. At least thirty (30) days prior to completion of the construction or remodeling, Franchisee shall notify Franchisor of the scheduled date for completion. Within a reasonable time thereafter, Franchisor or its representative may, at its option, conduct an inspection of the completed Franchised Business premises.

8.2.3 Franchisee acknowledges and agrees that it will not open the Franchised Business premises for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.

8.3 Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Franchised Business and commence business within One Hundred Eighty (180) days after Franchisee has executed a purchase contract or a lease for the premises, unless Franchisee obtains a written extension of such time period from Franchisor. The date the Franchised Business opens for business to the public shall be defined herein as the "Opening Date". Prior to the Opening Date, Franchisee shall (i) complete all exterior and interior preparations for the Franchised Business, including installation and cleaning of equipment, fixtures, furnishings, décor and signs, in accordance with System requirements and the plans and specifications consented to by Franchisor, (ii) satisfactorily complete Franchisor's Initial Training Program, as further set forth in Article 7, (iii) execute an approved Management Services Agreement (iv) hire and train administrative staff, (v) obtain all required licenses to operate the Franchised Business and (vi) obtain all required insurance and provide Franchisor with certificates therefor. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Franchised Business and commence business (i) in accordance with the foregoing and (ii) within two hundred seventy (270) days following the Effective Date of this Agreement, as may be extended by Franchisor in Franchisor's sole discretion, shall be deemed a material event of default under this Agreement.

**8.4 Relocation.** Franchisee's rights to operate the Franchised Business shall be limited to the Territory set forth in Attachment 2, and no other. Franchisee shall not relocate the premises of the Franchised Business at any time without Franchisor's written approval, which approval shall be granted only in the sole and complete discretion of Franchisor, and, if permitted, shall be at Franchisee's sole expense. In the event such permission is granted, Franchisee shall (i) pay a relocation fee equal to twenty-five percent (25%) of the then-current initial franchise fee, (ii) secure and outfit the replacement premises in accordance with Sections 8.1 and 8.2 within one hundred twenty (120) days of Franchisor's consent, (iii) if feasible, continue to operate at the original premises during the construction of the replacement premises, and (iv) upon relocation, remove any signs or other property from the original Franchised Business premises which identified the original Franchised Business premises as part of the System. Failure to comply with the foregoing requirements shall be a material default of this Agreement. Franchisor shall revise Attachment 2 to reflect the address of the new Franchised Business premises and, in Franchisor's sole discretion, any adjustment to the Territory.

## **9. MAINTENANCE AND IMPROVEMENT OF THE PREMISES AND SYSTEM**

**9.1 Maintenance of Franchised Business Site.** Franchisee shall equip and maintain the Franchised Business premises to the standards of décor, sanitation, repair and condition required by Franchisor, which standards are specified in the Manual and other written directives, standards and specifications. Franchisee, at Franchisee's expense, shall make such additions, alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repainting and repairs or replacement of worn or impaired décor, materials, furniture, fixtures, equipment, and signage as Franchisor may direct.

**9.2 Inspections.** Franchisee shall operate and maintain the Franchised Business and Franchised Business premises in conformance with industry best practices for (i) health, safety and sanitation, (ii) storage and disposal of medical consumables used at the Franchised Business, and (iii) patient privacy, and otherwise in a manner that will ensure the highest rating possible for businesses of like kind from the governmental authorities that may inspect such businesses in the Territory. Franchisee shall submit to Franchisor a copy of any inspection reports. It shall be a default of this Agreement if, upon inspection, Franchisee does not obtain such rating or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by the System, and Franchisor may, at its option, terminate this Agreement.

**9.3 Equipment and Technology Updates.** Franchisee shall make any and all upgrades to equipment, including but not limited to, the computer systems and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.

### **9.4 Trade Dress Modifications.**

**9.4.1** Franchisee is aware that to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new exterior building designs, new interior decors, new color schemes, new or modified marks, and new furnishings (collectively, "Trade Dress Modifications").

9.4.2 No more than once in a five (5) year period, at Franchisor's request, Franchisee shall refurbish the Franchised Business premises at Franchisee's sole expense, as required by Franchisor, to conform to Trade Dress Modifications. This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements. Notwithstanding the foregoing restriction on the frequency of Trade Dress Modifications, Franchisee, upon notice by Franchisor and in accordance with Section 14.6 hereof, shall immediately discontinue the use of any Mark that is no longer desirable or available to Franchisor and substitute a different Mark or Marks as Franchisor directs.

9.4.3 Franchisee will accept, use and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution hereof.

9.5 No Liability/Waiver of Claims. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of such or seeking expenses, losses or damages caused thereby. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

9.6 Franchisee Advisory Council. Franchisor reserves the right to create (and if created, the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas. In the event a franchisee advisory council is created, Franchisor may invite Franchisee to participate in council-related activities and meetings, which invitation may be based on a franchisee's level of success, superior performance and profitability.

## **10. FRANCHISOR'S OBLIGATIONS**

Franchisor and/or its designated representative will provide the services described below:

10.1 Site Selection Guidelines. Site selection criteria, as Franchisor may deem advisable. Franchisor shall also approve the site in accordance with Section 8.1.2.

10.2 Construction. Criteria and specifications for construction of a RCG BEHAVIORAL HEALTH NETWORK outlet. Such criteria and specifications include, but are not necessarily limited to, criteria with respect to design and layout. Franchisee shall independently, and at Franchisee's expense, have such criteria and specifications incorporated into the construction of the Franchised Business premises in accordance with Article 8.

10.3 Manual. Access to the Confidential Operations Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion.

10.4 Inspection. Inspection of the Franchised Business and evaluations of the products sold and services rendered therein whenever reasonably determined by Franchisor.

10.5 Pre-Opening Requirements. A written list of equipment, fixtures, furnishings, signage, supplies and products that will be required and/or recommended to open the Franchised Business for business.

10.6 Advertising Materials. Samples or digital artwork of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Franchised Business.

10.7 List of Supplies/Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of required and/or recommended products and services for System franchisees and a list of approved and/or recommended suppliers of such items. Franchisee acknowledges that Franchisor or Franchisor's affiliate(s) may be the sole approved supplier(s) of certain products and services that Franchisee is required to purchase to operate the Franchised Business.

10.8 Training. The training programs specified in Article 7 herein.

10.9 On-Site Assistance. On-site post-opening assistance at the Franchised Business premises in accordance with the provisions of Article 7.

10.10 Brand Fund. Administration of the Brand Fund in accordance with Section 13.3.

## **11. FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS**

11.1 Best Efforts. Franchisee, including each Principal, covenants and agrees that he or she shall make all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum sales.

11.2 Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, the Franchisee entity and each Principal represent, warrant and covenant that:

11.2.1 The Franchisee entity is duly organized and validly existing under the state law of its formation;

11.2.2 Attachment 5 of this Agreement accurately reflects all individuals with an ownership interest, whether direct or beneficial, in the Franchisee entity;

11.2.3 The Franchisee entity is duly qualified and is authorized to do business in the jurisdiction of the Franchised Business premises and the Territory;

11.2.4 The Franchisee entity's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion;

11.2.5 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee; and

11.2.6 Any financial statements and tax returns provided to Franchisor shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of the statements or returns, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities.

11.3 If any Principal is a married individual and the Principal's spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 6 hereof.

#### 11.4 Appointment of Principal Executive and Manager.

11.4.1 Franchisee agrees that the person designated as the "Principal Executive" is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to RCG Behavioral Health Franchising, Inc.'s reasonable approval.

11.4.2 If the Principal Executive is not the General Manager, Franchisee shall designate and retain at all times a general manager ("General Manager") to direct the operation and management of the Franchised Business premises. Franchisee shall designate its General Manager prior to attending the Initial Training Program. Unless otherwise permitted by Franchisor, the General Manager shall be, Franchisee, if Franchisee is an individual, or a Principal.

11.4.2 The Principal Executive and General Manager shall, during the entire period he or she serves as General Manager, meet the following qualifications:

11.4.2.1 The Principal Executive and General Manager shall meet Franchisor's standards and criteria for such individual, as set forth in the Manual or otherwise in writing by Franchisor, and shall be an individual otherwise acceptable to Franchisor, in its sole discretion.

11.4.2.2 The Principal Executive General Manager shall devote his or her full time and best efforts to the supervision and management of the Franchised Business and may not engage in any other competitive business activity without the Franchisor's consent, which may be withheld in Franchisor's sole discretion.

11.4.2.3 The Principal Executive and General Manager shall satisfy the training requirements set forth in Article 7.

11.4.3 If the General Manager is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications required by this Agreement. Franchisee's replacement General Manager shall attend and satisfactorily complete the Initial Training Program, at Franchisee's sole cost and expense, including the payment of the then-current tuition. Until such replacement is designated and trained, Franchisee shall provide interim management of the Franchised Business, who shall act in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. Franchisor, in Franchisor's sole discretion, may provide interim management support and charge Franchisee the then-current interim management support fee until such General Manager is properly trained or certified in accordance with Franchisor's requirements, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, and shall be withdrawn from Franchisee's designated bank account in accordance with Section 6.1.5.

11.5 Legal Compliance. Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules and regulations shall include, without limitation, licenses to do business, health and sanitation inspections, if required, fictitious name registrations, sales and other tax permits, fire and police department clearances, Americans With Disability Act compliance, certificates of occupancy, any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation and any other requirement, rule, law or regulation of any federal, state or local jurisdiction. Franchisee shall further comply with all industry best practices with respect to sanitation and the handling, storage, and disposal of medical consumables.

11.6 Claims and Potential Claims. Franchisee shall notify Franchisor in writing within three (3) days of any incident or injury that could lead to, or the actual commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which in any way relates to or affects the operation or financial condition of the Franchised Business. Any and all media inquiries concerning the Franchised Business or Franchised Business premises, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium, except as directed by Franchisor.

11.7 Assignment of Numbers and Listings. Franchisee shall execute such forms and documents as Franchisor deems necessary, including the agreement set forth in Attachment 7 hereof, to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's telephone numbers and listings; and provide Franchisor with passwords and administrator rights for all email, software, social media or other such accounts used or created by Franchisee to operate the Franchised Business. Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Business and all related telephone directory listings and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses, social media, or any other similar listing or usages related to the Franchised Business.

11.8 Access to Tax Filings. Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all tax returns and reports related to the Franchised Business filed by Franchisee with any state or federal taxing authority.

11.9 Continuing Obligation. Franchisee and each Principal acknowledge and agree that the representations, warranties and covenants set forth in this Article 11 are continuing obligations of Franchisee and each Principal, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

## **12. FRANCHISEE'S OPERATIONS**

12.1 Operation of Franchised Business Premises. To maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Franchised Business in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things:

12.1.1 Use only those furnishings, fixtures, décor, non-medical equipment and supplies, marketing material, signage, and all branded items that conform with Franchisor's specifications and/or which shall be purchased from only those vendors designated and approved by Franchisor. Franchisee acknowledges and agrees that: (i) Franchisor and/or Franchisor's affiliate may be a designated supplier or sole approved supplier of any product or service that Franchisee is required to lease or purchase, (ii) Franchisor and/or Franchisor's affiliate may receive payment from supplier(s) related to Franchisee's required purchases or leases, and (iii) any payments so received are for Franchisor's benefit only and may be used or applied in any manner determined by Franchisor in Franchisor's sole and absolute discretion;

12.1.2 Maintain and operate the Franchised Business premises in attractive condition and good repair, using Franchisee's best efforts to maintain a clean, enjoyable and inviting atmosphere therein in accordance with System standards, the Manual and all other directives and requirements

of Franchisor, and do such redecoration, repairing, refurbishing and restoration as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time;

12.1.3 Procure and hold all necessary licenses or permits and an effective Management Services Agreement to allow the provision of services and products as required hereby, and otherwise comply with all applicable governmental laws, ordinances, rules and regulations including those related to health, sanitation and the storage and disposal of medical consumables;

12.1.4 Maintain sufficient inventories of supplies and merchandise, as prescribed by Franchisor;

12.1.5 Conduct sales in accordance with Franchisor's standards and specifications. Franchisee acknowledges and accepts that Franchisee may only engage in providing System products and services to end-users. Franchisee is expressly prohibited from selling products or services using the Franchised Business operations, assets and/or premises (i) that are not a part of the RCG BEHAVIORAL HEALTH NETWORK System or that are not approved by Franchisor, (ii) outside of the Franchised Business premises, (iii) on the internet (provided Franchisee may schedule patient appointments using the Internet through Franchisor's approved platform(s)), or (iv) to dealers and/or distributors for subsequent re-sale. Engaging in such sales shall be a material default of this Agreement;

12.1.6 Employ only qualified individuals who Franchisee has trained to provide System goods and services in accordance with Franchisor's standards, which includes but is not limited to, the protection of Franchisor's confidential and proprietary information, and who will at all times enhance Franchisor's brand and conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall use its best efforts to ensure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to customers of the Franchised Business. Franchisee acknowledges and agrees that poorly trained employees, sloppy or unclean appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;

12.1.7 Permit Franchisor or its agents, to inspect the Franchised Business premises and any services, products or equipment, to determine whether they meet Franchisor's then-current standards, specifications and requirements. In addition to any other remedies Franchisor may have, Franchisee shall reimburse Franchisor for Franchisor's inspection costs of any item that does not conform to the System standards and specifications;

12.1.8 Prominently display signs in and upon the Franchised Business premises using the Marks and/or other advertising and/or signs of such nature, form, color, number, location and size, and containing such material, as Franchisor may from time to time reasonably direct or approve in writing; and to not display in or upon the Franchised Business premises or elsewhere any sign or advertising media or interior décor of any kind to which Franchisor reasonably objects, including signs, advertising media or interior décor which are outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon

the Franchised Business premises or elsewhere and remove any objectionable or non-approved signs, advertising media or interior décor and keep or destroy same without paying therefor or without being deemed guilty of trespass or any other tort;

12.1.9 Conduct all advertising programs in a manner consistent with Franchisor's standards and specifications, in a manner satisfactory to Franchisor and that will not detract from the reputation of the System or the Marks.

## 12.2 Bookkeeping and Reports.

12.2.1 Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations using the accounting procedures and chart of accounts specified by Franchisor. Franchisee agrees to purchase the computer systems specified in Section 12.3 to maintain the records and accounts of the Franchisee to the standards of the Franchisor. Franchisee acknowledges and agrees that the financial data of Franchisee's Franchised Business (i) is owned by Franchisor, (ii) is Franchisor's Proprietary Information, (iii) may be published in franchise disclosure document(s) issued by Franchisor following the Effective Date hereof, and (iv) may be shared with other franchisees in the System.

12.2.2 Within thirty (30) days after the close of each calendar quarter and within ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business during said period, together with a balance sheet for the Franchised Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice. Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct.

12.2.3 The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate.

12.2.4 Franchisor reserves the right to require Franchisee to engage the services of a third-party accounting services firm, designated and approved by Franchisor, in the event that (i) Franchisee fails to keep books and records in accordance with Franchisor's standards or (ii) Franchisor, in its sole discretion, determines that use of a third-party accounting services firm by all System franchisees is beneficial to the System.

12.2.5 Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds an understatement of any Gross Revenue Report, Franchisee shall pay Franchisor the amounts due together with interest thereon at the rate provided herein, and if understated by two percent (2%) or more, Franchisee shall reimburse Franchisor for the cost of such examination. Such understatement may be considered a material default hereunder. Two (2) such understatements during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein.

## 12.3 Computer Systems.

12.3.1 Franchisee, at Franchisee's sole expense, shall install and maintain the computer hardware, software and applications ("Computer System") Franchisor requires for the operation of the Franchised Business and shall follow the procedures related thereto that Franchisor specifies in the Manual or otherwise in writing.

12.3.2 Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems and web-based payment processing accounts that permit Franchisor to independently and electronically access and retrieve any information stored in Franchisee's Computer System, other computer systems and web-based payment processing accounts, including, without limitation, information concerning Gross Revenue. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to independently and electronically access and retrieve all information stored on Franchisee's Computer System, other computer systems and web-based payment processing accounts.

12.3.3 Any and all financial or other data collected or provided by Franchisee (excluding patient medical records or other private health information), retrieved from Franchisee's Computer System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor and will be considered to be Franchisor's proprietary and Confidential Information. Franchisor has the right to use such data in any manner without compensation to Franchisee. Franchisor licenses to Franchisee the use of such data solely for the purpose of operating the Franchised Business; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement.

12.3.4 Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System.

12.3.5 Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the speed required by Franchisor from time to time. Franchisee shall use the electronic mail account provided by Franchisor. Franchisee shall promptly read and respond to all electronic mail related to the Franchised Business no less often than on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not establish any website or other listing on the Internet except as provided and specifically permitted herein.

12.3.6 Franchisor has established a website that provides information about the System and the products and services offered by the RCG BEHAVIORAL HEALTH NETWORK System (the "Website"). Franchisor has sole discretion and control over the Website. Franchisor shall include a listing on its Website with Franchisee's Franchised Business premises and contact information, and may, at Franchisor's option, provide Franchisee with a linked webpage for the Franchised Business. Franchisee has no ownership or other proprietary rights to the Website and Franchisee will lose all rights to such listing and/or webpage of Franchisee's outlet upon expiration or termination of this Agreement for any reason.

12.3.7 In addition to Franchisee's obligation pursuant to Section 6.2, Franchisee shall pay all other fees and expenses, whether to Franchisor or to third party vendor(s), for technology required by this Agreement, including but not limited to, the costs of computer hardware and software, installation costs and regularly recurring fees for software, Internet access, license fees, help desk fees, and any other licensing or user-based fees for operations or communications hardware, software, programs and applications.

12.3.8 Franchisee is solely responsible for maintaining the security and integrity of the computer and payment processing systems used in the Franchised Business and the customer and other data stored therein. Franchisee, at Franchisee's sole cost and expense, shall implement all computer hardware, software and Internet security procedures, including required updates or upgrades thereto, that are reasonably necessary to protect Franchisee's computer and payment processing systems and the data stored therein from viruses, malware, privacy breaches or other unauthorized access.

12.4 Safety and Security of Premises. Franchisee is solely responsible for the safety and security of the Franchised Business premises for Franchisee, Franchisee's personnel, invitees, patients, agents and the general public. Any suggestions by Franchisor on safety and security matters are for guidance only and not binding on Franchisee. All matters of safety and security are within Franchisee's discretion and control, and Franchisee's indemnification obligations set forth in Section 15.6 hereof shall apply to any claims made against Franchisor regarding safety or security.

12.5 Prices. Subject to applicable law, Franchisor may set maximum prices for products and services offered at or through the Franchised Business. Franchisee shall have the right to sell its products and services at any price within Franchisor's parameters. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee's sales or profits.

12.6 Unapproved Item/Suppliers. If Franchisee desires to purchase, lease or use any unapproved equipment, product, or service or to purchase, lease or use any equipment, product or service from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval prior to utilizing such product, service or supplier. Franchisee shall not purchase or lease any item or use any supplier until and unless such item or supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and to test or otherwise evaluate samples from the supplier. Franchisor reserves the right to charge Franchisee a fee equal to the actual cost and expense for inspection and testing. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within one hundred twenty (120) days after Franchisor receives all required information to evaluate the product, service or supplier or, if Franchisor fails to respond within one hundred twenty (120) days, such proposed item or supplier shall be deemed "disapproved". Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular item or supplier.

**12.7 External Quality Assurance Services.** Franchisor reserves the right to establish quality assurance programs conducted by third-party providers, including, but not limited to, patient surveys and periodic quality assurance audits (“Quality Review Services”). Upon Franchisor’s request and at Franchisee’s sole cost and expense, Franchisee shall subscribe, to any such third-party provider for Quality Review Services to monitor the operations of the Franchised Business as directed by Franchisor.

**12.8 Variations in Standards.** Notwithstanding anything to the contrary contained in this Agreement and this Section 12 in particular, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

## **13. ADVERTISING, PROMOTIONS AND RELATED FEES**

**13.1 Advertising Programs.** Franchisor may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Franchised Businesses operating under the System. Franchisee shall participate in all such advertising and sales promotion programs, at Franchisee’s sole expense, in accordance with the terms and conditions established by Franchisor from time to time for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor, as modified from time to time, shall be final and binding upon Franchisee.

### **13.2 Local Advertising.**

13.2.1. In addition to the ongoing advertising contributions set forth herein, Franchisee shall spend monthly, throughout the Term, not less than one percent (1%) of Gross Revenue on advertising for the Franchised Business in the Territory (“Local Advertising”). Franchisor may require Franchisee to allocate to a regional advertising cooperative, as described in Section 13.4, up to one-half of Franchisee’s required Local Advertising expenditures. Franchisor reserves the right to collect some or all of Franchisee’s Local Advertising expenditure and implement Local Advertising on Franchisee’s behalf.

13.2.2 Within ten (10) business days of Franchisor’s request, Franchisee shall provide a quarterly expenditure report accurately reflecting Franchisee’s Local Advertising expenditures for the preceding quarterly period. The following costs and expenditures incurred by Franchisee shall **not** be included in Franchisee’s expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee’s

personnel to attend advertising meetings, workshops or other marketing activities; (iv) charitable, political or other contributions or donations.

13.2.3 Franchisee shall spend a minimum of Three Thousand Five Hundred Dollars (\$3,500.00) and up to Ten Thousand Five Hundred Dollars (\$10,500.00), as required by Franchisor, on a market introduction campaign during the sixty days (60) following the Opening Date to promote the opening of the Franchised Business. Franchisee shall conduct Franchisee's market introduction campaign in accordance with plans approved by Franchisor pursuant to Section 13.6. Franchisee's grand opening campaign expenditures shall be credited against the required minimum Local Advertising expenditure set forth in Section 13.2.1.

### **13.3 Brand Fund.**

13.3.1 Franchisor has established a national Brand Fund (the "Brand Fund") on behalf of the System for national advertising, marketing, and business system development and enhancements. Franchisee is required to contribute an amount equal to one percent (1%) of the Gross Revenue generated weekly by Franchisee's Franchised Business to the Brand Fund ("Brand Fund Contribution"). Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross Revenue, then, in addition to a late fee and interest pursuant to Sections 6.3 and 6.4 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Brand Fund Contribution payable. Franchisor shall reconcile amounts when Gross Revenue are reported.

13.3.2 Franchisor shall direct the Brand Fund and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Franchised Businesses operating under the System.

13.3.3 Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to RCG BEHAVIORAL HEALTH NETWORK outlets operated by Franchisor or Franchisor's affiliates.

13.3.4 Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; System-wide franchisee development programs and activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and maintaining the Website, social media platforms, apps, and other technology for the benefit of the RCG BEHAVIORAL HEALTH NETWORK image and/or Systemwide improvements; and staff salaries and other personnel and departmental costs for advertising that Franchisor internally administers or prepares). While Franchisor does not intend that any part of the Brand Fund will be used for advertising which is principally a solicitation for

franchisees, Franchisor reserves the right to use the Brand Fund for public relations, to explain the franchise system, and/or to include a notation in any advertisement indicating “Franchises Available.”

13.3.5 The Brand Fund will not be used to defray any of Franchisor’s general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant Section 13.3.4. The Brand Fund and its earnings shall not otherwise inure to Franchisor’s benefit except that any resulting technology and intellectual property shall be deemed the property of Franchisor.

13.3.6 In administering the Brand Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee’s contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.

13.3.7 Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

13.4 Regional Advertising. Franchisor reserves the right to establish, in Franchisor’s sole discretion, a regional advertising cooperative. If a regional cooperative is established during the Term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts equal to Franchisee’s share of the total cost of cooperative advertising, in addition to required Brand Fund Contributions.

13.5 Directory/Social Media Listings. At Franchisee’s sole cost and expense, Franchisee must list the Franchised Business in local business directories, including, but not limited to, listings on Internet search engines. If feasible, and with Franchisor’s prior written approval, Franchisee may do cooperative listings with other System franchisees. Franchisee shall not maintain business profiles on Facebook, Instagram, Twitter, X, LinkedIn, TikTok, YouTube, or any other social media and/or networking site, except with Franchisor’s prior written approval. Franchisee’s use of social media accounts shall be in strict accordance with Franchisor’s requirements. Franchisee shall provide Franchisor with all passwords and administrative rights to any and all social media accounts for the Franchised Business, and Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking whatever action as is necessary for the best interest of the System, if Franchisee fails to maintain such accounts in accordance with Franchisor’s standards.

13.6 Approval of Advertising. All advertising and promotion by Franchisee, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising, press releases, promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed that

have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within ten (10) business days of Franchisor's receipt thereof. If Franchisor fails to respond to Franchisee's submission within ten (10) business days, such plans and materials shall be deemed "disapproved". Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor in writing and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the RCG BEHAVIORAL HEALTH NETWORK brand and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.

## **14. INTELLECTUAL PROPERTY**

### **14.1 Ownership**

14.1.1 Franchisee expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) are the record owner of the Marks. Franchisor holds the exclusive right to license the Marks to franchisees of the System for use pursuant to the System. Franchisee further expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) claim copyrights and other proprietary rights on certain material used in the System, including but not limited to, its website, documents, photographs, social media content, advertisements, promotional materials and the Manual, whether or not Franchisor and/or Franchisor's affiliate(s) have filed for copyrights thereto with the U.S. Copyright Office. The Marks and copyrights, along with Franchisor's trade secrets, service marks, trade dress and proprietary materials and systems are hereafter collectively referred to as the "Intellectual Property".

14.1.2. As between Franchisor and Franchisee, Franchisor and/or Franchisor's affiliate(s) are the owners of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them.

14.2 No Interference. Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor and/or Franchisor's affiliate(s)'s rights with respect to the Intellectual Property. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor and/or Franchisor's affiliate(s)'s service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Franchised Business and only at or from the Franchised Business premises or in approved advertising related to the Franchised Business.

14.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and/or Franchisor's affiliate(s), and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Intellectual Property.

**14.4 Validity.** Franchisee shall not contest the validity of, or Franchisor and/or Franchisor's affiliate(s)'s interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor and/or Franchisor's affiliate(s)'s interest in, the Intellectual Property.

**14.5 Infringement.** Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor and/or Franchisor's affiliate(s)'s rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor and/or Franchisor's affiliate(s) with all assignments, affidavits, documents, information and assistance Franchisor and/or Franchisor's affiliate(s) reasonably requests to fully vest in Franchisor and/or Franchisor's affiliate(s) all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor and/or Franchisor's affiliate(s) to register, maintain and enforce such rights in the Intellectual Property.

**14.6 Substitution.** Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchised Business, if it in its sole discretion, determines that substitution of different Marks will be beneficial to the System. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

**14.7 Franchisee's Use of the Intellectual Property.** With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:

14.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchised Business only under the Marks "RCG BEHAVIORAL HEALTH" and design. Franchisee shall not use the Marks, or any portions, variations, or derivatives thereof, as part of its corporate or other legal name. All fictitious names used by Franchisee shall bear the designation "a franchisee of RCG BEHAVIORAL HEALTH".

14.7.2 Franchisee shall identify itself as the owner of the Franchised Business and as an independent RCG BEHAVIORAL HEALTH NETWORK franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the Franchised Business premises as Franchisor may designate in writing.

14.7.3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.

14.7.4 Any item offered by Franchisee that contains the Marks, must be approved by Franchisor in writing prior to being distributed or sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.

**14.8 Claims.** Franchisee shall notify Franchisor immediately via both email and telephone, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall not

communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or other proceeding arising out of any such alleged infringement, challenge, or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for actual damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement.

14.9 Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby.

14.10 Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity, or corporation.

## **15. INSURANCE AND INDEMNIFICATION**

15.1 Procurement. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies from carrier(s) with a minimum AM Best rating of A protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds as their interests may appear, in the following minimum limits (except as additional coverage and higher policy limits may reasonably be specified from time to time in the Manual or otherwise in writing):

15.1.1 Liability. Commercial general liability insurance, including coverage for personal and advertising injury, products/completed operations, damage to rented in the amount of at least One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate;

15.1.2 Employment. Worker's compensation coverage in the limits required by state law; employer's liability insurance in the minimum amount of One Million Dollars (\$1,000,000) per accident and per employee; and employment practices liability insurance in the minimum amount of

One Hundred Thousand Dollars (\$100,000) per occurrence; and such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

15.1.3 Property. Fire, vandalism, windstorm and hail, and extended coverage insurance for property damage with primary and excess limits of not less than the full replacement value of the leasehold improvements, equipment, furniture, fixtures, and inventory, or the requirements of the lease for the Franchised Business premises, whichever is greater;

15.1.4 Automobile. Prior to operating any vehicle on behalf of the Franchised Business, comprehensive automobile liability insurance with a combined single limit of no less than \$1,000,000 per occurrence;

15.1.5 Business. Business interruption insurance for a minimum of twelve (12) months, in an amount necessary to satisfy Franchisee's obligations under this Agreement and the lease for the Franchised Business premises; and

15.1.6 Electronic Data Processing. Coverage for damage or loss of electronic and computer equipment, media, and data in an amount of not less than Ten Thousand Dollars (\$10,000.00).

15.2 Evidence of Insurance. Franchisee shall deliver to, and maintain at all times with Franchisor, current Certificates of Insurance evidencing the existence and continuation of the required coverages. Franchisee shall deliver the initial Certificate of Insurance no later than thirty (30) days before Franchisee opens the Franchised Business. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder.

15.3 Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof together with an administrative fee of ten percent (10%) of the cost for Franchisor's expenses in so acting, including all attorneys' fees. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof.

15.4 Increase in Coverage. The levels and types of insurance stated herein are minimum requirements. Franchisor reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require. Within thirty (30) days of any such required new limits or types of coverage, Franchisee must submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements.

15.5 Additional Insured. All required insurance policies shall name Franchisor and their affiliates and their members, officers, agents and employees as additional insureds as their interests may appear. All public liability policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss caused by Franchisee or Franchisee's servants, agents or employees, and all required insurance policies shall contain a waiver of subrogation in favor of the additional insureds.

**15.6 Indemnification.** TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS RCG BEHAVIORAL HEALTH FRANCHISING, INC., AND ANY OF ITS PARENT COMPANIES, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND SHAREHOLDERS (COLLECTIVELY REFERRED TO AS THE “RCG BEHAVIORAL HEALTH INDEMNITEES”), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO FRANCHISEE’S FRANCHISE AND/OR THE OPERATION THEREOF, INCLUDING BUT NOT LIMITED TO, ANY CLAIM IN CONNECTION WITH FRANCHISEE’S EMPLOYEES, AGENTS OR THE PROFESSIONAL MEDICAL ENTITY; FRANCHISEE’S COMPUTER SYSTEMS; THE PROVISION OF SERVICES AT THE FRANCHISED BUSINESS; THE FRANCHISED BUSINESS PREMISES; OR FRANCHISEE’S ADVERTISING OR BUSINESS PRACTICES. FRANCHISEE AGREES TO PAY FOR ALL THE RCG BEHAVIORAL HEALTH NETWORK INDEMNITEES’ LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS’ FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER. THE RCG BEHAVIORAL HEALTH NETWORK INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE RCG BEHAVIORAL HEALTH NETWORK INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD THE RCG BEHAVIORAL HEALTH NETWORK INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE THE RCG BEHAVIORAL HEALTH NETWORK INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE RCG BEHAVIORAL HEALTH NETWORK INDEMNITEES.

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## **16. TRANSFERS**

### **16.1 Transfers by Franchisor.**

16.1.1 Franchisor shall have the right to assign this Agreement, and all of Franchisor’s rights and privileges hereunder, to any person, firm, corporation or other entity, without Franchisee’s permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor’s obligations, the assignee shall expressly assume and agree to perform Franchisor’s obligations hereunder. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may: (i) sell Franchisor’s assets and Franchisor’s rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor’s securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or

relating to the loss of association with or identification of Franchisor.

16.1.2 Franchisee agrees that Franchisor has the right, without Franchisee's permission or prior knowledge, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Franchisee acknowledges may be within the Territory, proximate thereto, or proximate to any of Franchisee's outlets). However, Franchisor represents that it will not convert any such acquired facilities that are operating within the Territory to a RCG BEHAVIORAL HEALTH NETWORK trademarked facility during the Term of this Agreement.

16.1.3 If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in any part of the business franchised herein or to offer or sell any products or services to Franchisee.

16.2 Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee as it is organized and with the Principal(s) of the Franchise as they exist on the date of execution of this Agreement, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

16.3 Transfers by Franchisee. Franchisee shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Franchise, the Franchised Business or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless it first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee entity if it is a corporation or a transfer of any ownership rights in the Franchisee entity if it is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder. If Franchisee has complied fully with this Agreement and subject to Franchisor's Right of First Refusal set forth in Section 16.6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements:

16.3.1 The proposed transferee and all its principals must have the demeanor, and be individuals of good character, and otherwise meet Franchisor's then-applicable standards for franchisees.

16.3.2 The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Business and to comply with this Agreement;

16.3.3 The transferee has agreed to complete Franchisor's Initial Training Program to Franchisor's satisfaction;

16.3.4 Franchisee has paid all amounts owed to Franchisor and third-party creditors;

16.3.5 The transferee has executed Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions different from this Agreement, except that the transferee shall not be required to pay the Initial Franchise Fee;

16.3.6 Franchisee and the transferee and each of Franchisee's and the transferee's Principal(s) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;

16.3.7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Franchised Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer;

16.3.8 If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor; and

16.3.9 If consent is required, the lessor of the Franchised Business's premises consents to the assignment or further sublet of the premises to the transferee.

16.4 Transfer Fee. As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000) plus any broker fees and other out-of-pocket costs we incur. A transfer to add a business entity or new shareholder or member of the Franchisee entity and such transfer does not change management control of the franchise, the transfer fee is equal to One Thousand Five Hundred Dollars (\$1,500.00), and for a transfer to a spouse, parent or child upon death or permanent disability of. Franchisee or a Principal, as the case may be, the transfer fee is Three Thousand Five Hundred Dollars (\$3,500.00).

16.5 Entity Formation Documents. The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16; (ii) Franchisee may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.

## 16.6 Franchisor 's Right of First Refusal.

16.6.1 If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer to purchase such interest, then Franchisee or such Principal shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require.

16.6.2 Franchisor has the right, exercisable by written notice to Franchisee within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Franchised Business or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16.6.3.

16.6.3 Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee; (vi) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from Franchisee all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable.

16.6.4 If Franchisor does not exercise its right to buy within thirty (30) days, Franchisee may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor's prior written approval pursuant to Section 16.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.

16.7 Death or Permanent Disability. The grant of rights under this Agreement is personal to Franchisee, and on the death or permanent disability of Franchisee or a Principal, the executor, administrator, conservator or other personal representative of Franchisee or Principal, as the case may be, shall be required to transfer Franchisee's or Principal's interest in this Agreement within six (6) months from the date of death or permanent disability, to a third party approved by Franchisor. Failure to transfer in accordance with the forgoing will constitute a material default and the Franchise granted by this Agreement will terminate. A transfer under this Section 16.7, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 16 and unless transferred by gift, devise or inheritance, subject to the terms of Section 16.6 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of Franchisee's Franchised Business during the six (6)-month period from its onset.

Immediately after the death or permanent disability of such person, or while the Franchise is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at Franchisor's then-current interim management support fee, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors.

**16.8 Effect of Consent to Transfer.** Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any Principal(s) nor waive its right to demand that the transferee comply strictly with this Agreement.

**16.9 Security Interests to Lender.** If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions. Notwithstanding the foregoing, in the event Franchisee obtains financing whereby funding is provided with the assistance of the United States Small Business Administration ("SBA Financing"), Franchisee shall be permitted to grant the lender of such SBA Financing a senior lien on any Uniform Commercial Code collateral Franchisee uses to secure the SBA Financing, and Franchisor agrees to (i) subordinate its interest in any lien on Franchisee's Uniform Commercial Code collateral to that of the lender of the SBA Financing and (ii) waive the requirement of the written acknowledgement referenced in this Section.

## **17. DEFAULTS**

**17.1 Default and Automatic Termination.** Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.

**17.2 Defaults with No Opportunity to Cure.** Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.2.1 has misrepresented or omitted material facts in applying for the Franchise;

17.2.2 fails to acquire a site for the Franchised Business, complete construction of the Franchised Business premises, obtain all licenses and permits before opening, execute an approved Management Services Agreement, or open the Franchised Business within the time and in the manner specified in Article 8.

17.2.3 falsifies any report required to be furnished Franchisor hereunder;

17.2.4 ceases to operate the Franchised Business, or Franchisee's RCG BEHAVIORAL HEALTH NETWORK facility is not open for business, for a period of five (5) days or more; subject to loss or casualty which is governed by Section 17.2.5 or Section 17.2.6.

17.2.5 loses for any cause whatsoever the right of possession of the Franchised Business premises; provided, however, that this provision shall not apply if through no fault of Franchisee, Franchisee loses right of possession and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate the Franchised Business (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such relocation in accordance with Section 8.4.

17.2.6 fails to restore the Franchised Business premises to full operation within a reasonable period of time but not more than one hundred twenty (120) days from the date the Franchised Business premises is rendered inoperable by any casualty, as may be extended by Franchisor in Franchisor's reasonable discretion;

17.2.7 fails to comply with any federal, state or local law, rule or regulation, applicable to the operation of the Franchised Business, including, but not limited to, the failure to pay taxes;

17.2.8 defaults under any lease or sublease for the Franchised Business premises;

17.2.9 defaults beyond the cure period under the Management Services Agreement or otherwise fails to have an approved Management Services Agreement in effect at all times;

17.2.10 understates Gross Revenue on two (2) occasions or more, whether or not cured on any or all of those occasions;

17.2.11 fails to comply with the covenants in Article 15;

17.2.12 permits a Transfer in violation of the provisions of Article 16 of this Agreement;

17.2.13 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Franchised Business upon death or permanent disability of Franchisee or a Principal as required by Section 16.7.

17.2.14 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or engages in any other conduct that may harm the reputation of the System or the goodwill associated with the Marks;

17.2.15 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;

17.2.16 conceals revenues, knowingly maintains false books or records, or knowingly submits any false reports;

17.2.17 creates a threat or danger to public health or safety from the construction, maintenance or operation of the Franchised Business or Franchisee's RCG BEHAVIORAL HEALTH NETWORK facility;

17.2.18 refuses to permit Franchisor to inspect the Franchised Business premises or audit Franchisee's books or records;

17.2.19 makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19.2);

17.2.20 fails to comply with the non-competition covenants in Section 19.5;

17.2.21 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or has been given at least two (2) notices of default in any twelve (12)-month period, whether or not the defaults have been corrected;

17.2.22 has insufficient funds to honor a check or electronic funds transfer two (2) or more times within any twelve (12)-month period;

17.2.23 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates or its suppliers and does not cure such default within the time period provided in such other agreement; or

17.2.24 terminates this Agreement without cause.

**17.3 Curable Defaults.** Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Sections 17.2.21 and/or 17.2.22;

17.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17.1 and 17.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)-month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 17.2.21.

17.4 Franchisor's Cure of Franchisee's Defaults. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may, but has no obligation to:

17.4.1 effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand; or

17.4.2 enter upon the Franchised Business premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control and operate the Franchised Business. In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor (i) the then-current interim management support fee during Franchisor's operation thereof as compensation therefor and (ii) all costs and expenses incurred by Franchisor to cure Franchisee's default. Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals and other expenses reasonably incurred by such representative until the default has been cured and Franchisee is complying with the terms of this Agreement.

17.5 Notice to Suppliers. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor reserves the right with five (5) days' prior written notice to Franchisee to direct suppliers to stop furnishing any and all products and supplies until such time as Franchisee's default is cured. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of suppliers.

17.6 Reimbursement of Costs. Franchisee shall reimburse Franchisor all costs and expenses, including but not limited to attorney's fees, incurred by Franchisor as a result of Franchisee's default, including costs in connection with collection of any amounts owed to Franchisor and/or enforcement of Franchisor's rights under this Agreement.

## 18. POST-TERMINATION

18.1 Franchisee's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee shall immediately terminate and Franchisee and each Principal shall:

18.1.1 immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly identify himself, herself or itself as a current RCG BEHAVIORAL HEALTH NETWORK facility owner, operator, franchisee or licensee;

18.1.2 immediately and permanently cease to use the Marks, any imitation of any Mark, logos, copyrighted material or other intellectual property, confidential or proprietary material or indicia of a RCG BEHAVIORAL HEALTH NETWORK facility, and de-identify the Franchised Business premises as a RCG BEHAVIORAL HEALTH NETWORK facility by removing therefrom any trade name, trade or service mark or other commercial symbol and brand identifying elements that suggests a current or past association with Franchisor and/or Franchisor's affiliate(s), or the System. In particular, Franchisee shall cease to use, without limitation, all signs, billboards, advertising materials, displays, stationery, forms, any other articles, and social media accounts which display the Marks;

18.1.3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;

18.1.4 promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee. The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located at the Franchised Business premises at the time of default;

18.1.5 pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;

18.1.6 immediately deliver at Franchisee's sole cost and expense, to Franchisor the Manual and all records, files, instructions, correspondence, invoices, agreements, signs, all confidential, proprietary and copyrighted material and all other materials related to operation of the Franchised Business (all of which are acknowledged to be Franchisor's property), delete all electronic copies and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law;

18.1.7 comply with the non-disclosure and non-competition covenants contained in Article 19; and

18.1.8 in the event this Agreement is terminated due to Franchisee's default, pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) in an amount equal to: (a) the average monthly Royalty Fee and Brand Fund Contribution payable by Franchisee over the twelve (12) month period immediately prior to the date of termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (i) twenty-four (24) months or (ii) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 18.1.8 shall be in addition to all other amounts payable under this Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision of this Agreement.

## 18.2 Right to Purchase.

18.2.1 Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including the Computer System), signs, fixtures, advertising materials, supplies, inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's cost or fair market value, whichever is less. Franchisor shall purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. Closing of the purchase shall take place no later than thirty (30) days after determination of the fair market value.

18.2.2 With respect to the options described in Sections 18.2.1, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

18.2.3 Franchisor shall be entitled to assign any and all of its option in Section 18.2.1 to any other party, without the consent of Franchisee.

18.3 Assignment of Telephone Numbers, Internet, and Social Media Accounts. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised Business and any related public directory listing or other business listings and execute

all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all social media and internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11.7, Franchisee shall provide Franchisor with all passwords and administrative rights, and hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, social media accounts, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

**18.4 Survival.** The rights and obligations of the parties contained in this Article 18 shall survive the expiration or sooner termination of this Agreement.

## **19. NON-DISCLOSURE AND NON-COMPETITION COVENANTS**

### **19.1 Operations Manual.**

19.1.1 Franchisor has provided to Franchisee, on loan, a current copy of the Manual. The Manual may be in hard copy or made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manual (or any changes thereto) are provided in a form other than physical copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manual. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall operate all aspects of the Franchised Business in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the Franchised Business.

19.1.2 Franchisee and Principal(s) shall at all times treat the Manual, written directives, and other materials and any other confidential communications or materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement. Franchisee and Principal(s) shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Franchised Business. Franchisee shall, prior to disclosure, fully train and inform its employees on all the restrictions, terms and conditions under which it is permitted to use Franchisor's intellectual, proprietary and confidential information; and shall ensure its employees' compliance with such restrictions, terms and conditions. Franchisee, Principal(s), and any person working with Franchisee shall agree not, at any time to use, copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

19.1.3 The Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Manual and all Franchisor's confidential and proprietary materials at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall, encryption and similar technology to prevent unauthorized access. Franchisee shall delete all electronic copies and return and cease using any physical copy of the Manual and other confidential and proprietary materials to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement.

19.1.4 Franchisor may from time to time revise the contents of the Manual and other materials created or approved for use in the operation of the Franchised Business. Franchisee expressly agrees to comply with each new or changed policy, standard or directive. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall control.

19.2 Confidential Information. Franchisee and Principal(s) acknowledge and accept that during the term of this Agreement, Franchisee and Principal(s) will have access to Franchisor's trade secrets, including, but not limited to, methods, processes, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Neither Franchisee nor any Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or any Principal or of which Franchisee or any Principal may be apprised in connection with the operation of the Franchised Business under the terms of this Agreement. Franchisee and Principal(s) shall not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Franchised Business and who have themselves entered into confidentiality and non-compete agreements containing the same provisions as contained in this Agreement, in accordance with Section 19.10 hereof. Franchisee and Principal(s) shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent. The covenant in this Section 19.2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal.

19.3 Protection of Information. Franchisee shall take all steps necessary, at Franchisee's own

expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.

**19.4 New Concepts.** If Franchisee or any Principal develops any new concept, process, product, or improvement in the operation or promotion of the Franchised Business (“Improvements”), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes, products, or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and Principal(s) acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate.

**19.5 Noncompetition Covenants.** Franchisee and Principal(s) specifically acknowledge that, pursuant to this Agreement, Franchisee and Principal(s) will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee, each Principal and Franchisee’s managers and employees. Franchisee and Principal(s) acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and Principal(s) are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and Principal(s) covenant that, except as otherwise approved in writing by Franchisor:

19.5.1 During the term of this Agreement, Franchisee and Principal(s) shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or patient of the Franchised Business or Franchisee’s RCG BEHAVIORAL HEALTH NETWORK facility or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any business that offers behavioral therapy services or offers management, administrative and/or support services thereto (“Competitive Business”); or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of Franchisor or any RCG BEHAVIORAL HEALTH NETWORK franchisees or Franchisor-affiliated outlets.

19.5.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Franchisee and Principal(s) shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or patient of the Franchised Business or Franchisee’s RCG BEHAVIORAL HEALTH NETWORK facility or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in

any Competitive Business within twenty (20) miles of the Territory or any RCG BEHAVIORAL HEALTH NETWORK facility; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any RCG BEHAVIORAL HEALTH franchisees.

19.6 Reasonableness of Restrictions. Franchisee and Principal(s) acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principal(s) since Franchisee or Principal(s), as the case may be, have other considerable skills, experience and education which afford Franchisee or Principal(s), as the case may be, the opportunity to derive income from other endeavors.

19.7 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified.

19.8 Injunctive Relief. Franchisee and Principal(s) acknowledge that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee and Principal(s) hereby consent to the entry of an injunction prohibiting any conduct by Franchisee or Principal(s) in violation of the terms of the covenants not to compete set forth in this Agreement.

19.9 No Defense. Franchisee and Principal(s) expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

19.10 Covenants of Employees, Agents and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from all employees, contractors or third persons who will have access to Franchisor's confidential and proprietary information, and Franchisee shall provide Franchisor with executed versions thereof. Such covenants shall be substantially in the form set forth in Attachment 8 as revised and updated from time to time and contained in the Manual. Franchisee shall indemnify and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of Franchisee's failure to obtain executed restricted covenants by employees, agents and third persons as required by this Section.

## **20. DISPUTE RESOLUTION**

20.1 Internal Dispute Resolution. Franchisee shall first bring any claim, controversy or dispute

arising out of or relating to this Agreement, the Attachments hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 21.6 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

**20.2 Mediation**. At Franchisor's option, any claim, controversy or dispute that is not resolved pursuant to Section 20.1 hereof shall be submitted to non-binding mediation. Franchisee shall provide Franchisor with written notice of Franchisee's intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Franchisee's notice to exercise Franchisor's option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys' fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

**20.3 Arbitration**.

20.3.1 Except disputes not subject to alternative dispute resolution as set forth in Section 20.4, any dispute between Franchisor and Franchisee and/or any Principal arising out of or relating to this Agreement, the Attachments hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Sections 20.1 or 20.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization.

20.3.2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 20 will be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*) and the federal common law of arbitration. All hearings and other proceedings will take place in the Commonwealth of Virginia, or, if Franchisor so elects, at the offices of the American Arbitration Association or in the county where the principal place of business of Franchisee is then located.

20.3.3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide, or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

20.3.4 The provisions of this Section 20.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

20.3.5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement.

20.3.6 Except as expressly required by law, Franchisor, Franchisee and any Principal shall keep all aspects of any mediation and/or arbitration proceeding in confidence, and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

20.4 Exceptions. Notwithstanding the requirements of Sections 20.2 or 20.3, the following claims shall not be subject to mediation or arbitration:

20.4.1 Franchisor's claims for injunctive or other extraordinary relief;

20.4.2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

20.4.3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks;

20.4.4 disputes and controversies relating to actions to obtain possession of the premises of the Franchised Business; and

20.4.5 enforcement of Franchisee's post-termination obligations, including but not limited to, Franchisee's non-competition covenants.

20.5 Governing Law and Venue. This Agreement is made in, and shall be substantially performed in, the Commonwealth of Virginia. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the Commonwealth of Virginia. Franchisee and Principal(s), except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Virginia. Franchisee and Principal(s) hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.

20.6 Mutual Benefit. Franchisee, Principal(s), and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, Principal(s), and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding

applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

**20.7 Waiver of Jury Trial and Certain Damages.** Franchisee and each Principal hereby waive, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Franchisee and Principal(s) agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual damages sustained.

**20.8 Limitations of Claims.** Any and all claims asserted by Franchisee arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Franchisee knew or should have known of the facts giving rise to such claims.

**20.9 Attorneys' Fees.** In the event of any action in law or equity by and between Franchisor and Franchisee concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees and court costs incurred.

## **21. GENERAL**

### **21.1 Relationship of the Parties.**

**21.1.1 Independent Licensee.** Franchisee is and shall be an independent licensee under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation, or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee or Principal(s) which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to Franchisee's operation of the Franchised Business. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs, or judgments against Franchisor arising out of any allegation of an agent, partner, or employment relationship.

**21.1.2 No Relationship.** Franchisee acknowledges and agrees that Franchisee alone exercises day-to-day control over all operations, activities, and elements of the Franchised Business, and that

under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising control of the day-to-day operations of the Franchised Business.

**21.1.3 Franchisee's Employees.** Franchisor has no authority to control, either directly or indirectly, the essential terms and conditions of employment of Franchisee's employees. Franchisee acknowledges and agrees that Franchisee, in Franchisee's sole and absolute discretion, shall determine all such essential terms and conditions of employment, which are defined in the Manual. Franchisee specifically agrees that any training Franchisor provides for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems, and operations of a RCG BEHAVIORAL HEALTH NETWORK outlet and in no fashion reflects any employment relationship between Franchisor and such employees. If ever it is asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending said allegation, appearing at any venue requested by Franchisor to testify on Franchisor's behalf participate in depositions, other appearances or preparing affidavits rejecting any assertion that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees.

**21.2 Successors.** This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of the Franchisee entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Franchisee or Principal(s) in this Agreement or the Franchised Business, except in accordance with Article 16 hereof.

**21.3 Invalidity of Part of Agreement.** Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.

**21.4 Construction.** All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed, and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and Principal(s) shall be deemed to be joint and several covenants, agreements, and obligations of each of the persons named as Franchisee, if more than one person is so named.

**21.5 Captions.** Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

21.6 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.

21.7 Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the approved Franchised Business premises shall not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the approved Franchised Business premises.

21.8 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 17 shall not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

21.9. Consent to Do Business Electronically. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the Commonwealth of Virginia, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement, and by attaching their electronic signature to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature including a DocuSign signature, as the respective party's signature.

21.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

21.11 Survival. Any obligation of Franchisee or any Principal that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest

of Franchisee or any Principal therein shall be deemed to survive such termination, expiration or transfer.

21.12 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, provided that nothing in this, or any related Agreement with Franchisor, is intended to disclaim the representations made to Franchisee in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.

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

FRANCHISOR:  
RCG BEHAVIORAL HEALTH FRANCHISING, INC.

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

\_\_\_\_\_,  
(Print Name, Title)

FRANCHISEE (Entity):  
\_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_,  
(Print Name, Title)

FRANCHISEE (Principal):  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

FRANCHISEE (Principal):

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(Print Name)

## ATTACHMENT 1

### **TRADEMARKS**

Marks:

| Trademark                     | Registration Date | Registration Number |
|-------------------------------|-------------------|---------------------|
| RCG BEHAVIORAL HEALTH NETWORK | January 12, 2021  | 6242710             |

## ATTACHMENT 2

### **TERRITORY**

\*\*TERRITORY AND ADDRESS TO BE DETERMINED AND INSERTED AFTER A RCG BEHAVIORAL HEALTH NETWORK PREMISES IS IDENTIFIED BY FRANCHISEE AND APPROVED BY FRANCHISOR, IN ACCORDANCE WITH SECTION 8.1 OF THE FRANCHISE AGREEMENT, IN THE NON-EXCLUSIVE SITE SEARCH AREA OF \_\_\_\_\_.

Territory (insert map and/or define by zip codes):

Approved Franchised Business Premises Address:

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**ATTACHMENT 3**  
**ACH AUTHORIZATION**

Franchisor Name: **RCG BEHAVIORAL HEALTH FRANCHISING, INC.**

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

Financial Institution Name: \_\_\_\_\_ Branch: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

ACH/Routing Number: \_\_\_\_\_ Account Number: \_\_\_\_\_  
(Nine Digits)

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

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 6 and 18 of the Franchise Agreement.

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Print Franchisee / Account Holder Name

---

Print Franchisee/Co-Account Holder Name

---

Franchisee/ Account Holder Signature-Date

---

Franchisee/Co-Account Holder Signature-Date

---

Daytime Phone Number

---

Email Address

**PLEASE ATTACH A VOIDED CHECK TO THIS FORM**

**Please Return Form to:**  
**RCG BEHAVIORAL HEALTH FRANCHISING, INC.**  
911 Sturbridge Drive  
Richmond, VA 23236

## ATTACHMENT 4

### **CONDITIONAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned \_\_\_\_\_ ("Assignor") hereby assigns and transfers to RCG BEHAVIORAL HEALTH FRANCHISING, INC., a Virginia corporation, with a notice address of 911 Sturbridge Drive, Richmond, VA 23236 ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which shall be attached hereto (the "Lease") respecting premises commonly known as \_\_\_\_\_. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and Assignor's interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of Assignor's interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a RCG BEHAVIORAL HEALTH NETWORK outlet between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, 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 that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee 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 purpose of effecting such extension or renewal.

ASSIGNOR:

DATED: \_\_\_\_\_

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

## **CONSENT AND AGREEMENT OF LANDLORD**

to that Conditional Assignment of Lease from \_\_\_\_\_ (Assignor) to RCG BEHAVIORAL HEALTH FRANCHISING, INC. (Assignee) dated \_\_\_\_\_, for the property known as \_\_\_\_\_.

The undersigned Landlord under the aforescribed Lease further hereby:

- (a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
- (b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within thirty (30) days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;
- (c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Landlord the assumption of the Lease by Assignee as tenant thereunder, Landlord shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the thirty (30) day period the non-monetary defaults, if any, of Assignor under the Lease;
- (d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.
- (e) Permits Assignee to enter upon the premises without being guilty of trespass or any other crime or tort to de-identify the premises as a RCG BEHAVIORAL HEALTH NETWORK outlet if tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee shall repair any damage caused thereby.

DATED: \_\_\_\_\_

LANDLORD:

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

\_\_\_\_\_,  
(Name, Title)

**ATTACHMENT 5**

**STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE/ENTITY**

**Name**

**Percentage of Ownership**

## ATTACHMENT 6

### **SPOUSAL GUARANTY**

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on \_\_\_\_\_ (the “Effective Date”), to RCG BEHAVIORAL HEALTH FRANCHISING, INC., a Virginia corporation, (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated on or about the Effective Date hereof (the “Franchisee Agreement”) with \_\_\_\_\_, a(n) \_\_\_\_\_ and \_\_\_\_\_ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty is in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 19.2, 19.5, 19.6, 19.8 and 19.9 of the Franchise Agreement (“Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

**GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:**

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

Print Address: \_\_\_\_\_

## ATTACHMENT 7

### **INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT**

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT (the "Agreement") is made and entered into this day of \_\_\_\_\_ (the "Effective Date") by and between RCG BEHAVIORAL HEALTH FRANCHISING, INC., a Virginia corporation (the "Franchisor"), and \_\_\_\_\_ a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ and \_\_\_\_\_ 's principal(s) \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, and \_\_\_\_\_, an individual residing at \_\_\_\_\_ ("Principal(s)"). \_\_\_\_\_ and Principal(s) shall be individually and collectively referred to, and each is, the "Franchisee".

**WHEREAS**, Franchisee desires to enter into a franchise agreement with Franchisor for the operation of a RCG BEHAVIORAL HEALTH NETWORK facility ("Franchise Agreement") which will allow Franchisee, among other things, to conduct internet-based advertising, maintain social media accounts, software accounts, and use telephone listings linked to the RCG BEHAVIORAL HEALTH NETWORK brand.

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### 1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

#### 2. **Internet Advertising and Telephone Accounts**

2.1 **Interest in Websites, Social Media, and Software Accounts and Other Electronic Listings**. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, software accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, "Electronic Advertising") related to the Franchised Business or the Marks.

2.2 **Interest in Telephone Numbers and Listings**. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone

numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media and software companies, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Electronic Advertising and Telephone Listings: (i) to transfer all of Franchisee’s interest in such Electronic Advertising and Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Telephone Listings, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising and Telephone Listings or will take such other actions with respect to the Electronic Advertising and Telephone Listings as Franchisor directs; and

2.3.1 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee’s interest in and to the Electronic Advertising and Telephone Listings to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising and Telephone Listings;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

### 3. Miscellaneous

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the Commonwealth of Virginia, without regard to the application of Virginia conflict of law rules.

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

RCG BEHAVIORAL HEALTH FRANCHISING, INC.

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

\_\_\_\_\_, \_\_\_\_\_  
(Print Name, Title)

FRANCHISEE (Entity):

\_\_\_\_\_

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

\_\_\_\_\_, \_\_\_\_\_  
(Print Name, Title)

FRANCHISEE (Principal):

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

FRANCHISEE (Principal):

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

## ATTACHMENT 8

### **CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this \_\_\_\_\_, by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), a franchisee of RCG BEHAVIORAL HEALTH FRANCHISING, INC., a Virginia corporation, (“Franchisor”), and \_\_\_\_\_, an individual (“Covenantor”).

**WHEREAS**, Franchisee and Franchisor are parties to a franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”), whereby Franchisor has granted Franchisee the right to use certain of Franchisor’s trademarks and copyrights, including but not limited to, the RCG BEHAVIORAL HEALTH NETWORK trademarks and logo, website, documents, advertisements, photographs, social media content, promotional materials and operations manual (collectively referred to as the “Intellectual Property”) for the establishment and operation of a RCG BEHAVIORAL HEALTH NETWORK outlet;

**WHEREAS**, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Intellectual Property and other confidential information, knowledge, know-how, techniques, contents of the RCG BEHAVIORAL HEALTH NETWORK operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as “Confidential Information”);

**WHEREAS**, the Intellectual Property and Confidential Information provides economic advantages to Franchisor and licensed users of the System, including Franchisee;

**WHEREAS**, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Intellectual Property and Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Intellectual Property and Confidential Information and further protecting the RCG BEHAVIORAL HEALTH NETWORK brand against unfair competition; and

**WHEREAS**, Covenantor acknowledges that receipt of and the right to use the Intellectual Property and Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

#### **1. Confidentiality Agreement.**

**a.** Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use the Intellectual Property and such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation

of a RCG BEHAVIORAL HEALTH NETWORK outlet under the Franchise Agreement and in accordance with the requirements thereof.

**b.** Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Intellectual Property or Confidential Information, and shall not reproduce, in whole or in part, any of the Intellectual Property or Confidential Information, without Franchisor's express written permission.

**c.** Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of Franchisee's RCG BEHAVIORAL HEALTH NETWORK outlet.

**d.** Covenantor shall surrender any material containing some or all of the Intellectual Property or Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.

**e.** Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the RCG BEHAVIORAL HEALTH NETWORK brand.

**f.** Upon termination of employment or association with Franchisee, Covenantor shall immediately lose all rights to access and/or use the Intellectual Property and Confidential Information for any purpose whatsoever.

## **2. Covenants Not to Compete.**

**a.** In order to protect the goodwill and unique qualities of the RCG BEHAVIORAL HEALTH NETWORK brand, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or patient of the RCG BEHAVIORAL HEALTH NETWORK facility or of other franchisees in the RCG BEHAVIORAL HEALTH NETWORK system to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any business that offers behavioral therapy services or offers management, administrative and/or support services thereto ("Competitive Business").

**b.** In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the RCG BEHAVIORAL HEALTH NETWORK system, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for two (2) years

thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or patient of the Franchisee's RCG BEHAVIORAL HEALTH NETWORK facility or of other franchisees in the RCG BEHAVIORAL HEALTH NETWORK system to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational or supervisory capacity in any Competitive Business within twenty (20) miles of Franchisee's Territory or of any RCG BEHAVIORAL HEALTH NETWORK facility.

**c.** The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

**d.** If the period of time or the geographic scope specified in Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

### **3. General.**

**a.** Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

**b.** Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

**c.** Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

**d.** Any failure of Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

**e.** THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE FRANCHISEE'S RCG BEHAVIORAL HEALTH NETWORK FRANCHISED BUSINESS IS LOCATED, WITHOUT REFERENCE TO SUCH STATE'S CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF SUCH STATE. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY SUCH STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN SUCH STATE; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

**f.** The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

**g.** Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

**h.** This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

**i.** All notices and demands required to be given hereunder shall be in writing and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If directed to Covenantor: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

**j.** Franchisor is an intended third-party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor's obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

**k.** The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

The undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

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

COVENANTOR:

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

**Exhibit C**  
**FORM OF GENERAL RELEASE**

This release (the "Release") is given this day of \_\_\_\_\_ by \_\_\_\_\_  
\_\_\_\_\_, a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_  
\_\_\_\_\_ ("Franchisee") and \_\_\_\_\_'s principals \_\_\_\_\_, an  
individual residing at \_\_\_\_\_ and ("Principal(s)").

Franchisee and Principal(s), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them (collectively, the "Franchisee Releasees"), hereby release, discharge and hold harmless RCG Behavioral Health Franchising, Inc. ("Franchisor") and Franchisor's affiliates, officers, directors, members, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the "Franchisor Releasees") from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated \_\_\_\_\_ between Franchisee and Franchisor and any related agreements and the relationship created thereby, or the Franchised Business operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such Franchised Business or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasees now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the "Franchisee Released Claims").

FRANCHISEE AND PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASEES WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASEES DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. The Franchisee Releasees also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Franchisee Released Claim, and Franchisee and Principal(s) shall defend, indemnify and hold harmless each of Franchisor Releasees against same.

Release given this day of \_\_\_\_\_ by:

FRANCHISEE (Entity):  
\_\_\_\_\_  
By: \_\_\_\_\_

FRANCHISEE (Principal):  
\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)

By: \_\_\_\_\_  
\_\_\_\_\_  
(Print Name, Title)

FRANCHISEE (Principal):  
\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)

**Exhibit D**  
**FINANCIAL STATEMENTS**

RCG BEHAVIORAL HEALTH FRANCHISING, INC.

Financial Statements For The Year Ended December 31, 2024

TOGETHER WITH INDEPENDENT ACCOUNTANT AUDIT REPORT

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## INDEPENDENT ACCOUNTANT AUDIT REPORT

To the Management of RCG BEHAVIORAL HEALTH FRANCHISING, INC.

### Opinion

We have audited the financial statements of RCG BEHAVIORAL HEALTH FRANCHISING, INC. (the "Company"), which comprise the Balance Sheet as of December 31, 2024, the related Profit & Loss Statement, the related Statement of Cashflows, the related Statement of Shareholders' Equity, and the related notes for the twelve-month period then ended. (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024, and the results of its operations and its cash flows for the twelve-month period ended December 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 of material misstatement, whether due to fraud or error.

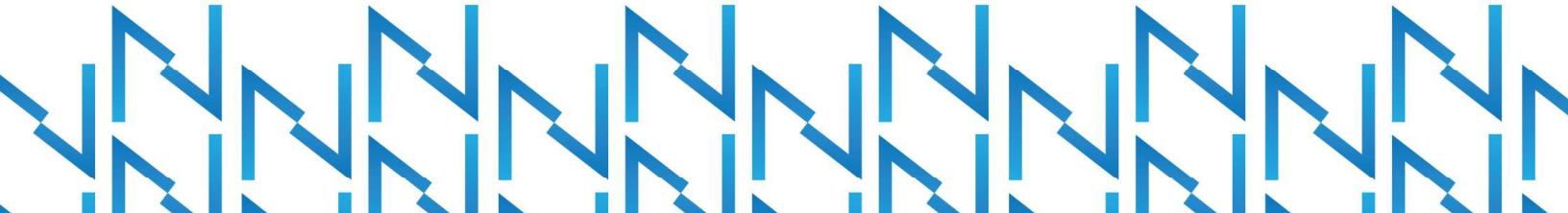
In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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.



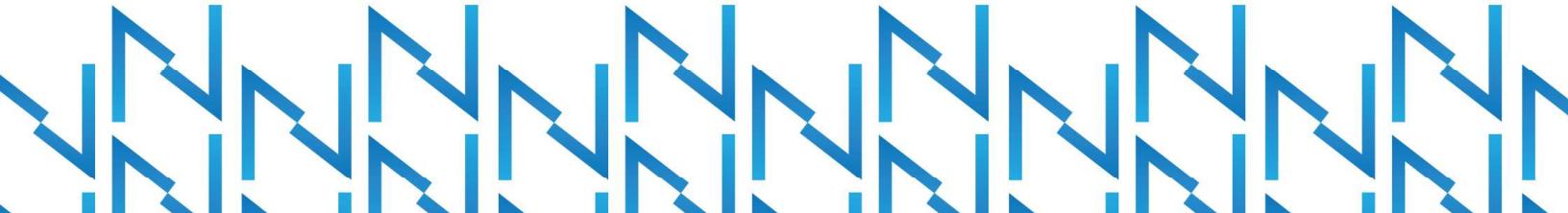
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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.



Omar Alnuaimi, CPA

Naperville, IL  
February 20, 2025



**RCG BEHAVIORAL HEALTH FRANCHISING, INC.**  
**PROFIT & LOSS STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

---

|   |                           |
|---|---------------------------|
| <b>Revenue</b>                                    |                           |
| Revenue   | \$      -                 |
| <b>Cost of Sales</b>                              | - - -                     |
| <b>Gross Profit</b>                               | - - -                     |
|   |                           |
| <b>Operating Expense</b>                          |                           |
| SGA Expenses                                      | 22,957                    |
| Total Operating Expense                           | 22,957                    |
|   |                           |
| <b>Net Income From Operations</b>                 | (22,957)                  |
|   |                           |
| <b>Other Income (Expense)</b>                     | - - -                     |
| Total Other Income (Expense)                      | - - -                     |
|   |                           |
| <b>Net Income Before Provision for Income Tax</b> | (22,957)                  |
|   |                           |
| <b>Provision for Income Taxes</b>                 | - - -                     |
|   |                           |
| <b>Net Income (Loss)</b>                          | <u><u>\$ (22,957)</u></u> |

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

**RCG BEHAVIORAL HEALTH FRANCHISING, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2024**

---

**ASSETS**

**CURRENT ASSETS**

|                           |              |
|---------------------------|--------------|
| Cash and Cash Equivalents | \$ 1,000     |
| TOTAL CURRENT ASSETS      | <u>1,000</u> |

**NON-CURRENT ASSETS**

|                          |                      |
|--------------------------|----------------------|
| Intangible Assets        | 69,110               |
| TOTAL NON-CURRENT ASSETS | <u>69,110</u>        |
| TOTAL ASSETS             | <u><u>70,110</u></u> |

**LIABILITIES AND OWNER'S EQUITY**

**CURRENT LIABILITIES**

|                           |   |
|---------------------------|---|
| TOTAL CURRENT LIABILITIES | - |
|---------------------------|---|

**NON-CURRENT LIABILITIES**

|                               |               |
|-------------------------------|---------------|
| Due to Related Party          | 92,067        |
| TOTAL NON-CURRENT LIABILITIES | <u>92,067</u> |
| TOTAL LIABILITIES             | <u>92,067</u> |

**OWNER'S EQUITY**

|  |                         |
|--|-------------------------|
| Retained Earnings                          | 1,000                   |
| Net Income (Loss)                          | (22,957)                |
| TOTAL SHAREHOLDERS' EQUITY                 | <u>(21,957)</u>         |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u><u>\$ 70,110</u></u> |

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

**RCG BEHAVIORAL HEALTH FRANCHISING, INC.**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

---

**OPERATING ACTIVITIES**

|  |                 |
|--|-----------------|
| Net Income                                       | \$ (22,957)     |
| Non-Cash Adjustments                             |                 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(22,957)</u> |

**INVESTING ACTIVITIES**

|  |                 |
|--|-----------------|
| Intangible Assets (net)                          | (69,110)        |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(69,110)</u> |

**FINANCING ACTIVITIES**

|  |               |
|--|---------------|
| Due to Related Party                             | 92,067        |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>92,067</u> |

**NET INCREASE (DECREASE) IN CASH**

|                             |                 |
|-----------------------------|-----------------|
| CASH AT BEGINNING OF PERIOD | 1,000           |
| CASH AT END OF PERIOD       | <u>\$ 1,000</u> |

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

**RCG BEHAVIORAL HEALTH FRANCHISING, INC.**  
**STATEMENT OF SHAREHOLDERS' EQUITY**  
**DECEMBER 31, 2024**

---

|   | <b>Opening Equity<br/>Balance</b> | <b>Yearly<br/>Changes</b> | <b>Total</b>       |
|---|-----------------------------------|---------------------------|--------------------|
| <b>Balance, December 31, 2023</b>                 | \$ 1,000                          | \$ -                      | \$ 1,000           |
| Net Income For The Period Ended December 31, 2024 | -                                 | (22,957)                  | (22,957)           |
| Equity Contributions (Distributions)              | -                                 | -                         | -                  |
| <b>Balance, December 31, 2024</b>                 | <b>\$ 1,000</b>                   | <b>\$ (22,957)</b>        | <b>\$ (21,957)</b> |

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

RCG BEHAVIORAL HEALTH FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2024

---

#### **NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES**

RCG BEHAVIORAL HEALTH FRANCHISING, INC. (the “Company”) was incorporated under the laws of the State of Delaware for the purpose of offering franchise opportunities to entrepreneurs who want to own their own ‘RCG Behavioral Health’ location, as a franchise.

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). As a result, the Company records revenue when earned and expenses when incurred. The Company has adopted the calendar year as its basis of reporting.

##### Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities and other items, as well as the reported revenues and expenses. Actual results could differ from those estimates.

##### Cash and Cash Equivalents

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

##### Franchisee Receivables

The Company’s franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. The Company determined that an allowance on outstanding franchisee receivables of \$0 was necessary as of December 31, 2024. Franchisee bad debt expense was \$0 for the year ended December 31, 2024. Franchisee amounts written off were \$0 for the year ended December 31, 2024.

RCG BEHAVIORAL HEALTH FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2024

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Fixed Assets and Depreciation**

Property and Equipment is stated at cost. Accounting principles generally accepted in the United States of America require that property and equipment be depreciated using the straight-line method. Expenditures for normal repairs and maintenance are charged to operations as incurred.

The Company reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is present when the sum of the undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. As of December 31, 2024, no impairment loss has been recognized for long-lived assets.

**Intangible Assets**

This account primarily consists of organizational costs, which include legal fees for incorporation, accounting services related to the establishment of the company, and state filing fees, are capitalized as intangible assets and amortized over a period of five years using the straight-line method. The balance of capitalized organizational costs at the end of the reporting period is \$69,110.

**Fair Value of Financial Instruments**

Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).
- Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

As of December 31, 2024, the carrying amounts of the Company’s financial assets and liabilities reported in the balance sheets approximate their fair value.

RCG BEHAVIORAL HEALTH FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Revenue Recognition

Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonably assured. The determination of whether fees are fixed or determinable and collection is reasonably assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.

Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' in 2021 which provides a new practical expedient that permits private company franchisors to account for preopening 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. The Company has elected to adopt this new standard.

Unearned Revenue

The Company's primarily performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including initial training and other such activities commonly referred to collectively as "pre-opening activities", which are recognized as a single performance obligation. The Company expects that certain pre-opening activities provided to the franchisee will not be brand specific and will provide the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of pre-opening activities that will be provided that is not brand specific is expected to be distinct as it will provide a benefit to the franchisee and is expected not to be highly interrelated or interdependent to the access of the Company's intellectual property, and therefore will be accounted for as a separate distinct performance obligation. All other pre-opening activities are expected to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore will be accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration, under the franchise agreement to the standalone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, which are not brand specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' is recognized when the related services have been rendered.

The remaining franchisee fee not allocated to pre-opening activities are recorded as Unearned Revenue and will be recognized over the term of the franchise agreement.

RCG BEHAVIORAL HEALTH FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2024

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Income Taxes**

The Company applies ASC 740 Income Taxes (“ASC 740”). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities.

**Commitments and Contingencies**

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. As of December 31, 2024, the Company has not reported any lawsuit or known plans of litigation by or against the Company.

**NOTE C - TRANSACTIONS WITH RELATED PARTY**

The Due to Related Party account represents one loan in the amount of \$92,067, due to a related party, who shares common ownership of the Company. This loan is unsecured, and repayment will commence upon the Company generating positive operating cashflows.

**NOTE D – CONCENTRATIONS OF RISK**

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and any cash equivalents with a limited number of high-quality financial institutions and do not exceed the amount of insurance provided on such deposits.

**NOTE E – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 20, 2025, the date on which the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of Management’s review substantially affect the amounts and disclosure of the accompanying financial statements.



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omar@napercpa.com

## CONSENT

Omar Alnuaimi, CPA, consents to the use in the Franchise Disclosure Document issued by RCG BEHAVIORAL HEALTH FRANCHISING, INC. ("Franchisor") on February 21, 2025, as it may be amended, of my report dated February 20, 2025, relating to the Balance Sheet as of December 31, 2024, the related Profit & Loss Statement, the related Statement of Cashflows, and the related Statement of Shareholders Equity for the 12-month period then ended of Franchisor.

A handwritten signature in black ink that reads "Omar Alnuaimi, CPA".

Omar Alnuaimi, CPA

Naperville, IL  
February 21, 2025

RCG BEHAVIORAL HEALTH FRANCHISING, INC.

Balance Sheet as of December 31, 2023

TOGETHER WITH INDEPENDENT ACCOUNTANT AUDIT REPORT

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| <u>Description</u>                              | <u>Page</u> |
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| Independent Accountant Audit Report .....       | 3-4         |
| Balance Sheet .....                             | 5           |
| Notes to Accompanied Financial Statements ..... | 6-8         |

## INDEPENDENT ACCOUNTANT AUDIT REPORT

To the Management of RCG BEHAVIORAL HEALTH FRANCHISING, INC.

### **Opinion**

We have audited the financial statements of RCG BEHAVIORAL HEALTH FRANCHISING, INC. (the "Company"), which comprise the Balance Sheet as of December 31, 2023, and the related notes for the period then ended. (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023, and the results of its operations and its cash flows for the period ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 of 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 for one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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.



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- 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.

A handwritten signature in black ink that reads "Omar Alnuaimi, CPA".

Omar Alnuaimi, CPA

Naperville, IL  
April 30, 2024

**RCG BEHAVIORAL HEALTH FRANCHISING, INC.**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2023**

---

**ASSETS**

**CURRENT ASSETS**

|                           |              |
|---------------------------|--------------|
| Cash and Cash Equivalents | \$ 1,000     |
| TOTAL CURRENT ASSETS      | <u>1,000</u> |

**NON-CURRENT ASSETS**

|                          |              |
|--------------------------|--------------|
| TOTAL NON-CURRENT ASSETS | -            |
| TOTAL ASSETS             | <u>1,000</u> |

**LIABILITIES AND OWNER'S EQUITY**

**CURRENT LIABILITIES**

|                           |   |
|---------------------------|---|
| TOTAL CURRENT LIABILITIES | - |
|---------------------------|---|

**NON-CURRENT LIABILITIES**

|                               |          |
|-------------------------------|----------|
| TOTAL NON-CURRENT LIABILITIES | -        |
| TOTAL LIABILITIES             | <u>-</u> |

**OWNER'S EQUITY**

|  |                 |
|--|-----------------|
| Retained Earnings (Deficit)                | 1,000           |
| TOTAL SHAREHOLDERS' EQUITY                 | <u>1,000</u>    |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 1,000</u> |

*See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.*

RCG BEHAVIORAL HEALTH FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

---

**NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES**

RCG BEHAVIORAL HEALTH FRANCHISING, INC. (the “Company”) was incorporated under the laws of the State of Delaware for the purpose of offering franchise opportunities to entrepreneurs who want to own their own ‘RCG Behavioral Health’ location, as a franchise.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). As a result, the Company records revenue when earned and expenses when incurred. The Company has adopted the calendar year as its basis of reporting.

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities and other items, as well as the reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

**Revenue Recognition**

Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller’s price to the buyer is fixed or determinable, and collectability is reasonably assured. The determination of whether fees are fixed or determinable and collection is reasonably assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.

Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors—‘Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient’ in 2022 which provides a new practical expedient that permits private company franchisors to account for preopening 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. The Company has elected to adopt this new standard.

RCG BEHAVIORAL HEALTH FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Unearned Revenue**

The Company's primarily performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including initial training and other such activities commonly referred to collectively as "pre-opening activities", which are recognized as a single performance obligation. The Company expects that certain pre-opening activities provided to the franchisee will not be brand specific and will provide the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of pre-opening activities that will be provided that is not brand specific is expected to be distinct as it will provide a benefit to the franchisee and is expected not to be highly interrelated or interdependent to the access of the Company's intellectual property, and therefore will be accounted for as a separate distinct performance obligation. All other pre-opening activities are expected to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore will be accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration, under the franchise agreement to the standalone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, which are not brand specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under Accounting Standards Update (ASU) to ASC 606, Franchisors—"Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient" is recognized when the related services have been rendered.

The remaining franchisee fee not allocated to pre-opening activities are recorded as Unearned Revenue and will be recognized over the term of the franchise agreement.

**Income Taxes**

The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities.

Net operating losses will be carried forward to reduce taxable income in future years. Due to management's uncertainty as to the timing and valuation of any benefits associated with the net operating loss carryforwards, the Company has elected to recognize an allowance to account for them in

RCG BEHAVIORAL HEALTH FRANCHISING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Income Taxes (cont.)

the financial statements but has fully reserved it. Under current law, net operating losses may be carried forward indefinitely.

Commitments and Contingencies

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. As of December 31, 2023, the Company has not reported any lawsuit or known plans of litigation by or against the Company.

**NOTE C – CONCENTRATIONS OF RISK**

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and any cash equivalents with a limited number of high-quality financial institutions and do not exceed the amount of insurance provided on such deposits.

**NOTE D – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 30, 2024, the date on which the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of Management's review substantially affect the amounts and disclosure of the accompanying financial statements.

## Exhibit E

### **OPERATIONS MANUAL TABLE OF CONTENTS**



| <u>Manual Section</u>     | <u>Number of Pages</u> |
|---------------------------|------------------------|
| Preface & Introduction    | 17                     |
| Establishing the Business | 41                     |
| Personnel                 | 52                     |
| Administrative Procedures | 24                     |
| Daily Procedures          | 49                     |
| Marketing                 | 25                     |
| Total Number of Pages     | 208                    |

**EXHIBIT F**

**FRANCHISED OUTLETS**

As of December 31, 2024

**NONE**

**FRANCHISEES WITH SIGNED AGREEMENTS  
OUTLETS NOT YET OPEN**

As of December 31, 2024

**NONE**

**FORMER FRANCHISEES**  
As of December 31, 2024

that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or has not communicated with the franchisor within the 10 weeks preceding the Issuance Date of this Disclosure Document:

**NONE**

## **Exhibit G**

### **STATE ADDENDA**

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

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do 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.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

Agreed to by:

FRANCHISOR:

RCG BEHAVIORAL HEALTH  
FRANCHISING, INC.

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

FRANCHISEE:

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

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

1. Item 17 of the Franchise Disclosure Document and the appropriate section of the Franchise Agreement are amended to disclose:

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

(b) Pursuant to COMAR 02.02.08.16L, any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, sale, assignment and/or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

(c) Our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

(d) This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

2. The Franchise Agreement and Franchisee Acknowledgment are amended to include the following statement: “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

3. The Franchise Agreement is hereby amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, MD. Code Ann., Bus. Reg. § 14-201 *et seq.*, are met independently without reference to this Amendment.

5. **EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT: FRANCHISEE ACKNOWLEDGMENT is void in Maryland and should not be signed by Maryland franchisees.**

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

the franchisor. This provision supersedes any other term of any document executed in connection with the franchisee.

The parties hereto have duly executed this Maryland Addendum.

FRANCHISOR:

RCG BEHAVIORAL HEALTH  
FRANCHISING, INC.

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

FRANCHISEE:

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

## EXHIBIT H

### FRANCHISEE ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement (or Multi-Unit Development Agreement). Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

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

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

---

Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

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Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

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Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit Development Agreement) or the

documents incorporated herein. Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

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Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

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Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

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Initial

7. Franchisee (or Developer) acknowledges that it has received the RCG BEHAVIORAL HEALTH FRANCHISING, INC. Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

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Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

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Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

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Initial

10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

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Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's (or Developer's) Territory by others who may have purchased such products from Franchisor.

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Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND RCG BEHAVIORAL HEALTH FRANCHISING, INC. AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

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Initial

FRANCHISEE:

PRINCIPAL:

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

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

PRINCIPAL:

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

## **STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| Maryland     | PENDING               |
| Virginia     | PENDING               |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT I**  
**RECEIPTS**

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 RCG Behavioral Health Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If RCG Behavioral Health Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

| Name                                    | Principal Business Address               | Telephone Number |
|---|--|------------------|
| Sherman A. Adkins, Jr.<br>Tarsha Adkins | 911 Sturbridge Drive, Richmond, VA 23236 | 804-796-0073     |

Issuance Date: April 28, 2025

I received a disclosure document dated April 28, 2025, that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
- D. Financial Statements
- E. Brand Standards Manual Table of Contents
- F. Current and Former Franchisees
- G. State Addenda to Disclosure Document
- H. Franchisee Acknowledgement Statement
- I. Receipts

Date Received: \_\_\_\_\_ DATE: \_\_\_\_\_  
(If other than date signed)

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

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**Keep This Copy For Your Records**

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 RCG Behavioral Health Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

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- I. Receipts

Date Received: \_\_\_\_\_ DATE: \_\_\_\_\_  
(If other than date signed)

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

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**Return This Copy To Us**  
**RCG Behavioral Health Franchising, Inc.**  
**911 Sturbridge Drive, Richmond, VA 23236**