

# FRANCHISE DISCLOSURE DOCUMENT

## CASCADE FAMILY DENTAL, LLC

246 East 1370 South

Payson, Utah 84651

Telephone: (801) 634-1092

Fax: (801) 465-4259

Email: [rob@cascadefamily.com](mailto:rob@cascadefamily.com)

[www.cascadefamily.com](http://www.cascadefamily.com)



A Cascade Family Dental franchise permits you to promote, establish, perform dental services, bill and collect on patient accounts for a Cascade Family dental practice in accordance with standards that we authorize.

The total investment necessary to begin operation of a Cascade Family Dental Practice is from \$525,000 to \$590,000. This includes from \$200,000 to \$225,000 that must be paid (whether to us, our Affiliates or an approved supplier) for the initial décor and furniture package, initial supplies and initial marketing collateral for you and you reimburse us upon delivery. These sums do not include real estate, land or property acquisition or lease costs or deposits, or related costs. These sums are not your total investment in your franchise. For a detailed explanation of your total investment, you should consult **Items 5, 6, and 7** of this Disclosure Document.

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.**

If you are viewing this disclosure document on a computer, or it is an electronic version, you will need a computer with Adobe Acrobat version 6.0 or higher. You may wish to receive your disclosure document in another format, including paper, which is more convenient for you. To discuss the availability of disclosures in different formats, contact us at the address and telephone number listed above or on the next page.

The terms of your contract will govern your franchise relationship. Do not 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.

Date of Issuance: December 2, 2010

## **STATE COVER PAGE**

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state administrators listed in **Exhibit A** for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

PLEASE CONSIDER THE FOLLOWING RISK FACTORS BEFORE YOU BUY THIS FRANCHISE:

### **RISK FACTORS:**

THE FRANCHISE AGREEMENT STATES THAT UTAH LAW GOVERNS THE AGREEMENT, EXCEPT FOR APPLICABLE FRANCHISE LAWS OF OTHER STATES. UTAH LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THE FRANCHISE AGREEMENT REQUIRES THAT PARTIES LITIGATE ANY DISPUTES IN UTAH. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE A DISPUTE IN UTAH THAN IN YOUR HOME STATE.

FRANCHISES ARE GRANTED FOR A SPECIFIC LOCATION AND ARE ONLY EXCLUSIVE TO THE EXTENT OF THE PRE-DEFINED PROTECTED AREA. THE FRANCHISOR RETAINS THE RIGHT, AND GRANTS OTHERS THE RIGHT, TO SELL PRODUCTS AND SERVICES AND RETAINS THE RIGHT, AND GRANTS OTHERS THE RIGHT, TO OWN AND OPERATE DENTAL PRACTICES OR OTHER CONCEPTS UNDER ITS TRADEMARKS AND SERVICE MARKS ON ANY TERMS AND CONDITIONS AND AT ANY LOCATION WHICH IT DEEMS APPROPRIATE. THESE ACTIVITIES MAY COMPETE WITH YOU.

BY ENTERING INTO THE FRANCHISE AGREEMENT, YOU MAY BE HELD IN BREACH OF THE FRANCHISE AGREEMENT FOR ACTS OR FAILURES TO ACT OF THIRD PARTIES OVER WHOM YOU EXERCISE NO LEGAL CONTROL.

THE AGREEMENT PROVISIONS REFERRED TO IN THE "RISK FACTORS" MAY BE VOID UNDER SOME STATE FRANCHISE LAWS. **REFER TO ANY STATE SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE DISCLOSURE DOCUMENT AT EXHIBIT E FOR DETAILS.**

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source is *our* agent and represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: December 2, 2010

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## ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

### **Description of the Franchisor and its Predecessors and Affiliates.**

To simplify the language in this Disclosure Document, “**Cascade Family Dental**,” “we,” “us” and similar words, refer to the franchisor, Cascade Family Dental, LLC, a Utah limited liability company. “**You**,” and similar words, means the person or persons, including a corporate or other legal entity, individually and collectively, buying a franchise from us; and “**your Practice**” means the Cascade Family Dental Practice that you will operate if we enter into a Cascade Family Dental Franchise Agreement with you. We have also attached as Exhibit F a list of additional defined terms used in this Disclosure Document. If a capitalized term is not defined in the body of this Disclosure Document, please refer to Exhibit F for the definition.

We are a Utah limited liability company organized on November 22, 2010. We do business under the name Cascade Family Dental (or variations of these names). Our principal business address is 246 East 1370 South, Payson, Utah 84651. Our agents for service of process, if any, in the various states where we do business or plan on doing business are listed on Exhibit A to this Disclosure Document. Our affiliate, Robert M. Baird, LLC, a Utah limited liability company (“**RMB LLC**”), may provide services in connection with our franchising activities, including without limitation, site selection services. RMB LLC’s address is the same as our address.

We own the intellectual property used in the operation of a Cascade Family Dental Practice, including the trademarks **Cascade Family Dental™** and other trademarks and service marks which may be licensed to you if you enter into a Franchise Agreement with us (the “**Marks**”).

Our affiliates, CFDental Payson, PLLC (f/k/a Aspen Family Dental PLLC) and CFD Springville, PLLC (f/k/a Aspen Family Dental Springville, LLC) have been providing dental services since January 2007 and April 2010, respectively. Dr. Baird owns an interest in each of the foregoing practices and we expect that each of these practices will become franchisees of Cascade Family Dental.

### **The Business of the Franchisor, its Predecessors, and Affiliates.**

We are in the business of granting licenses and franchises for the operation of Cascade Family Dental Practices to franchisees who successfully complete our application process and qualify to purchase a franchise. We are a new franchisor and have only recently (since the date of this Disclosure Document) started offering Cascade Family Dental Practice franchises.

Currently, we do not own or operate any Cascade Family Dental Practices. However, Dr. Robert M. Baird, DMD, a principal owner of Cascade Family Dental, LLC, practices or will practice dentistry under the Marks through one or more franchisees. We may operate Practices in the future as we deem necessary or beneficial.

We operate our business under the name “Cascade Family Dental.”

Cascade Family Dental Affiliates and our other current and future Affiliates may develop additional Cascade Family Dental Practices, all of which may compete with you.

Cascade Family Dental Practices are the only franchised businesses that have been offered by us and our Affiliates.

We intend to be engaged in providing training for employees of, and management and supervision services, for Cascade Family Dental Practices owned and operated by our Affiliates, and we may continue to provide similar services for our franchisees and for our Affiliates that own Cascade Family Dental Practices.

We or one of our Affiliates may establish a new business or franchise system or acquire an existing business or franchise system (which may be one of our or your competitors) operating under trademarks, service marks and trade names other than the Marks. Additionally, we or one of our Affiliates, may sell any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks directly or by certain means and through other channels of distribution, and may also grant other licenses or franchises for the sale of various products under the Marks. The new or existing sales activities, licenses, businesses or franchise systems may compete with you.

We or one of our Affiliates may enter into co-branding arrangements. In these cases, we or our Affiliates may allow you to participate in co-branding activities, depending on factors such as the terms of the co-branding arrangement, the terms of your Cascade Family Dental Franchise Agreement, applicable geographic restrictions and our and our Affiliates' other rights and obligations. These activities may compete with you.

### **Description of the Franchises Offered.**

We offer franchises for Cascade Family Dental Practices in accordance with the terms of our Cascade Family Dental Franchise Agreement (the “**Franchise Agreement**”). A copy of the Franchise Agreement is attached to this Disclosure Document as Exhibit B. If you enter into a Cascade Family Dental Franchise Agreement, you will be trained and authorized to operate a Cascade Family Dental Practice using the Marks according to our System Standards. You will operate your Practice at, and only at, a location approved by us, and you will not receive any guaranteed territory outside of the standard, pre-defined Protected Area, or any exclusive rights for operation of a Cascade Family Dental Practice at any other location or within any other territory.

#### **Franchise Development**

We anticipate that we will generally offer site-specific franchises to individual dentists. However, we may in some instances enter into an area development agreement with a franchisee who wishes to develop more than one Practice. The Practice built at the site must follow the standards and schedule defined by the Franchise Agreement. Before you will have the right to sign the Franchise Agreement for the Practice, you must comply with certain conditions. These include, but are not limited to operational, financial, and legal conditions.

Operational conditions require that you and your Affiliates are in compliance with any Franchise Agreements entered into. Also, your operations must be in accordance with the provisions of any Franchise Agreements previously entered into and in accordance with the System Standards, specifications, and procedures set forth and described in the Operations Manual.

Financial conditions require that you and your Affiliates satisfy our then-current financial criteria for franchise owners with respect to the operation of your proposed Practice. You and your Affiliates cannot be in default, and must not have been in default during the prior 12 months, of your monetary obligations owed to us or our Affiliates under any Franchise Agreement or other agreements between you or your Affiliates and us or any of our Affiliates.

Legal conditions require that you have submitted to us, in a timely manner, all information and documents which we request before and as a basis for the issuance of individual franchises or under any right granted to you by any Franchise Agreement. You must also take such additional actions as we may periodically request. You and your principals have been and are faithfully performing all terms and conditions of any Franchise Agreements entered into and any other agreements entered into with us, you or any of your or our respective Affiliates.

## The Franchise

A Cascade Family Dental franchisee will specialize in providing high quality dental care in an attractive, clean, family friendly, and efficiently operated dental practice related to the Cascade Family Dental concept. You must offer the services Cascade Family Dental designates, and no others, unless you obtain our prior written approval not to provide certain services (see, Item 8).

If you do business as an Entity, each of your Entity Owners must sign a Guaranty in the form found in Exhibit C to the Franchise Agreement, guaranteeing your obligations under the Franchise Agreement.

Occasionally, we may sell and franchise one or more of a company-owned or company-affiliated Cascade Family Dental Practices. In these transactions, we negotiate with the prospective franchisee to reach mutually acceptable terms of a sale agreement and any lease or sublease of the real estate. If you purchase a company-owned Cascade Family Dental Practice you must sign a Franchise Agreement and, possibly, also an area development agreement for the further development of Cascade Family Dental Practices in the geographic area where the purchased Cascade Family Dental Practice(s) is located. Depending on the circumstances, the financial and other terms may vary from the standard terms of our Franchise Agreement.

We also may enter into minority interest ownership arrangements or other arrangements with existing franchisees or others to develop and/or operate Cascade Family Dental Practices. The parties will negotiate the terms of these arrangements. Depending on the precise terms of these arrangements, this Cascade Family Dental Practice may be considered to be either company-owned or a franchised Cascade Family Dental Practice for purposes of this Disclosure Document. In **Item 20**, we indicate by way of a footnote, a Cascade Family Dental Practice, if any, that is operated under these types of arrangements.

## The Market

The services offered by a Cascade Family Dental Practice are intended primarily for the general public and are principally targeted at families and children who can afford high quality dental services.

Your Practice will offer dental services to the general public, and you will have to compete with other dental practices, including other Cascade Family Dental Practices operated by us, our franchisees and Affiliates. Some of these competitors may be more established or widely known than Cascade Family Dental.

The dental industry is well developed and highly competitive. It can be affected significantly by many factors, including local, regional, or national economic conditions, changes in insurance policies and laws governing health and insurance companies generally, and increases in the number of, and particular locations of, competing dental practices and Cascade Family Dental Practices. Various factors can adversely affect the Practice industry, including increases in supply, labor, and energy costs; the availability and cost of suitable real estate sites; fluctuating interest and insurance rates; state and local regulations and licensing requirements; the availability of dental supplies, real estate properties and an adequate number of dental hygienists and assistants; local and/or national disaster; terrorism; pandemic and other factors that may affect dentistry in general. In addition, other dental practices with greater financial resources may have similar concepts and longer operating histories. You must compete for potential patients for your Practice. In addition, you will have to compete with other dental practices and businesses for a suitable location and employees.

You should consider that certain aspects of any Practice business are regulated by federal, state, and local laws, rules, and ordinances in addition to the laws, regulations, and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hourly Laws, and the Occupational Safety and Health Act. The Environmental Protection Agency, the U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local environmental and health departments and other agencies have laws and

regulations concerning the practice of dentistry and sanitary conditions of dental facilities. State and local agencies may conduct inspections for compliance with these requirements. In addition, some states may require you to obtain business, occupational and miscellaneous licenses. Some states also have laws regarding who may secure certain of these licenses. You may also have to obtain health licenses and to comply with health laws and regulations that apply to dental practices. We urge you to make inquiries about these laws and regulations.

## **ITEM 2. BUSINESS EXPERIENCE**

Dr. Robert M. Baird will have management responsibilities for our franchise program. His business experience is set forth below.

Manager: Dr. Robert M. Baird, DDS, MBA, MS

Dr. Baird has practiced dentistry for CFDental Payson, LLC since January 2007 and for CFD Springville, PLLC since April 2010. Dr. Baird started CFDental Payson, LCC after spending one year working with Dr. David Pincock and Dr. Spencer Woodbury in 2007 and 2008. Dr. Baird graduated from Temple University Dental School in 2007 with a DMD in general dentistry, a MBA in healthcare administration and a MS in healthcare finance. Previous to that, Dr Baird graduated from Brigham Young University in Provo, UT in 2003 with a BS in Business Management with an emphasis in Information Technology.

## **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Disclosure Document.

## **ITEM 4. BANKRUPTCY**

No person or entity previously identified in **Item 1** or **Item 2** of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item. Additionally, Franchisor does not have any cases, actions or other proceedings under the laws of any foreign nations relating to bankruptcy.

## **ITEM 5. INITIAL FEES**

### **Initial Franchise Agreement**

You must pay an initial franchise fee of sixty thousand dollars (\$60,000), which is due and payable when you sign a Franchise Agreement for your Practice. The franchise fee represents payment to us for the right to use the Cascade Family Dental Marks and the Cascade Family Dental System in the development and operation of your Practice. The initial franchise fee also covers the cost of certain services that we and our Affiliates may provide to you before your Practice opens, such as prototypical plans and access to marketing materials and training programs. This initial franchise fee is fully earned upon payment and is non-refundable, except in the limited instance described below. You must pay the initial franchise fee in a lump sum upon your signing of the Franchise Agreement. If you purchase a Cascade Family Dental Practice and Franchise Agreement from another franchisee, you must pay us our then-current transfer fee, which at the time of this Disclosure Document, is 10% of the purchase price.



After a Franchise Agreement has been signed, the initial franchise fee is not refundable in whole or in part. Except in connection with the sale of company-owned Cascade Family Dental Practices and minority-interest ownership arrangements, joint venture, partnership, or other arrangements that we control (See **Item 1**), the sixty thousand dollars (\$60,000) franchise fee is uniform to all franchisees currently purchasing a franchise.

At Cascade Family Dental, we take training very seriously. If at any time after full payment of the initial franchise fee and signing the Franchise Agreement, we determine that you, your Owners did not or cannot satisfactorily complete our entire initial training program, we will refund the initial franchise fee less all reasonable expenses incurred by us in providing any training that you received, in preparing the Franchise Agreement and all related agreements, site review and approval, and any other services performed by us regarding the grant of the Franchise, or the establishment or development of your Practice. However, the total refund will not exceed fifty percent of the initial franchise fee. We will make this refund to you upon your signing of all releases, waivers and other agreements necessary to terminate the franchise agreement and relationship between you and us. We do not offer refunds of the initial franchise fee under any other circumstances.

### **Other Initial Fees**

Before opening your Practice, you must purchase certain products, including initial inventories of certain supplies, uniforms, marketing materials and similar items. We estimate that these initial fees will range from fifteen thousand dollars (\$15,000) to sixteen thousand dollars (\$16,000). As more fully described in **Item 7** below, you must also order and purchase or lease all required equipment, furnishings, fixture and signs for your Practice. You must pay us or our Affiliates within 15 days after you sign your first lease or 90 days before your estimated opening date for ordering, paying for and arranging delivery of your initial décor and furniture packages, or some portion of these packages, from our approved suppliers. We estimate that the total cost of this will range from \$175,000 to \$199,000 if we provide you with all of the décor and furniture package as well as the initial inventories of any supplies, uniforms, marketing materials and similar items you need to open your Practice.

As further described in **Item 7**, if you are developing a new Cascade Family Dental Practice, you must conduct a grand opening advertising and promotion program for at least seven consecutive days, beginning within fifteen days after opening of your Practice to the public. You also agree to spend at least ten thousand dollars (\$10,000) for the grand opening advertising of your Practice. Your grand opening program must be implemented sixty days before your Practice's scheduled opening date and for sixty days following the commencement of the Practice's operation. In your grand opening advertising and promotion, you must purchase from us or our Affiliates the standard marketing and public relations programs and media and advertising materials that we may develop for grand opening programs. We will make these materials available to you upon written request, in advance of opening your Practice. We estimate that the cost of these materials purchased from us or our Affiliates will range from two thousand dollars (\$2,000) to five thousand dollars (\$5,000) depending on the size of your Practice and the related extent of your grand opening activities. Neither we nor our Affiliates refund any payments for these materials. You may also incur expenses from other vendors and suppliers in your grand opening promotion.

## **ITEM 6. OTHER FEES**

(Column 1) <b>Type of Fee</b>	(Column 2) <b>Amount</b>	(Column 3) <b>Due Date</b>	(Column 4) <b>Remarks (See Note 1)</b>
Royalty Fees	An amount equal to six percent of monthly Gross Collections (Note 2)	Payable on or before the 10th day of each month for the preceding calendar month	"Gross Collections" is defined in <u>Note 2</u> below; Payment made by automatic withdrawal monthly (or as otherwise designated by us.) <u>See Note 3.</u>

(Column 1) <b>Type of Fee</b>	(Column 2) <b>Amount</b>	(Column 3) <b>Due Date</b>	(Column 4) <b>Remarks (See Note 1)</b>
General Marketing Fund (“GMF”)	An amount equal to two percent of monthly Gross Collections	Payable on or before the 10th day of each month for the preceding calendar month	<a href="#">See Note 3</a> and <a href="#">Note 4</a> .
National Marketing Fund (“NMF”)	Up to two percent of Gross Collections	NMF (if collected by Cascade Family Dental) payable same as Royalty Fees	<a href="#">See Note 3</a> and <a href="#">Note 4</a> .
Local Marketing Fund (“LMF”)	Up to two percent of Gross Collections	LMF (if collected by Cascade Family Dental) payable same as Royalty Fees	<a href="#">See Note 3</a> and <a href="#">Note 4</a> .
Maintenance Fund	Up to four percent of Gross Collections	Maintenance Fund (if collected by Cascade Family Dental) payable same as Royalty Fees	<a href="#">See Note 3</a> and <a href="#">Note 4</a> .
Advertising Association	Determined by Advertising Association	Payable same as Royalty Fees	<a href="#">See Note 4</a> .
Other Products and Supplies	Varies	As ordered	You may purchase other products, supplies, and promotional material from approved suppliers and/or in accordance with our standards and specifications. ( <a href="#">See Item 8</a> ).
Late payments	\$100 per delinquent payment	Immediately	<a href="#">See Note 6</a> .
Interest expenses	Will vary under circumstances	Immediately	<a href="#">See Note 7</a> .
Fee for insufficient funds in bank account	Reimburse bank charges plus pay \$25 administration fee	Within 14 days of notice from us of the insufficient funds	Applies to any insufficient fund payment made by electronic transfers or checks to us or our Affiliates.
Late reporting fee	\$25 for each delinquent report	When the report becomes delinquent	<a href="#">See Note 6</a> .
Audit	Cost of audit plus interest at one and one-half percent per month or the highest legal rate on any underpayment.	15 days after receipt of audit or inspection report	<a href="#">See Note 8</a> .
Lease Negotiations; Sublease	Varies	Payable on or before first day of each month for the preceding calendar month	<a href="#">See Note 9</a> .

(Column 1) Type of Fee	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks (See Note 1)
Site Selection Costs	Our reasonable expenses, which are expected to range between \$500 and \$2,000.	As incurred	Must reimburse us for our reasonable expenses, including the costs of travel, meals, and lodging incurred in site evaluation for each visit after the initial visit. The expenses associated with site evaluation will not be refundable and will vary depending on various factors. <u>See Note 10.</u>
Additional Training or Assistance and Refresher Training	Will vary under circumstances	As incurred	<u>See Note 11.</u>
Interim management fees	Ten percent of Gross Revenues	As incurred, at the end of each management period month.	<u>See Note 12.</u>
Insurance	Will vary under circumstances	As incurred	<u>See Note 13.</u>
Attorneys' fees and other costs	Will vary under circumstances	Upon occurrence	<u>See Note 14.</u>
Indemnification	Will vary under circumstances	As incurred	<u>See Note 15.</u>
Transfer	10% of the purchase price. This is in addition to any other agreements with us or our Affiliates and payment of all of our costs associated with the transfer.	Upon sale or transfer	Except in the case of a transfer to a corporation formed solely for the convenience of ownership, you must pay us a transfer fee.
Renewal	Will vary under circumstances	30 days before expiration of the original franchise term, concurrent with the signing of a new franchise agreement	"Renewal" fee is for an additional franchise term at the same site under a new Franchise Agreement. <u>See Note 16.</u>
Relocation Fee	\$5,000, or more	Payable before relocation	<u>See Note 17.</u>
Operations Manuals duplicate	\$100	Upon receipt of duplicate copy	<u>See Note 18.</u>
Bookkeeping Services	Will vary under circumstances	If collected by Cascade Family Dental, payable same as Royalty Fee	<u>See Note 19.</u>

***Explanatory Notes:***

You must pay these fees to us except as explained below. If we do not actually receive your payments on the due date, they will be deemed delinquent. During the course of developing and operating your Practice, you

also must purchase various items from designated and approved suppliers or in accordance with our standards and specifications. See **Item 8** of this Disclosure Document for an explanation of these requirements.

***Specific Notes:***

1. Except as noted, all fees are payable to Cascade Family Dental and are non-refundable. Costs of products and supplies are subject to change periodically, except as otherwise provided in the Franchise Agreement.

2. “Gross Collections” means the aggregate amount of all collections for services provided in the operation of the Cascade Family Dental Practice, whether for cash, credit, check, gift certificate, services, property or other means of exchange, but excluding all federal, state or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority.

3. You must pay all Royalties, Marketing fees, Maintenance fees and other amounts owed to us or our Affiliates by pre-authorized electronic bank transfer from your general account. You must sign and complete the form Authorization Agreement attached to the Franchise Agreement as Exhibit G or any other documentation we require to permit the electronic transfer. The pre-authorized electronic bank transfer requirements are further described in Section 6 of the Franchise Agreement and Exhibit G to the Franchise Agreement. These fees are currently payable monthly on or before the close of business on the 10<sup>th</sup> of the month for the preceding month. We expressly reserve the right in the Franchise Agreement to change the payment frequency and due dates of these fees, provided that they will not be payable more often than weekly. As described in the ***Explanatory Notes*** above, these fees must be paid to us at our request by pre-authorized electronic bank transfer from your general operating account.

4. These items include amounts paid to a GMF, NMF, LMF, and Advertising Association and amounts generally expended by you for marketing and advertising each of your Cascade Family Dental Practices. As of the effective date of this Disclosure Document, amounts have not been collected for the GMF, NMF, LMF, and Advertising Association, but we expressly reserve the right to collect them at any time. You may, at our determination, be required to participate in an Advertising Association. Decisions of Advertising Associations are made by majority vote based on one vote per Cascade Family Dental Practice. Accordingly, we may control the Advertising Association in certain areas where company-owned/company-affiliated Practices constitute the majority. If you must contribute to an Advertising Association, either this year or in the future, we will credit your contribution toward your required LMF expenditure requirements. If we provide you or your Advertising Association thirty days’ notice of a special promotion, you must participate and also pay any special promotion advertising fees we assess. These fees will be in addition to your LMF requirements. We may increase the GMF, NMF or LMF contributions above two percent of Gross Collections, respectively, with an affirmative vote by sixty-six percent of all the then-existing company and franchised Cascade Family Dental Practices or by an affirmative vote by fifty-one percent of the then-existing franchised Cascade Family Dental Practices.

5. If you fail or refuse to maintain the Cascade Family Dental Practice as required, we have the right to do so on your behalf and at your expense. You must then immediately reimburse us for our costs and the cost of the maintenance, and you must facilitate any repair work required by us and carried out by us or a third party.

6. You must pay us all fees and other amounts under the Franchise Agreement when due. If you fail to do so, we have the right to charge a \$100 late fee per delinquent payment and at our request you must pay it by way of direct debit as described in General Comments above. Further, you must submit all mandatory reports to us when due, as required by the Franchise Agreement. If you fail to do so, we have the right to charge a \$25 late fee per late report and an additional \$25 late fee to each person that the report continues to be delinquent, payable by direct debit at our request.

7. You must pay all business debts, financial obligations, liens and taxes promptly when due. If you fail to do so, we have the right, at our option, to pay the same and then be entitled to immediate reimbursement from you. Unpaid debts owed to us bear interest from the due date until paid at the lesser of one and one-half percent per month or the maximum contract rate permitted by the law of the state in which your Practice is located.

8. You must pay the costs of the audit or inspection only if you fail to furnish us with the records and reports that we request as part of the audit, or if the audit results show an understatement of Gross Collections of more than two percent or if the need for an audit was a result of your default under the Franchise Agreement in failing to provide records and reports in a timely manner.

9. We expect that we or one of our Affiliates will lease the premises for Cascade Family Dental Practices, and then sublease the premises to our franchisees. If we or one of our affiliates sublease premises to you, the payments due under such sublease will vary considerably depending on such factors as the location, size, design, configuration, condition of the premises, the condition and configuration of existing services and facilities, such as, air conditioning, electrical, and plumbing, the terms of the prime lease and the local real estate market generally.

10. If we do not sublease a location to you, you must obtain our approval for your location. After our approval, we or our designated supplier must review the lease for the location and certify it as meeting our minimum qualifications.

11. We establish the mandatory introductory training for the Owners and Personnel. You will be responsible for all compensation and expenses (including training materials, travel, meals, and lodging) incurred in connection with any training. Neither you nor your employees will receive any compensation from us for services performed during training.

We have the right to require you and/or previously trained and experienced Owners to participate in periodic refresher courses at the times and locations we designate. You must pay for all compensation, travel and living expenses for your trainees during these refresher training programs.

12. If we elect to manage your Practice before purchasing it, as permitted by Section 16 of the Franchise Agreement or we assume management of your Practice in the case of your voluntary abandonment, as permitted by Section 15 of the Franchise Agreement, we have the right to charge a management fee of ten percent of the Gross Collections of your Practice during the period of management.

13. If you fail to maintain in effect any insurance required by us or to furnish to us satisfactory evidence of this coverage, we have the right to obtain insurance coverage for you on your behalf. You must then immediately reimburse us for our costs and the cost of the insurance, and sign any related documentation required by us.

14. If we or our Affiliates prevail in any proceeding against you, you must pay the costs and attorneys' fees incurred.

15. You and each of your Entity Owners also have certain indemnification obligations to us and our Affiliates, as referenced in **Item 9** of this Disclosure Document. You must reimburse us if we incur any expense, including attorney's fees and other costs, or are held liable for claims arising out of your franchise operations.

16. **Renewal Fee:** We retain the right to change your fee for any renewal of your Agreement at the end of its initial term equal to the greater of the then-current initial franchise fee being charged by us, less the amount you paid to us as an initial fee when you purchased your franchise, or \$7,500. Currently, the Franchise Agreement

does not provide for you to obtain a successor franchise at the end of the renewal term. Any successor franchise shall be obtained under our policies at the time your renewal term expires.

17. Should it become necessary, on account of the condemnation of your Practice premises or the exercise of a relocation right by your landlord or for some other reason approved by us in writing, to relocate your Practice, we will consent to relocation at a site acceptable to us provided that you pay to us our then-current relocation fee (which is \$5,000 as of the date of this Disclosure Document) and satisfy all of the other conditions in Section 3 of the Franchise Agreement. You must pay for all costs and expenses for any approved relocation of your Practice.

18. We will loan you one copy of each of the Operations Manuals free of charge, as further described in **Item 11**. You must keep this copy of the Operations Manual on the Premises of your Cascade Family Dental Practice at all times. If you lose your copy of the Operations Manuals, you must obtain a replacement copy from us at our then-current charge for replacement copies. As of the date hereof, our current charge for a replacement Operations Manual is \$100.

19. We may require you to use the bookkeeping services of an accountant chosen by us. Such services may be performed on an a quarterly or annual basis, and you will be required to pay the costs of all such services, whether collected by us with the Royalty payments or directly by the accountant.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Franchise Fee ( <u>See Note 1</u> )	\$60,000	Lump Sum	Upon signing Franchise Agreement or when the Lease is signed, whichever occurs first	Cascade Family Dental
Travel and Living Expenses while Training ( <u>See Note 2</u> )	<u>See Note 2</u>	Lump Sum	As incurred during training	Employees, airlines, hotels, and Cascade Family Dental
Real estate ( <u>See Note 3</u> )	<u>See Note 3</u>	<u>See Note 3</u>	<u>See Note 3</u>	Note 3. Contractors, landlord, merchants association, etc.
Tenant Improvements and Build-out ( <u>See Note 3</u> )	\$200,000 – 240,000	As Arranged	As arranged or incurred	Contractors, Vendors
Building and Design Permit and Professional Fees ( <u>See Note 4</u> )	\$15,000	Lump Sum	As incurred before opening	Architect, Engineer, Municipalities, Lawyers, Consultants, etc.
Practice Equipment ( <u>See Note 5</u> )	\$130,000-\$134,000	Lump Sum	Upon delivery before opening	Vendors, Cascade Family Dental
Trade Dress, Woodwork, Furniture, Design Package, & Fixtures ( <u>See Note 5</u> )	\$40,000-\$50,000	Lump Sum	Upon delivery before opening	Vendors, Cascade Family Dental
Opening Supplies & Inventory ( <u>See Note 6</u> )	\$15,000-\$16,000	Lump Sum	Upon delivery before opening	Suppliers, Cascade Family Dental
Signage	\$5,000-\$15,000	Lump Sum	As incurred before opening	Suppliers
Grand opening promotion & special assistance ( <u>See Note 7</u> )	\$10,000-\$20,000	As Arranged	Within 30 days of opening	Vendors, Cascade Family Dental
Security & Utility Deposits ( <u>See Note 8</u> )	\$1,000-\$18,000	As Arranged	As incurred	Vendors, Utility Companies, Landlord, Cascade Family Dental
Insurance ( <u>See Note 9</u> )	\$5,000-\$15,000	As incurred	As incurred	Insurance Brokers, Insurance company
Additional Funds - 3 Months ( <u>See Note 10</u> )	\$50,000	Lump Sum	As incurred	Cascade Family Dental, Vendors, Employees, Utilities, Landlord, etc.

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Totals	\$525,000 - \$590,000 (not including real estate lease costs)			

***General Comments:***

We have based the estimates provided in the chart above upon our experience in developing and operating a Practice in Payson and Springville, Utah. We do not guarantee that your costs will resemble the estimates given, and may be significantly higher than described above. You should review these figures carefully with a business adviser before making any decision to purchase the Franchise.

All payments you make to us or our Affiliates are non-refundable unless otherwise stated. Payments you make to parties other than us or our Affiliates may be refundable at the option of the other party. Because we do not know who these third parties are, we cannot state when or if payments made to these third parties will be refundable.

The estimates in the above chart do not include continuing royalty fees or marketing fees payable to us during the operation of your Franchise since these fees are payable out of the Gross Collections of your Practice. See the information in **Item 6** for an explanation of the continuing royalty fee and marketing fee. The estimates also do not include real estate costs because land value or leasing cost vary widely depending on location and structure.

***Explanatory Notes:***

1. \$60,000 is the standard non-refundable initial franchise fee for a Cascade Family Dental franchise.
2. We do not currently anticipate that you will incur travel and living expenses for training, but if we later revise our training program to require trainees to travel, you must pay for any incidental expenses that you and your trainees incur while attending our initial training program, including car rental, gas, airline tickets, meals, hotel room, and salaries. You must also pay for any incidental expenses that Cascade Family Dental trainers incur while assisting with your Practice Grand Opening as well as while assisting with Practice site selection or site approval processes. These expenses may include car rental, gas, airline tickets, meals, hotel room, and salaries.
3. The total estimated initial investment does not include real estate. These estimates include construction costs (labor and material) and construction management costs for typical tenant improvements and remodeling necessary to prepare a site for operation of a Cascade Family Dental Practice. We expect that we or one of our Affiliates will lease the premises for Cascade Family Dental Practices, and then sublease the premises to our franchisees. If we or one of our Affiliates do not lease the premises, then you must lease or purchase a location approved by Cascade Family Dental (lease, purchase, and pre-opening occupancy costs are not included in the figures in **Item 7**) and construct, remodel, alter, and improve it to Cascade Family Dental's specifications. The cost of purchasing, subleasing or leasing and developing a site for a Cascade Family Dental Practice will vary considerably depending on such factors as location, size, design, configuration, condition of the premises, the



condition and configuration of existing services and facilities, such as, air conditioning, electrical, and plumbing, the terms of your lease, duration of the building process (delays), union labor requirements, contractors' fees, and availability of materials and labor and the local real estate market. You will need to purchase, sublease or lease a building of approximately two thousand six hundred square feet, and pay for the cost of site work and/or leasehold improvements. You must perform or have performed any construction, remodeling or additions necessary to cause the premises to conform to applicable Federal, State, County, and City laws, ordinances, codes, and rules and regulations governing dental practices, and that meet Cascade Family Dental's requirements for the layout, design, construction, fixtures, equipment, installation, and trade dress appearance of a Cascade Family Dental location. If you do not currently own adequate space, you must sublease or lease the space for your Practice. Cascade Family Dental Practices are typically located strip centers.

Typical locations are located within multitenant retail locations next to convenient retail shops and or big box retail centers. The average Cascade Family Dental Practice requires 2,000 to 2,700 square feet, depending upon projected volume. We cannot estimate the amount of your monthly rental payments, since rental amounts vary greatly from site to site and are affected by a number of factors, including location, size, visibility, accessibility, and competitive market conditions. In addition to rental payments, your lease or sublease may obligate you to make other payments to us, one of our Affiliates, or the landlord, such as payments for shopping center or building operating expenses, common area maintenance expenses, merchants' association assessments, assessment for shopping center promotion and advertising, and the like. Your lease or sublease may also require you to spend a certain amount on advertising and promotion for your particular Practice. Again, because these payments vary widely from lease to lease, we cannot estimate the amount that you may have to pay for these or other similar items. You will make rental payments to us, one of our affiliates or a third party landlord. Leases or subleases may also require percentage rent. If you, or one of your Owners, or one of your Affiliates at any time owns the premises for your Practice, you must immediately notify us and we may require that you or such Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatever reason) of the Franchise Agreement, to lease the premises at fair market rental rates for a term coterminous with the term of the Franchise Agreement for such premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminous with the term of the Franchise Agreement for such premises and a sublease with us on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then-current lease and sublease forms used by us.

4. Building and design permit and professional fees may vary depending on the consultants used and the fees charged by the municipalities. The design and permit fees include, at the high end of the range, an estimated impact fee which may be imposed by the municipality. The estimated impact fee may be in the amount of fifteen thousand dollars (\$15,000). The permits and licenses include, for example, business licenses. Building permits are included in the total construction costs.

You may find it necessary to retain an attorney to review the real estate lease, the franchise documents, or to assist in forming a corporation, partnership, or limited liability company. You may also retain an accountant for advice in establishing and operating your franchise business and filing necessary tax forms and returns. If you develop a new Practice, you must also employ and pay an architect or engineer to prepare a site plan and other construction documents. Although we will provide you with prototypical plans and specifications at no additional cost to you, you must pay an architect or engineer to adapt these plans and specifications to city, state and local building codes and to the specific site chosen for your Practice.

5. This estimate includes dental office-typical furniture, fixtures and equipment, computer, practice management systems and related software, big screen televisions or projection system including content/programming, Practice equipment, display counters, refrigerators, and any other needed equipment, including costs of installation, etc. You must purchase the Cascade Family Dental design package elements which may include but are not limited to custom woodwork, custom dental chair, tables, chairs, water wall, wall bench, artwork and wall accessories as specified by us. These costs vary widely. In some instances, we may purchase

and arrange for delivery of your initial equipment, decor and furniture packages, or some portion of these packages. If this applies to you, you must reimburse us for our costs of these equipment, decor and furniture packages upon delivery to you, including any costs for credit card processing fees. See **Item 11** of this Disclosure Document for more information on the computer system and related software and hardware that meets our System Standards as of the effective date of this Disclosure Document.

You must provide all standard services designated by Cascade Family Dental. If any special or additional equipment, fixtures, or furniture are required to provide those services, you must acquire the specified equipment or fixtures, the cost of which may be significant to you.

You must have high-speed Internet access, and these estimates include typical installation fees and service fees for three months. See **Items 8 and 11** of this Disclosure Document for more information on our right to require you to purchase, install and use computer hardware and software in the operation of your Practice.

6. This estimate includes an initial supply of products for use at the Practice, including dental instruments, cleaning supplies, report forms and marketing materials.

Supplies must be purchased from suppliers that we approve (See **Item 8**). All items purchased must meet our quality standards (See **Item 8**).

7. As explained in more detail in **Item 5** of this Disclosure Document, you must spend at least \$10,000 on a grand opening advertising and promotional program, and we suggest that you spend significantly more to facilitate a successful grand opening. A portion of this amount may be paid to us or our Affiliates to cover the cost of the materials that we develop and provide to you for the grand opening programs. You may also incur expenses from us and other vendors and suppliers in conducting your grand opening promotion, including the costs incurred by our trainers in connection with your grand opening as more fully described in Note 2 above.

8. You might need to pay deposits for utilities and your property. Deposits for utility services and your property are typically required at the time the service is applied for, and may or may not be refundable. The amount for deposits can vary significantly in different areas, and you should verify specific amounts with local utility companies and the landlord.

9. As explained in more detail in the Franchise Agreement, you must obtain and keep in force the appropriate insurance coverages as described in **Item 8** below, with us named as an additional insured on each policy.

You must also maintain and keep in force all workers' compensation insurance on your employees that is required under the applicable workers' compensation laws of the state in which your Practice is located. Your real estate lease or sublease may also impose requirements for insurance coverage in addition to the requirements that we impose. The chart contains the estimated cost of required insurance coverage for a three-month lease/sublease start-up period; however, the cost of insurance varies, depending upon the insurance company you select, lease requirements, variances in the cost of insurance from city to city and state to state, and other factors.

10. This estimate includes working capital for the first three months and includes general operating expenses, such as lease/sublease payments, inventory, payroll expenses, facility expenses, insurance, security, repairs, and maintenance, employee wages and benefits, marketing costs, maintenance, linens, cleaning and office supplies, leased equipment, occupancy expenses and credit card processing fees, and other costs. Because you and/or your Owners and/or your other personnel for your Practice, are required to complete our training program before opening your first Practice (See **Item 11**), these expenses are included for your first Practice. The additional funds necessary for your first Practice tend to be on the high end of the estimated range, while the additional funds required for subsequent Practices that you open may fall on the lower end of the estimated range. Your costs may

depend upon factors such as how well you follow Cascade Family Dental's methods and procedures; the amount spent and effectiveness of your grand opening marketing activities; your management and dental skill, experience, and business acumen; local economic conditions; the time of the year your Practice is opened; the demand for the Practice's services in your area; the prevailing wage rates; competition; and the volume of patients reached during the initial period. These estimates also do not take into account the finance charges, interest and related costs you may incur if any portion of your investment is debt financed. These figures are estimates and we cannot assure you that you will not have additional expenses in starting your Cascade Family Dental Practice.

Except as otherwise noted, none of these payments are refundable. These payments are only estimates and your costs may be higher, depending on your particular circumstances. In geographical areas where we have no Cascade Family Dental Practices or have no significant experience regarding openings of company-owned, company-affiliated, or franchised Practices, the foregoing estimated initial investment may be less reliable and you may have to make a greater investment, depending on the circumstances. You should review these figures carefully with a business advisor, accountant, or attorney before making any decision to purchase a franchise. Other than any sublease arrangement (see **Item 10**), we do not offer any financing for your initial investment or any other items. The availability and terms of financing with third-party lenders will depend on factors such as the availability of the financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

If you purchase an existing company-owned Cascade Family Dental Practice, you may have to make a greater or smaller investment, depending on the circumstances, than the estimated initial investment shown above. The price and terms of payment for such Cascade Family Dental Practice will be established by mutual agreement.

## ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Generally

The appearance, set-up, décor, processes, methods, and specifications for all Cascade Family Dental Practices are trade secrets belonging exclusively to us. To ensure that high and uniform standards of quality and service are maintained, you must operate your Cascade Family Dental Practice in strict conformity with our methods, standards and specifications and, as described below, you must purchase or lease those furnishings, fixtures, signs, equipment and development services, and certain other branded uniforms and apparel, merchandise, marketing collateral and other promotional products bearing the Marks, as may be specified in the Operations Manual, fixtures, supplies, equipment and inventory only from us or from our approved suppliers or distributors before and after you open your Practice.

In operating your Practice, you must use only the soft goods, dental instruments, cleaning supplies, novelty items and other miscellaneous items that we require and have been approved for Cascade Family Dental Practices, as meeting our specifications and standards for quality, appearance, function and performance. You may only purchase items from suppliers listed in the Operations Manual, or other written or electronically transmitted materials that we give to you.

Neither we nor our Affiliates are currently an approved supplier of any of the items you must purchase for the development or operation of your Practice, although we may require you to pay us for furniture, fixtures and equipment that we order on your behalf from an approved supplier as described below in this **Item 8**.

We have the right, in addition to any amounts received from suppliers or distributors as described in this **Item 8**, to receive rebates, marketing fund contributions or other payments from suppliers, distributors and other service providers based (directly or indirectly) on sales to you and Company owned Practices (the “Rebates”). These payments may range from less than one percent up to twenty percent or more of the amount of those purchases by you. We may negotiate purchase arrangements from suppliers or service providers for the benefit of franchisees. To date, we have not received any revenue from such Rebates.

There are no suppliers in which an officer of the Franchisor owns an interest.

Approved suppliers shall not be liable for any delay in the delivery of products as a result of any cause beyond their reasonable control, except in accordance with our contracts with them. Approved suppliers may establish policies and procedures for the allocation and distribution of supplies among Cascade Family Dental Practices.

If you desire to procure authorized supplies from a supplier other than one previously approved or designated by us, you shall deliver written notice to us of your desire to seek approval of the supplier, which notice shall (i) identify the name and address of the supplier, (ii) contain the information requested by us or required to be provided pursuant to the Operations Manual (which may include reasonable financial, operational and economic information regarding its business), and (iii) identify the authorized supplies desired to be purchased from the supplier. We shall, upon your request, furnish specifications for the supplies if they are not contained in the Operations Manual. We shall not be obligated to disclose the terms and conditions, including the pricing, to anyone as to supplies. We may request that the proposed supplier furnish us, at no cost to us, product samples, specifications, and other information as we may require. We or our representatives, including qualified third parties, shall also be permitted to inspect the proposed supplier’s facilities and establish economic terms, delivery, service, and other requirements consistent with other distribution relationships for Cascade Family Dental Practices.

We will use our good faith efforts to notify you in writing of our decision within one hundred twenty days after our receipt of product samples from the proposed alternative supplier and other requested information.

However, if we have not notified you in writing within the one hundred twenty day time period, the proposed supplier will be deemed disapproved by us. We are not required to approve any supplier, and without limiting our right to approve or disapprove a supplier in our sole discretion, you acknowledge that it is generally disadvantageous to the system from a cost and service basis to have more than one supplier in any given market area and that among the other factors we may consider in deciding whether to approve a proposed supplier, we may consider the effect that the approval may have on the ability of us and other franchisees to obtain the lowest distribution costs and on the quality and uniformity of products offered system-wide. We may also determine that certain supplies shall be limited to a designated brand or brands set by us. We may revoke our approval upon the alternate supplier's failure to continue to meet any of our criteria.

As an additional condition of its approval, we may require a supplier to agree in writing: (i) to provide, upon our request, free samples of any product it intends to supply to you, (ii) to faithfully comply with our specifications for applicable supplies sold by it, (iii) to sign any agreement in a form required by us, (iv) to provide to us duplicate purchase invoices for our records and inspection purposes, (v) to make the products available to all of our company-owned, company-affiliated, and franchised Practices, and (vi) to otherwise comply with our reasonable requests.

You or the proposed distributor or supplier shall pay to us in advance all of our reasonably anticipated costs in reviewing the application to approve a supplier and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, re-inspecting and auditing the proposed suppliers' facilities and equipment, and all product testing costs paid by us to third parties. You acknowledge and agree that we do not act in a fiduciary capacity for you in our relationship with suppliers. We may impose limits on the number of suppliers. We have the right to monitor the quality of services provided by suppliers in a manner we deem appropriate and may terminate any supplier who does not meet our quality standards and specifications, as may be in effect at the time. If you purchase one or more types of other products from supplier, no supplier will have any obligation to sell you any other product while you are purchasing from any supplier. If, after commencing purchasing other products, you may be required to submit to us an application, in such form as we may periodically determine which we will normally process within thirty days. The supplier has no obligation to resume supplying other products to you, and you may not place an order for such products with the supplier, until we have approved your application for resupply.

### **Other Products**

The reputation and goodwill of Cascade Family Dental Practices are based on, and must be maintained by, the sale of distinctive high- quality dental services. Therefore, your Cascade Family Dental Practice must use only dental instruments, equipment, techniques, materials, and other supplies and other products and services that conform to our specifications and quality standards and/or are purchased from suppliers we have approved. The list of brands and suppliers is contained in our Cascade Family Dental Operations Manual, and we may modify that list when we deem necessary in our discretion. After notice of a modification, you may not reorder any brand or reorder from any supplier that is no longer approved.

If you propose to use any brand and/or supplier that is not then approved by us, you must first notify us and submit sufficient information, specifications, and samples concerning the brand and/or supplier so that we can decide whether the brand complies with our specifications and standards and/or such supplier meets our approved supplier criteria. We have the right to charge reasonable fees to cover our costs. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We may impose limits on the number of suppliers and/or brands for any of the foregoing items. We, and our Affiliates, can be approved suppliers for any items. We formulate and modify, at our discretion, specifications, and standards we impose on you and suppliers. Specifications and standards are issued to you through Cascade Family Dental's Operations Manual and to suppliers by written agreement.

### **Purchase Arrangements/Cooperatives**

We attempt to negotiate purchase arrangements with third-party suppliers (including price terms). In doing so, we seek to benefit and to promote the overall interests of all Cascade Family Dental Practices, including those owned by franchisees, our franchise system and our interests as the franchisor. We do not provide material benefits (e.g. renewal or additional franchises) to a franchisee based on its use of approved suppliers. Additionally, all Affiliate and Company-owned Practices pay the same prices to vendors as franchised Practices.

There are no franchisee purchasing or distribution cooperatives.

### **Specifications, Standards, and Procedures**

Each aspect of the interior and exterior appearance, layout, décor, trade dress, services, and operation of your Cascade Family Dental Practices is subject to our specifications and standards. You must comply with all mandatory specifications, standards, and operating procedures (whether contained in the Cascade Family Dental Operations Manual or any other written communication) regarding the appearance, function, cleanliness, and operation of all Cascade Family Dental Practices.

### **Standardized Accounting Process and Reporting Requirements**

You must establish and maintain a bookkeeping, accounting, record keeping and data processing system conforming to the requirements and formats that we prescribe, including a common chart of accounts and methodology, format, submission process and timeline. You must furnish us periodic reports, which include and are not limited to, monthly gross revenue reports and monthly profit and loss statements. You must provide such periodic reports in a timely manner as noted in Section 12 of the Franchise Agreement.

### **Computer Hardware and Software**

At this time, you must record the payment for all services and patient's electronic dental records on computer systems using the practice management software that we designate.

We also require you to purchase computer systems with the appropriate hardware and software in each operatory. You must purchase the appropriate accounting, word processing, spreadsheet, internet browser, anti-virus, firewall, spyware protection and any other software we may choose to require. The cost of purchasing or leasing the necessary computers and software programs ranges from \$15,000 to \$25,000.

### **Description of Standard Hardware and Software System Components**

The computer accounting systems may also allow for the seamless communication of daily financial to a central processing facility. To use this system, you must purchase and maintain a data-grade telephone line and subscribe to high-speed or broadband Internet services or access. The information communicated to us, as described above, will also enable us to make automatic withdrawals of royalty and support center services fee payments from the designated account described in **Item 6**. Internet connectivity is required to place orders to our suppliers so that you will be able to maintain your Practice supplies at appropriate levels. Internet connectivity is required so that we may remote into at least one computer to upload data from your practice management software as needed

Ongoing maintenance, repairs, upgrades or updates to the hardware systems and software support plans will be paid from the Maintenance Fund or, if the Maintenance Fund is not sufficient, by you.

Our IS and support department may produce and sell custom software applications and optional franchisee-owned Practice systems support services to Practices using a proprietary database system. These goods and services may include the following:

- Practice System Support – Help Desk
- Data Processing
- System Training and Orientation
- Labor Scheduling, Production Planning, and Cost Analytics Software
- Performance Analytics and Reporting Capability
- Records Management

Upon thirty days written notice, you must upgrade or replace financial and practice management data and communications systems, including the computer system, whenever we require it. There are no contractual limits on the frequency or cost of your obligation to obtain such upgrades.

We have the right to require you to modify or discontinue use of the office system or any of its functions if we determine that it becomes advisable at any time. In this case, you must comply with our directions to modify or discontinue the use of the office system or any of its functions or use a new office system or specific office system function within a reasonable time after notice from us. You must bear all costs and expenses applicable to your Cascade Family Dental Practice should we decide to modify the office system software or hardware or adopt a new office system. We will have no liability or obligation whatsoever with respect to any such required modification or discontinuance of the office system or the installation, training, and use of a new office system. Also, we are not obligated to reimburse you for any loss of goodwill associated with any modification or discontinuance of the office system or the installation and use of a new office system or for any expenditure made by you to train your Practice staff on the new office system.

### **Broadband Configuration**

Your broadband network configuration must meet the following minimum standards and criteria:

- SDSL or Fractional T1(384K minimum access speed)
- 1 Static IP Addresses Minimum

To establish a secure/firewall connection between the server located in your Practice and broadband service provider, you may be required to purchase from Cascade Family Dental specific equipment and devices. Also, we require you to purchase additional equipment and services to establish Wi-Fi internet access in your Practice. Also, in the future, you may contract with us to perform the on-site installation service at an additional cost.

### **Insurance**

You must maintain in force: (a) commercial general and product liability insurance; (b) all-risk property insurance, including fire and extended coverage, vandalism, and malicious mischief insurance, for the replacement value of your Cascade Family Dental Practice and its contents; and (c) all other insurance policies, including professional liability insurance, business interruption insurance, automobile, and unemployment insurance, and worker's compensation insurance, as we may determine now and in the future, which shall be set forth in the

Cascade Family Dental Operations Manual, as amended. All insurance policies must: (1) be issued by carriers approved by us; (2) contain types and minimum amounts of coverage, exclusions and maximum deductibles as we periodically prescribe; (3) name us and our Affiliates as additional insureds and loss payees (to provide us recompense in the event we suffer damage); (4) provide for thirty days' prior written notice to us of any material modification, cancellation, nonrenewal, or expiration of the policy; and (5) include other provisions as we may require.

Set forth below are the types and minimum coverage amounts that we currently require for each franchised Cascade Family Dental Practice per location:

#### COMMERCIAL GENERAL LIABILITY:

General Aggregate Limit:	\$2,000,000
Products/Completed Operations Aggregate Limit:	\$2,000,000
Personal and Advertising Injury Limit:	\$1,000,000
Damage to Premises Rented to You:	\$1,000,000

#### PROFESSIONAL LIABILITY:

General Aggregate Limit:	\$3,000,000
Single Occurrence Limit	\$1,000,000

#### AUTOMOBILE LIABILITY:

Bodily Injury and Property Damage Combined Single Limit:	\$1,000,000
Hired and Non-Owned Liability Limit:	\$1,000,000

#### WORKERS' COMPENSATION:

Workers' Compensation:	STATUTORY
Employer's Liability:	\$1,000,000 per employee, bodily injury by disease; \$1,000,000 policy limit, bodily injury by disease; \$1,000,000 per employee, bodily injury by accident

#### UMBRELLA LIABILITY



1 to 10 Practices	\$5,000,000 each occurrence (minimum) \$5,000,000 aggregate (minimum)
10-25 Practices	\$10,000,000 each occurrence (minimum) \$10,000,000 aggregate (minimum)
25 Practices or more:	\$15,000,000 each occurrence (minimum) \$15,000,000 aggregate (minimum)

You also must provide certificates of insurance evidencing your insurance coverage in compliance with these minimums no later than ten days before your Practice opens and each year when your policies renew.

### **Real Estate Requirements**

Generally, we or one of our Affiliates will lease a location and will sublease such location to a franchisee. We may also provide you with a list of site criteria to help you locate a suitable site. Our approval of the Site, however, does not and cannot provide any guarantee or representation that the site or your Practice will be successful. You must pay for any incidental expenses that Cascade Family Dental personnel incur while assisting with Practice site selection or site approval processes. These expenses may include car rental, gas, airline tickets, meals, hotel room, and salaries.

If you, one of your Owners, or one of your Affiliates at any time owns the premises for your Practice, you must immediately notify us and we may require that you or such Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of termination (for whatsoever reason) of the Franchise Agreement, to lease the premises at fair market rental rates for a term coterminus with the term of the Franchise Agreement for such premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminus with the term of the Franchise Agreement for such premises and a sublease with us or one of our Affiliates on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then-current lease and sublease forms used by us.

You must construct and develop your Practice. We will furnish you with prototypical plans and specifications for your Practice, including requirements for exterior and interior materials and finishes, dimensions, design, image, interior layout, decor, fixtures, furnishings, equipment, color schemes and signs. You must develop your Practice in accordance with these plans and specifications. You must prepare all required construction plans and specifications to suit the shape and dimensions of your site and to ensure that the plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. Your construction plans must be based on the prototypical plans and specifications. You must submit construction plans and specifications to us for our approval before you begin construction of your Practice, and you must submit all revised and “as built” plans and specifications to us during the course of construction.

In developing and operating your Practice, you must use only the fixtures, furnishings, equipment (which includes computer hardware and software described above in this **Item 8**) and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. As of the effective date of this Disclosure Document, we have designated approved suppliers for fixtures, furnishings, equipment, décor, and certain architectural and design services for developing your Practice. These approved suppliers are the only ones that meet our specifications and standards for these items, and you must purchase these items from these approved suppliers. We may require you to authorize us to order the initial furniture, fixtures, equipment, décor, and architectural and design services packages from these approved suppliers on your behalf. If so, you must pay us or our Affiliates for these items and we will pay the suppliers. We or our

Affiliates may receive compensation on the basis of these items purchased by our franchisees, either in the form of a per-item rebate or upcharge, or volume-based commission.

You may only display at your Practice the signs, emblems, lettering, logos and display materials that we approve in writing. We have the right to install all required signs at the Practice premises at your expense, although our current practice is to allow you to install the signs.

We estimate that the cost of required purchases of products, supplies, fixtures, furnishings, equipment, signs and leases from approved suppliers or designated suppliers, or otherwise will represent ninety percent or more of your overall purchases of these items in operating the Practice.

### **Website**

You may not promote, offer, or sell any products or services relating to your Practice, or use any of the Marks, through the Internet without our consent. You must acknowledge that Cascade Family Dental is the lawful, rightful, and sole owner of www.cascadefamily.com domain name and unconditionally disclaim any ownership interest in any similar phrase or any similar Internet domain name, including www.cascadefamily.com, www.cascadefamily.org and www.cascadefamily.biz. You and your Owners agree not to register any Internet domain name in any class or category that contains the words Cascade Family Dental or any abbreviation, acronym, combination, derivative, or variation of those words.

You will use the Cascade Family Dental Franchise Portal (the “**Portal**”), www.cascadefamilygroup.com, in strict compliance with the standards, protocols and restrictions we include in the Operations Manual. You must implement all reasonable procedures we prescribe periodically to prevent unauthorized use and strict compliance with the standards, protocols and restrictions we include in the Operations Manual regarding the use of the Portal among your Owners, dental hygienists, assistants and the like. You are to notify Cascade Family Dental when any partner or employee ceases to be affiliated or employed with your Practice so we can remove their access to the Portal.

You recognize and understand the crucial importance of a portal user’s not transmitting Confidential Information, documents or data from or via the Portal or Internet without first encrypting the transmission with the encryption program we may either require you to purchase or approve of your purchase. You recognize and understand the crucial importance of a user’s refraining from making derogatory, defamatory, or libelous statements on or over an Intranet or Internet transmission.

## **ITEM 9. FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the franchise agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and in other items of this Disclosure Document.**

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease/sublease	Section 3	Items 1, 5, 6, 7, 8, 11 and 12
b. Pre-opening purchases/leases/subleases	Section 3	Items 5, 6, 7, and 8

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
c. Site development and other pre-opening requirements	Section 3	Items 6, 7, 8 and 11
d. Initial and on-going training	Section 4	Items 6, 7 and 11
e. Opening	Section 3	Items 5, 7 and 11
f. Fees	Sections 6, 10 and 11	Items 5, 6, 7, 11, and 17
g. Compliance with System Standards and other standards and policies/Cascade Family Dental Operations Manual	Sections 3, 4, 5, 7, 8 and 10	Items 6, 7, 8, 11, 13, 14, 15, and 16
h. Trademarks and proprietary information	Sections 5, 9 and 16	Items 8, 13, 14, and 17
i. Restrictions on products/services offered	Sections 8	Items 1, 8, 14, and 16
j. Warranty and customer service requirements	Section 8	Item 11
k. Territorial Development and Sales Quotas	None	Item 12
l. Ongoing product/service purchases	Section 8	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 3, 8 and 10	Items 11, 13, and 17
n. Insurance	Section 8	Items 6, 7 and 11
o. Marketing & Advertising	Section 10	Items 5, 6, 7, 11, and 13
p. Indemnification	Section 17	Items 6, 13 and 14
q. Owner's participation, management, staffing	Sections 3, 4, 7, 8, and 10	Items 11 and 15
r. Records and reports	Section 11	<u>See Note 1</u>
s. Inspections and audits	Section 12	Item 6

Obligation	Section in Franchise Agreement	Disclosure Document Item
t. Transfer	Section 14	Item 17
u. Renewal	Section 2	Item 17
v. Post-termination obligations	Section 16	Item 17
w. Non-competition covenants	Sections 9 and 16	Item 17
x. Dispute resolution	Section 18	Item 17

- (1) You must prepare and to maintain for three years complete and accurate books, records, and accounts for your Practice and copies of your state and federal income tax returns as relate to your Practice. You must furnish us such periodic reports and other reports and information as we may periodically require. In addition to periodic financial reports, and such other information as we periodically request, you must provide us with a business plan, which shall include such information as we require, including your short- and long-term goals related to your mission statement, sales, building, patient satisfaction, operations, quality of service, staffing, training certification, human resources, marketing, development, and initiatives. The annual business plan must cover all Practices owned, operated or under contract by you and any of your Affiliates. The business plan must not include any financial projections. If such projections are inadvertently included, we will not review that portion of the business plan. Our review of your business plan does not constitute an approval or representation of implied success.

## ITEM 10. FINANCING

We do not offer direct or indirect financing to you except as set forth in this **Item 10**. We do not guarantee any note, lease or other obligation which you may enter into or incur except with respect to any lease which we are required to guarantee as the sublessor. In connection with the purchase of our or our Affiliate's interest in a Cascade Family Dental Practice, you may negotiate a seller financing arrangement for the purchase of our or our Affiliate's interest in such Cascade Family Dental Practice, the terms of which financing shall be as mutually agreed. We or one of our affiliates may remain obligated as a guarantor under an equipment lease or we or one of our Affiliates may determine to sublease such equipment to you as mutually agreed between you and us.

In most cases, we will sublease the franchised premises to you. The precise terms of our standard sublease attached to the Franchise Agreement as Exhibit D will vary depending on the terms of the prime lease and the size and location of the premises. We currently lease two sites, which we intend to sublease in 2011 for \$4,420 (Payson, Utah location) and \$5,512 (Springville, Utah location). Security deposits and guaranty requirements will vary for each location. The Payson, Utah prime lease did not require a security deposit, but did require a personal guarantee by Dr. Baird and his wife. The Springville, Utah prime lease required a security deposit of \$2,500 and a personal guarantee by Dr. Baird and his wife. We expect that each sublease arrangement will require a personal guaranty from your Owners (see, for example, Sublease Agreement, Exhibit C).

The sublease does not include a prepayment penalty, but does include an acceleration provision for the payment of the present value of future rents less mitigated damages in the event of default (Sublease Agreement, Section 19(b)). The following table sets forth a summary of certain material terms of our anticipated subleasing arrangements.

Item Financed	Source of Financing	Down Payment	Amount Financed	Term (Yrs)	Interest Rate	Monthly Payment	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Leased Space	Cascade Family Dental	Varies	N/A	Varies	N/A	Varies	None	Personal Guaranty	Loss of franchise; Present value of all future rent less mitigated damages; collection costs, including attorneys fees	None
Equipment Lease	Cascade Family Dental	Varies	N/A	Varies	N/A	Varies	None	Personal Guaranty	Loss of franchise; Present value of all future rent less mitigated damages; collection costs, including attorneys fees	None

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

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

### **Pre-Opening Obligations**

Before you open your Practice:

1. We intend that one of our Affiliates will select a site and sublease it to you. If we or one of our Affiliates do not lease a site, we will provide franchise owners general guidance in selecting sites (Franchise Agreement, Section 3);
2. We will provide you with our layout requirements for your Cascade Family Dental Practices and we will provide the prototypical plan layouts of a Cascade Family Dental Practice. We will also provide guidance to you in developing your Cascade Family Dental Practices as we determine is necessary. (Franchise Agreement, Section 3);
3. We will provide you with training resources for the management of your Practice. However, as described in **Item 6** and Section 4 of the Franchise Agreement, you will be responsible for all compensation and

expenses (including travel, meals, and lodging) incurred due to any training programs. This training is described in detail later in this Item. (Franchise Agreement, Section 4);

4. We will provide to you, if available, the Cascade Family Dental Operations Manual by loaning you confidential hard copy materials or providing you temporary access to proprietary intranet sites, with respect to training, management, quality assurance, health, safety, recruitment, security, site selection, site approval processes, standards, patient services, approved suppliers, operating system manuals, management training manuals and franchise owner materials. (Franchise Agreement, Section 7) When created, the table of contents of the Operations Manual will be attached to this Disclosure Document as Exhibit C. The Operations Manual is revised periodically; You are solely responsible for any access license fees associated with use of the Portal and for obtaining all necessary hardware and software for such access; and

5. If you have not previously owned or managed a Cascade Family Dental Practice, we will provide you with opening operational assistance for your first Cascade Family Dental Practice (Franchise Agreement, Section 3);

6. We periodically hold an “Owner’s Kickoff Meeting.” The “Owner’s Kickoff Meeting” is to acquaint you and your Owner with Cascade Family Dental’s System. You and your Owner are required to attend an “Owner’s Kickoff Meeting” as soon as possible after entering into the first Franchise Agreement.

### Training

Before opening the Practice, we may require or permit you to implement, at your expense, programs for the training of you (or your Owners) and all or some of your Personnel, which may include viewing or listening to specified third party training seminars identified by us. Before training any of your Owners or Personnel, your training programs must be certified by us as meeting our standards. You must periodically obtain re-certification of your training programs; and we may withhold certification if we determine, in our sole discretion, that your training programs do not meet our standards.

You and/or your Owners must complete all Cascade Family Dental training, which may include cost control and basic techniques of practice management. The training shall be set by Cascade Family Dental, in the Cascade Family Dental Operations Manual, as amended, and other materials as we deem appropriate.

As described in **Item 6**, you will be responsible for all compensation and expenses (including travel, meals, lodging, and incidental expenses) incurred due to any training programs. Neither you nor your employees will receive any compensation from us for services performed during training. We anticipate that most training will be done by requiring Owners and/or Personnel to attend, listen or view third party practice management material designated by us. However, we may include on-site observation of an existing Practice as part of the training. We consider such observation time as “class room” training. We do not expect the franchisee to incur significant, if any, travel costs associated with training.

Instructional materials for the training programs, the subjects covered in training and approximate hours of classroom and on-the-job training are described in the Operations Manual.

In addition to the training program, we will require you and/or your Owners and other personnel for your Cascade Family Dental Practice to attend and successfully complete periodic refresher or additional topical training programs. We may at our sole discretion require or allow you to establish a certified training program (that must continue to meet our high standards) for some or all of your personnel. If any of your personnel fail to perform their duties in accordance with the certified training program you establish under our standards, they must again complete the certified training program or be terminated.

The current Cascade Family Dental training course outline is as follows:

<b><u>TRAINING PROGRAM</u></b>			
(Column 1) <b><u>Subject</u></b>	(Column 2) <b>Hours of Classroom Training</b>	(Column 3) <b>Hours of Training On-The-Job</b>	(Column 4) <b>Location</b>
Owners Specific Training	40	40	Determined by Franchisee
Front Desk	40	40	Determined by Franchisee
Receptionist	40	40	Determined by Franchisee
Assistant/Hygiene	20	40	Determined by Franchisee

We reserve the right to add additional training and identify Certified Training Managers. The hours of on-the-job training are estimates and may vary significantly. The time to complete the training for each module will vary based on each person's ability to assimilate the training material and achieve excellence. If an Owner or employee has worked at another Cascade Family Dental Office for more than 3 months, many of the training modules maybe shortened or waived at our sole discretion.

#### Site Selection

Generally, we or one of our Affiliates lease a location and will sublease such location to a franchisee. We may also provide you with a list of site criteria to help you locate a suitable site. Our approval of the Site, however, does not and cannot provide any guarantee or representation that the site or your Practice will be successful. You must pay for any incidental expenses that Cascade Family Dental personnel incur while assisting with Practice site selection or site approval processes. These expenses may include car rental, gas, airline tickets, meals, hotel room, and salaries.

Before you acquire, by lease or purchase, any site for a Cascade Family Dental Practice, you must submit a complete site information package to us. We will review each site information package and determine whether to accept or reject the site after considering factors we deem appropriate, including the general location and neighborhood, and demographic information, traffic patterns, access, visibility, location of other dental practices, size, configuration, appearance, and other physical characteristics of the site. If we accept the site, we will deliver to you a signed Site Acceptance Letter. We will use reasonable efforts to make a site acceptance decision within thirty days after we acknowledge receipt of a complete Site Information Package and any other materials we have requested. If you, one of your Owners, or one of your Affiliates at any time owns the premises for your Practice, you must immediately notify us and we require that you or such Owner or Affiliate (1) enter into an agreement with us in recordable form granting us the right and option, in the event of a termination (for whatsoever reason) of the Franchise Agreement, to lease the premises at fair market rental rates for a term coterminous with the term of the Franchise Agreement for such premises; or (2) enter into a prime lease with us at fair market rental rates for a term coterminous with the term of the Franchise Agreement for such premises and a sublease with us or one of our Affiliates on the same terms as the prime lease. The prime lease and sublease referenced in the preceding sentence shall be on the then-current lease and sublease forms used by us.

Neither our lease, sublease or acceptance of the premises nor any information communicated to you regarding our standard site selection criteria for Cascade Family Dental Practices or the specific location of the Practices will constitute a warranty or representation of any kind, express, or implied, as to the suitability of the site

for a Cascade Family Dental Practice. Our acceptance of the proposed site merely signifies that we are willing to grant a franchise for a Cascade Family Dental Practice at the site. Your Cascade Family Dental Practice may not be relocated without first obtaining our written consent. (Franchise Agreement, Section 3)

We estimate the time from the date you sign the Franchise Agreement to the date you open your Cascade Family Dental Practice to be between four and seven months. However, this time estimate may vary depending on numerous factors including location, construction schedules, and financing. You shall complete development of and have the Practice ready to open within one hundred eight days after we give our approval of the Premises and all required construction permits and licenses. Failure to timely open shall subject the Franchise Agreement to termination under Section 14 of the Franchise Agreement. If you have not obtained legal possession of the Premises within ninety days of the date of Site Approval Letter (see Section 3 of the Franchise Agreement), we have the right to retract such approval. You acknowledge and agree that your Cascade Family Dental Practice must be open and operating within three hundred days after you sign the Franchise Agreement. You must start construction of your Practice within sixty days after you have leased, subleased or acquired the Premises. You must employ a general contractor acceptable to us. You must procure all applicable construction insurance in amounts and coverages acceptable to us. You must open your Practice within ten days after the date construction is completed and all necessary approvals have been obtained.

#### Operations Manual

We will provide you, through the Operations Manuals and other materials to be furnished or made available to you after you sign the Franchise Agreement, the standards and specifications for the fixtures, furnishings, equipment which include computer hardware and software and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance and which you must use (Franchise Agreement, Sections 3 and 8 and also **Item 8** of this Disclosure Document). At our option, we will furnish or make available to you these items in the form of paper copies, electronic copies on computer diskette or CD Rom, or electronic copies accessed through the Internet, Cascade Family Dental Intranet, or other communication systems. We may require you to authorize us to order the initial furniture, fixtures, equipment and architectural and design services package from these approved suppliers on your behalf. If so, you must pay us or our Affiliates for these items and we will pay the suppliers.

#### Computer System

In operating your Practice, you must purchase and use the computer hardware and software system designated by us as necessary for the size of your Practice. Currently, we require all Cascade Family Dental franchisees to use the same practice management system to ensure accurate and accessible reporting and other information. While the office is software-based, the required hardware equipment includes a back-office server, , credit card reader, keyboard and mouse. The office system is a platform for practice management and scheduling and back-office reporting. A variety of financial reports and Practice metrics can be produced by the system and conveniently accessed by authorized users. See **Item 8** of this Disclosure Document for more information. In the future, you must make and pay for all upgrades to your office system that we may require. In addition, we have the right to independently access the information and data you collect and gather through a remote connection. We currently require that you have access to the Internet to submit reports, including Profit and Loss statements and Gross Collection reports, for your Practice to us electronically via the Internet. We also have the right to require you, at your sole expense to upgrade any required computer hardware and software to meet our then-current standards and specifications. There is no limitation on the frequency and cost of this requirement. We also have the right to independently access the information and data you collect and gather using any required computer hardware and software.



## **Obligations After Opening**

We will provide the following assistance during the operation of your Cascade Family Dental Practice:

1. We will provide periodic guidance to you with regard to the System, including improvements and changes. (Franchise Agreement, Section 4);
2. We will periodically modify the Cascade Family Dental Operations Manual to reflect changes in standards, specifications, and operating procedures. (Franchise Agreement, Section 4);
3. We will periodically issue specifications, standards, methods, and operating procedures for Cascade Family Dental Practices. (Franchise Agreement, Section 8);
4. We, at our discretion, may administer marketing and advertising funds for the development of advertising and related programs and materials. (Franchise Agreement, Section 10);
5. We will administer the Maintenance Fund and manage certain maintenance responsibilities for the Practice location, including information technology and property repairs. (Franchise Agreement, Section 11);
6. We will provide periodic and on-going training programs for you and/or your Owners (described in **Item 15**). However, as described in **Item 6**, you will be responsible for all compensation and expenses (including travel, meals, and lodging) incurred due to any training programs and we may charge a fee for such additional training. This training is described in detail in this **Item 11**. (Franchise Agreement, Section 4); and
7. We, at your request or at our discretion, may provide you with guidance for establishing your own certified training programs for certain personnel, provided that you may not train any personnel until we have certified your training program as meeting our standards, which certification may be revoked if your training program does not continue to meet our standards. (Franchise Agreement, Section 4).

## **Computer Disruptions**

Computer systems are vulnerable to disruptions in varying degrees to computer viruses, spyware, bugs, Trojans, power disruptions, communication line disruptions, Internet access failures, Internet content failures, data related problems, and attacks by hackers and other unauthorized intruders. You must take reasonable steps so that these disruptions will not materially affect your business. We are not obligated to provide such protection or support. We do not guarantee that information or communication systems that we or others supply will not be vulnerable to disruptions. It is your responsibility to protect yourself from these disruptions. You should also take reasonable steps to verify that your lenders, landlords, customers, and government agencies on which you rely, have reasonable protection. This may include taking reasonable steps to secure your systems (including firewalls, password protection, anti-virus, and spyware protection systems and software), and to provide backup systems.

## **Marketing**

### *Local and National Marketing Funds*

We may, in our sole discretion, establish and administer a Local Marketing Fund (“**LMF**”) and/or a National Marketing Fund (“**NMF**”) for the creation and development of creative materials and programs to increase brand awareness, marketing, advertising, and related programs and materials, including electronic, print, radio, television, and outdoor media as well as the planning and purchasing of local and/or national and/or regional media, including electronic, print, radio, television, and outdoor advertising, or other media vehicles (“**Marketing**”). We will use local, national and regional advertising agencies as well as our in-house personnel as we deem appropriate.

At our discretion, the LMF and/or NMF may also pay for patient research and the production and deployment of Marketing materials. We reserve the right to have our Affiliate or a related entity manage this fund. If not covered by the LMF or NMF, each Practice, whether Franchise-owned, company-owned, or company-affiliated, shall be responsible for its pro rata share (or, if applicable, on a use basis), on a per Practice basis, of the actual production costs and fees (such as print ad fees) of the Marketing Materials. Cascade Family Dental Practices owned by us and our Affiliates shall contribute to the LMF and/or NMF on the same basis as the then-current rate for franchisees. You must contribute to the LMF and/or NMF amounts that we establish from time to time as described in **Item 6**.

We will have sole discretion over all aspects of programs financed by the LMF or NMF, including local, national or regional media, creative concepts, materials, endorsements, and agency relationships. Although the NMF is intended to maximize general recognition and patronage of the brand and the Marks for the benefit of all Cascade Family Dental Practices, we cannot assure you that any particular Cascade Family Dental Practice will benefit directly or pro rata from the placement of advertising. Additionally, we reserve the right to define, at any time, the measurement terms for any media coverage. The LMF and/or NMF may be used to pay for the cost of preparing and producing creative materials and programs we select, including video, audio, electronic, and printed advertising materials, media planning, and buying services, and for the cost of employing advertising agencies, and supporting market research activities. We may furnish you with marketing, advertising, and promoting materials at cost, plus any related administrative, shipping, handling, and storage charges.

The LMF and/or NMF will be accounted for separately from our other funds. All disbursements from the NMF shall be made first from income and then from contributions. While our intent will be to balance the LMF and/or NMF on an annual basis, the LMF and/or NMF may periodically run at either a surplus or deficit. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Cascade Family Dental Practices to the LMF and/or NMF in that year, and the LMF and/or NMF may borrow from us or other lenders to cover deficits in the LMF and/or NMF or cause the LMF and/or NMF to invest any surplus for future use by the LMF and/or NMF. We will prepare annually a statement of monies collected and costs incurred by the LMF and/or NMF and furnish a copy to you upon your written request. Except as otherwise expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation with respect to the maintenance, direction or administration of the LMF and/or NMF. We do not act as trustee or in any other fiduciary capacity with respect to the LMF and/or NMF.

To date, we have not collected any funds for the LMF or NMF. We will seek the advice of owners of Cascade Family Dental Practices by formal or informal means with respect to the creative concepts and media used for programs financed by the LMF and/or NMF. At our direction, we may establish a Marketing Advisory Council (“MAC”). Members of the MAC are appointed by us and the MAC will serve only in an advisory capacity. The final authority on all programs financed by the LMF and/or NMF will rest with us, and we will have sole discretion over all aspects of such programs, including national or regional media, creative concepts, materials, endorsements, agencies, and suppliers. We will have the right to change or dissolve the MAC.

We may increase the LMF or NMF contributions above two percent of Gross Collections, with an affirmative vote by sixty-six percent of all the then existing company and franchised Cascade Family Dental Practices or by an affirmative vote of fifty-one percent of the then existing franchised Cascade Family Dental Practices.

#### *Advertising Approvals and Initial Advertising Costs*

You must submit to us for our prior approval, a marketing plan annually for your market(s) and a marketing plan for each new Practice opening along with samples of all advertising and promotional materials by following the creative approval process, which occasionally may be updated. You must spend a minimum of ten thousand dollars (\$10,000.00) for grand opening advertising and promotional programs for your Practice. You must use the

types of advertising media specified in the Operations Manual and you must conduct your grand opening program within ninety days after your Cascade Family Dental Practice begins operation. If you elect to work with a marketing firm (including an advertising agency, public relations firm, printing or production company) you must obtain our written approval of such marketing firm, and such marketing firm must sign a Cascade Family Dental approved confidentiality agreement before you sign any contracts or share any Confidential Information, as defined in your Franchise Agreement, with such marketing firm. Marketing, advertising, printing or production firms employed by you will not be permitted access to any limited access intranet sites (including the Franchise Portal) or any other information regardless of a confidentiality agreement having been signed. Marketing, advertising, printing or production firms may not have access to trademark or branded collateral, apparel or merchandise without our written approval.

### *Creative Approval Process*

Cascade Family Dental will produce all advertising and promotion materials. However, Cascade Family Dental holds the right to authorize or oversee the production of creative or marketing collateral by outside or third party marketing or advertising firms. Any advertising and promotion materials not prepared by Cascade Family Dental must be approved before your use. The complete creative approval process, as it occasionally may be updated, can be found in the Operations Manual and on the Franchise Portal. We reserve the right to decline approval of any advertising or promotional materials if we believe it does not meet our brand standards. In some cases, Cascade Family Dental may charge an assessment or custom creative fee to cover the cost of custom marketing collateral or promotional development that may not apply or be implemented System-wide. You may not use any advertising or promotional materials that we have not approved.

### *Advertising Associations*

We have the right to establish local and/or regional advertising associations (“**Advertising Associations**”) for Cascade Family Dental Practices covering the geographic areas we may periodically designate. We have the right to form, change, dissolve, or merge Advertising Associations. We have the right to create and to enforce the Advertising Association’s programs and bylaws.

If we have established an Advertising Association in your market area, you must participate in the Advertising Association and its programs and abide by its bylaws. You must contribute the amounts to the Advertising Association(s) as determined by the Advertising Association members in accordance with their bylaws. All Cascade Family Dental Practices, including those owned by Cascade Family Dental or an Affiliate, that are located in the designated local or regional area(s) will contribute to the Advertising Association(s) on the same basis. Contributions to the local and regional Advertising Associations are credited toward the two percent LMF contributions required by the Franchise Agreement, if any; however, if we provide you and your local and/or regional Advertising Association ninety days’ notice of a special promotion, including any regional promotions, you must participate in the promotion and also pay us any special promotion advertising fees assessed in connection with the program, beginning on the effective date of notice and continuing until the special promotion is concluded. Any special promotion advertising fees will be in addition to, and not credited towards, any LMF contribution required by the Franchise Agreement.

We will administer the Advertising Associations and collect your Advertising Association contributions by automatic electronic withdrawal. The financial statements of the Advertising Associations may be audited and the reports will be made available to you. Each Cascade Family Dental Practice located within the local or regional area of the Advertising Association will be entitled to one vote. Advertising conducted by the Advertising Associations may be in various media including television, radio, Internet, magazine, newspaper, billboards, transit, and aerial advertising.

## ITEM 12. TERRITORY

The Franchise Agreement grants you the right to own and operate a Cascade Family Dental Practice at a specific location. You may not conduct the business of your Cascade Family Dental Practice at any site other than the Premises, described in your Franchise Agreement, or relocate your Cascade Family Dental Practice without our prior written consent. The Franchise Agreement does not provide you with any options, rights of first refusal, or similar rights to acquire additional franchises.

Except as noted in this **Item 12**, we will not operate a Cascade Family Dental Practice or grant to a third party the right to operate a Cascade Family Dental Practice within a geographic area consisting of a two mile radius from the center of the Premises (the “**Protected Area**”). We expressly reserve the right, however, in densely populated locales, to define the Protected Area based upon census population figures. Continuation of your exclusivity in the Protected Area is not dependent upon your achievement of a certain volume, market penetration, or other contingency. We may not alter the Protected Area without your consent.

Except for rights expressly granted to you under the Franchise Agreement, we retain all of our rights and discretion with respect to the Marks, the System, and Cascade Family Dental Practices anywhere in the world, including the right to:

- a) Operate, and grant others the right to operate, Cascade Family Dental Practices at locations and on terms and conditions we deem appropriate (you acknowledge that such Cascade Family Dental Practices may be in direct competition with your Practice, without regard to any adverse effects of such activities on your Practices and without any obligation or liability to you); and
- b) Sell any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through other channels of distribution;

### **Competing Businesses**

We do not currently operate, or franchise the operation of, any other business using different trademarks any products or services similar to the products and services offered by Cascade Family Dental Practices, and we presently do not have any plans to do so.

## ITEM 13. TRADEMARKS

Under the Franchise Agreement, we license you the right to use the Marks in the operation of your Practice.

We have applied to register the following trademark with the United States Patent and Trademark Office and its status is set forth below:

Marks	Registration/Serial Number	Registration/Application Date
Cascade Family Dental	Serial No. 85189012	Application Date: 12/2/2010

**We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your**

**expenses.** There are no agreements currently in effect which significantly limit our rights to use or franchise the use of the Marks.

We or our Affiliates own all rights to the Marks, including any common law rights. Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable standards, specifications, operating procedures and rules that we require. Your unauthorized use of the Marks will constitute a breach of the Franchise Agreement and an infringement of our rights in the Marks. Your use of the Marks and any goodwill established by your use will benefit us exclusively. The Franchise Agreement does not confer any goodwill or other interests in the Marks on you other than the right to operate your Practice in compliance with the Franchise Agreement. All rights in and goodwill from the use of our trademarks, including the Marks, accrue solely to us. All provisions of the Franchise Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols that we authorize for use by you in the future.

You must use the applicable Marks as the sole identification of your Practice, and you must identify yourself as the independent owner in the manner we require. You may not use any Cascade Family Dental Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos franchised to you under the Franchise Agreement), or in any modified form; nor may you use any of the Marks in performing or selling any unauthorized services or products or in any other manner not expressly authorized in writing by us. You may not use any of the Marks as part of an electronic mail address or on any sites on the Internet or World Wide Web. You may not use or register any of the Marks as any part of an Internet domain name. You must display the applicable Marks prominently at your Practice, on supplies or materials designated by us, and on packaging materials, forms, labels and advertising and marketing materials. You must display all applicable Marks in the manner we require, and you must use the appropriate signal, such as “TM” as we may designate in using any of the Marks. You must refrain from any business or marketing practice which may be injurious to our business and the goodwill associated with the Marks.

We have the right to require you to modify or discontinue use of any Cascade Family Dental Mark or use one or more additional or substitute trade or service marks if we determine that it becomes advisable at any time. In this case, you must comply with our directions to modify or discontinue the use of the Trademark or use one or more additional or substitute trade or service marks within a reasonable time after notice from us. You must bear all costs and expenses applicable to your Cascade Family Dental Practice should we decide to modify the Marks or adopt new marks. We will have no liability or obligation whatsoever with respect to any such required modification or discontinuance of any Mark or the promotion of a substitute trademark, service mark or trade dress. Also, we are not obligated to reimburse you for any loss of goodwill associated with any modified or discontinued Cascade Family Dental Mark or for any expenditure made by you to promote a modified or substitute trademark or service mark.

You must immediately notify us of any apparent infringement of or challenge to your use of any Cascade Family Dental Mark or claim by any person of any rights in any Trademark, and you must not communicate with any person other than us or our counsel about the infringement, challenge or claim. We have the right to take the action we deem appropriate and control exclusively any litigation, USPTO proceeding or any other administrative or court proceeding concerning any Cascade Family Dental Mark. You must sign any instruments and documents, render assistance and do those things as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO proceeding or other proceeding or otherwise to protect and maintain our interests in the Cascade Family Dental Marks.

We will indemnify you against and reimburse you for all damages for which you are held liable in any proceeding arising out of your authorized use of any Cascade Family Dental Mark and for all costs you reasonably incur in defending any claim brought against you or any proceeding in which you are named as a party, if you have timely notified us of the claim or proceeding and have otherwise complied with the requirements of the Franchise

Agreement and all other agreements entered into with us and our Affiliates. At our option, we are entitled to defend and control the defense of any proceeding arising out of your authorized use of any Cascade Family Dental Mark. At Cascade Family Dental's sole discretion, it will be entitled to prosecute, defend, or settle any proceeding out of your use of any Mark, and if Cascade Family Dental decides to prosecute, defend, or settle any matter, it will have no obligation to indemnify or reimburse you for any fees or disbursements of counsel you retain. In addition to all other rights we may have for unauthorized use of the Marks or the sale of unauthorized products or services, you must reimburse us for any damages, liability, or expenses incurred by us arising out of your sale of any unauthorized product or service or for any damages, liability, or expenses incurred by us arising out of your use of the Marks in an unauthorized manner.

You may not use any Mark (or any abbreviation, modification, or colorable imitation) as part of a corporate or legal business name or in any other manner (including as an electronic media identifier, such as a website, web page, or domain name) not explicitly authorized in writing by us.

To our actual knowledge, there are no rights or infringing uses which could materially affect your use of any Cascade Family Dental Mark in any state other than certain dental practices located in Lehi, Utah and Pleasant Grove, Utah known as "Cascade Dental," and a "Cascade Dental Group" in the state of Washington. We have applied to register "Cascade Family Dental" with the USPTO. We are not aware of a federal registration for the name "Cascade Dental." Dental practices that used the name "Cascade Dental" prior to us may have a claim for such name, and may have claims against us for infringement of such name.

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

Except as noted below, we and our Affiliates do not own any patents or copyrights which are material to the Franchise.

We consider certain information relating to the development and operations of Cascade Family Dental Practices to be trade secrets and proprietary information. This information includes:

1. Operations Manuals and Materials;
2. Any design binder consisting of Cascade Family Dental design and décor elements, and custom furniture, décor and fixtures package;
3. sales, marketing, and advertising materials, programs and techniques for Cascade Family Dental Practices;
4. identity of suppliers and knowledge of specifications, processes, procedures, and equipment, and pricing for authorized products, materials, supplies, and equipment;
5. knowledge of operating results and financial performance of Cascade Family Dental Practices, other than Cascade Family Dental Practices you own;
6. methods of training and management relating to Cascade Family Dental Practices;
7. computer systems and software programs used or useful in Cascade Family Dental Practices;
8. any and all other information that we provide you that is labeled proprietary or confidential;
9. methodology for assessing, selecting and approving Practice locations; and

10. Practice financial comparison, alerts, analytical software and tools, and methodologies.

11. Procedure process, workflows, and style of delivering dentistry and related services.

All ideas, concepts, methods, formulas, or techniques useful to Cascade Family Dental Practices, whether or not constituting protectable intellectual property, and whether created by you or on your behalf, must be promptly disclosed to us and, if adopted as part of the System, will be considered our property and works made-for-hire for us. You must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, methods, or techniques. You must not, however, test, offer or sell any new products or methods or techniques without our written consent.

You may not use our Confidential Information in an unauthorized manner and may not disclose our Confidential Information to others. Your restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the Practice industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use.

We own the Confidential Information and claim copyrights in the Confidential Information. The Confidential Information includes trade secrets and is our proprietary information. You will have access to some of this Confidential Information required in the operation of your business. However, you will not acquire any interest in any Confidential Information, other than the right to use Confidential Information disclosed to you in operating your Practice during the term of the Franchise Agreement. The use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of your Franchise Agreement. We only disclose the Confidential Information to you on the condition that you agree:

- (i) Not to use Confidential Information in any other business or capacity;
- (ii) To maintain the absolute confidentiality of Confidential Information during and after the term of the Franchise Agreement;
- (iii) Not to make unauthorized copies of any portion of Confidential Information disclosed in written or other tangible form; and
- (iv) To adopt and implement all reasonable procedures that we require to prevent unauthorized use or disclosure of Confidential Information, including restrictions on disclosure of Confidential Information to your employees and to comply with requirements that we may impose that certain key employees sign confidentiality agreements as a requirement and condition of employment.

We have not registered any copyrights with the U.S. Registrar of Copyrights. You may use the Operations Manuals and other materials during the term of the Franchise Agreement. There are currently no effective determinations of the U.S. Copyright Office or any court regarding any of the copyrights. There are no agreements currently in effect that significantly limit our rights to use or franchise the copyrighted materials. Also, there are no other rights or infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state.

Your right to use the copyrights is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable standards, specifications, operating procedures and rules that we require. Your unauthorized use of the copyrights will constitute a breach of the Franchise Agreement and an infringement of our rights in the copyrights. Your use of the copyrights and any goodwill established by your use will benefit us exclusively. The Franchise Agreement does not confer any goodwill or other interests in the copyrights upon you other than the right to operate your Practice in compliance with the Franchise Agreement. All rights in and goodwill from the use of the copyrights will accrue solely to us.

All provisions of the Franchise Agreement applicable to the copyrights will apply to any additional copyrighted materials that we authorize for use by you in the future.

We have the right to require you to modify or discontinue use of any of the materials in which we claim copyrights if we determine that it becomes advisable at any time. In this case, you must comply with our directions to modify or discontinue the use of those materials within a reasonable time after notice from us. You must bear all costs and expenses applicable to your Cascade Family Dental Practice should we decide to modify the materials or adopt new materials. We will have no liability or obligation whatsoever with respect to any such required modification or discontinuance of any materials. Also, we are not obligated to reimburse you for any loss of goodwill associated with the modification or discontinuation of any materials in which we claim copyrights or for any expenditure made by you in your use of those materials.

You must immediately notify us if you learn that any person may be using our copyrighted materials without our consent or authorization. You must also immediately notify us of any challenge to your use of any copyright or claim by any person of any rights in any copyright. You must not communicate with any person other than us or our counsel about any challenge or claim to any copyright. We have the right to take the action we deem appropriate and the right to control exclusively any litigation, U.S. Copyright Office proceeding or any other administrative proceeding concerning any copyright. You must sign any instruments and documents, render assistance and do those things as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or Copyright Office proceeding or other proceeding or otherwise to protect and maintain our interests in the copyrights.

We are not obligated to indemnify you against, reimburse you for, or compensate you for any damages for which you are held liable in any proceeding arising out of your unauthorized use of any patent or copyright under the Franchise Agreement. Neither are we obligated to reimburse or compensate you for any costs you incur in defending any claim brought against you, your Owners or Affiliates or any proceeding in which you are named as a party in connection with such unauthorized use of any patent or copyright. In addition to all other rights we may have for unauthorized use of a patent or copyright, you must reimburse us for any damages, liability, or expenses incurred by us arising out of your use of a patent or copyright in an unauthorized manner. At our option, we are entitled to defend and control the defense of any proceeding arising out of your use of any copyright.

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

You (and / or your Owners): (a) shall exert your full-time and best efforts to the development and operation of your Cascade Family Dental Practice and all other Cascade Family Dental Practices you own; and (b) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligation under the Franchise Agreement. You must provide us with a copy of any proposed arrangement, agreement, or contract, and all amendments, among your Owners for our prior review and approval, and upon approval thereof, signed copies thereof. We will have no responsibility, liability, or obligation to any party to any such arrangement, agreement, or contract, or any amendments, on account of our approval thereof or otherwise, and you must indemnify and hold us harmless with respect thereto. Your Cascade Family Dental Practice must, at all times, be managed by you (or your Owners).

As more fully set forth in the Franchise Agreement, you must implement all reasonable procedures we occasionally prescribe to prevent unauthorized use or disclosure of Confidential Information. Such procedures may include the use of nondisclosure agreements with your owners, officers, directors, dental hygienists, assistants, and the like. You and your Owners must deliver such agreements to us. At the end of the term of a Franchise Agreement, you must deliver to us all Confidential Information. We have the right to require your dental hygienists, assistants, and the like to sign a non-compete and confidentiality agreement in our favor as a condition



of employment in the Practice. By signing the non-compete and confidentiality agreement, your dental hygienists, assistants and the like agree to the non-competition covenants described in **Item 17** of this Disclosure Document.

You, your Owners, dental hygienists, assistants, and the like will be bound by the non-competition covenants described in **Item 17** of this Disclosure Document.

If you are a partnership, corporation, limited liability company, or other legal entity, all of your Owners must undertake to be personally bound, jointly and severally, by your obligations under the Franchise Agreement. Copies of these guarantees are attached to the forms of Franchise Agreement in Exhibit B of this Disclosure Document.

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

You must provide the dental services that we determine to be appropriate for your Cascade Family Dental Practice. We may, in our discretion, establish certain marketing programs, including limited time offers, with which you must participate.

You are not restricted as to the patients whom you may serve at the Cascade Family Dental Practice. However, without our written consent, you may not offer the services of your Practice or any materials, supplies, or inventory bearing the Cascade Family Dental Trademarks at any site other than your Practice premises or through any alternative channel of distribution (as further described in **Item 12**). In addition, you may not use the site of your Practice for any purpose other than the operation of a Cascade Family Dental Practice in compliance with the Franchise Agreement.

Your Cascade Family Dental Practice will not be permitted to offer any products or services (including promotional items) we have not authorized for Cascade Family Dental Practices without prior written approval. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes.

Company-owned or company-affiliated Practices may participate in charitable endeavors. You are also encouraged to participate in charitable, fundraising and community activities.

We may conduct market research to determine patient trends and salability of new products and services. You must participate in our market research programs by test marketing new products and services in your Cascade Family Dental Practice and providing us with timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them.

Your lease or sublease may also impose other obligations or restrictions with respect to the services that you may offer from your premises, and you must comply with those restrictions and obligations.

We and our Affiliates will have the perpetual right to own and use and authorize other Cascade Family Dental Practices to use, and you will fully and promptly disclose to us, all ideas, concepts, formulas, methods and techniques about the development or operation of a Practice. You may not test, offer, or sell any new products or services without our written consent.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 2	Initial term is 5 years.
b. Renewal or extension	Section 2	May be granted a renewal term of 5 years under terms of then-current Franchise Agreement. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreements.
c. Requirement for franchisee to renew or extend	Section 2	You give us at least 180 days' notice; you sign new Franchise Agreement (which may include different or additional fees and performance criteria) and our then-current Renewal Addendum (which will establish that you have no additional renewal rights and contain a general release); at our request, you have refurbished and remodeled the premises; you have complied with the Franchise Agreement and all other agreements with us or our Affiliates during the initial term; you have satisfied all monetary obligations; and you retain the premises for the renewal term; and if there is no adverse franchise legislation. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreements.
d. Termination by franchisee	None	
e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	Section 15	We have the right to terminate if you are in default of Franchise Agreement or any other agreement with us or our Affiliates or if you fail to satisfactorily complete the required training or if you fail to begin your Practice operations within 180 days after signing of Franchise Agreement.
g. "Cause" defined – curable defaults	Section 15	You have 24 hours to cure health violations; 10 days to correct delinquent payments due us; 30 days to cure breaches of Franchise Agreement.
h. "Cause" defined – non-curable defaults	Section 15	Includes voluntary bankruptcy, insolvency, failure to open or abandonment of business, cancellation of lease, breach of obligations under the lease of the Practice premises, misrepresentations or omissions, conviction or plea of no

Provision	Section in Franchise or Other Agreement	Summary
		contest of a felony, violation of any anti-terrorism law, unauthorized transfer, unauthorized disclosure of Confidential Information, repeated breaches of the agreements, unauthorized use of the Cascade Family Dental Marks or Confidential Information, failure to pay uncontested taxes, repeated defaults, even if cured, default on any financing obligations; failure three or more times within a period of twelve months to submit reports and other data or to otherwise comply with the Franchise Agreement, whether or not such failure is corrected.
i. Franchisee's obligations on termination / non-renewal	Section 16	Pay all amounts due, including any late charges and interest; continue to honor all guarantees, releases and waivers; retain records and permit audits; not disclose Confidential Information; discontinue use of Cascade Family Dental Marks, Confidential Information, proprietary software, and any mode of Internet communications; de-identify your business; return the Operations Manual, and Training Manual(s); deliver to us all signs, equipment, supplies and materials displaying the Cascade Family Dental Marks; cancel any fictitious or assumed name certificates; make required changes to premises; assign telephone listings; dispose of non-returnable supplies and materials; honor indemnification requirements; and continue to honor and be bound by general provisions; provide evidence of your compliance within thirty days of termination.
j. Assignment of contract by franchisor	Section 14	No restriction on our right to transfer or assign Franchise Agreement.
k. "Transfer" by franchisee – defined	Section 14	Includes sale, transfer, assignment, or other disposition of the Franchise Agreement's rights, or other ownership interest in franchisee, or ownership change.
l. Franchisor's approval of transfer by franchisee	Section 14	We have the right to approve all transfers but will not unreasonably withhold approval if certain conditions are satisfied.
m. Conditions for franchisor's approval of transfer	Section 14	Practice must have opened; you must be in compliance with agreement; Transferee must qualify, complete training, and sign new or existing Franchise Agreement and other related agreements; transferee cannot be a public company; all your Practices must be transferred; transfer fee must be paid; your obligations are paid and you are not in default; you must subordinate debts and sign a general release and non-compete agreement; we must approve price and payment terms; there must be no adverse franchise legislation; you subordinate any obligations of the transferee to you to the transferee's obligations to us; you obtain any required landlord consents; you agree not to use the Cascade Family

Provision	Section in Franchise or Other Agreement	Summary
		Dental Marks; you or your transferee agrees to any refurbishment we require; and you must do other things we request.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14	We can match any bona fide offer for your business or for a Controlling Interest in you within 30 days from delivery of a complete and accurate copy of offer.
o. Franchisor's option to purchase franchisee's business assets	Section 16	Upon termination of the Franchise Agreement, we have the right to purchase any or all of your Practice's Assets by giving you notice within 10 days of termination/expiration, at fair market value. Under the security agreement that may be provided for in the Franchise Agreement, we can foreclose and acquire the assets of your Practice if you default.
p. Death or disability of franchisee	Section 14	All rights in Franchise Agreement must be assigned to an approved buyer within a reasonable time period not to exceed six months of death of the Franchisee or its Owners. Upon disability or health concern that prevents an Owner from working, the other Owners have the right to acquire the interest of the Owner with a health concern.
q. Non-competition covenants during the term of the franchise	Section 9	No involvement in any competing business, regardless of its location.
r. Non-competition covenants after the franchise is terminated or expires	Section 16	You may not own, have direct or indirect interest in, or provide services/advice to any competing business or any entity which franchises or licenses a competing business for 2 years within your Protected Area or within 5 miles of any Cascade Family Dental Practice.
s. Modification of agreement	Sections 10 and 19	Generally, no modifications except by written agreement signed by both parties. However, the Operations Manual and Materials, Training Manual, and the Franchise Portal, are subject to change by us. We may also increase the GMF, NMF, or LMF contributions with an affirmative vote by sixty-six percent of the then existing company-owned, company-affiliated, and franchised Practices or fifty-one percent of then existing franchised Practices.
t. Integration/merger clause	Section 19	Only the terms of Franchise Agreement, including Operations Manual, are binding (subject to state law). Any other oral or written promises may be unenforceable. Nothing in the Franchise agreement or any related agreements is intended to disclaim franchisor's representations made in this Disclosure Document.
u. Dispute resolution by litigation	Section 18	The parties may litigate disputes.

Provision	Section in Franchise or Other Agreement	Summary
v. Choice of forum	Section 18	Utah state court, and federal district court in Salt Lake City, Utah.
w. Choice of law	Section 19	Utah law applies generally, unless governed by applicable franchise laws of other states.

In addition, states may have court decisions that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

Provisions in the Franchise Agreement that provide for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

#### **ITEM 18. PUBLIC FIGURES**

We do not use any public figure to promote the sale of our franchises.

#### **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 maybe 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dr. Robert M. Baird, 246 E 1370 S, Payson UT, 84651, 801-634-1092, the Federal Trade Commission, and the appropriate state regulatory agencies.

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## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**  
**System-Wide Outlet Summary**  
**For Years 2007 to 2009**

(Column 1) Outlet Type <sup>(1)</sup>	(Column 2) Year	(Column 3) Outlets at the Start of the Year	(Column 4) Outlets at the End of the Year	(Column 5) Net Change
Franchised	2007	-	-	-
	2008	-	-	-
	2009	-	-	-
Company-Owned	2007	-	-	-
	2008	-	-	-
	2009	-	-	-
<b>Total Outlets</b>	<b>2007</b>	-	-	-
	<b>2008</b>	-	-	-
	<b>2009</b>	-	-	-

<sup>(1)</sup> We are a recently formed franchisor and we have no franchisees.

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**(Other than the Company) For Years 2007 to 2009**

(Column 1) State	(Column 2) Year	(Column 3) Number of Transfers
Utah <sup>(1)</sup>	2007	-
	2008	-
	2009	-
<b>Total</b>	<b>2007</b>	-
	<b>2008</b>	-
	<b>2009</b>	-

<sup>(1)</sup> See **Item 1** above.

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2007 to 2009\***

(Column 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)	(Col. 8)	(Col. 9)
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Company	Ceased Operations – Other Reasons	Outlets at End of the Year
Utah	2007	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-
<b>Totals</b>	<b>2007</b>	-	-	-	-	-	-	-
	<b>2008</b>	-	-	-	-	-	-	-
	<b>2009</b>	-	-	-	-	-	-	-

\*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

**Table No. 4**  
**Status of Company – [and affiliate-] Owned Outlets**  
**For Years 2007-2009**

(Column 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Column 5)	(Column 6)	(Column 7)	(Column 8)
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Utah	2007	-	-	-	-	-	-
	2008	-	-	-	-	-	-
	2009	-	-	-	-	-	-
<b>Totals</b>	<b>2007</b>	-	-	-	-	-	-
	<b>2008</b>	-	-	-	-	-	-
	<b>2009</b>	-	-	-	-	-	-

**Table No. 5**  
**Projected Openings as of December 31, 2009**

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet in the Next Fiscal Year <sup>(1)</sup>	Projected New Company-Owned Outlet in the Next Fiscal Year
Utah	0	2	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>0</b>

<sup>(1)</sup> The franchisees of the two projected new franchise outlets are CFDental Payson, PLLC and CFD Springville, PLLC. Dr. Robert M. Baird, a principal owner of the Franchisor, will hold an interest in these two franchises.

The projected numbers are estimates only. The actual number of openings at the end of our 2010 fiscal year, in any particular state or in the aggregate, may be more, less, or the same number as projected in this chart.

No franchisee has terminated, cancelled, 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 us within 10 weeks of the issuance date of this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. Currently, there are no other parties who have the right to operate a Cascade Family Dental Practice.

We currently do not have any area developers.

## **ITEM 21. FINANCIAL STATEMENTS**

WE HAVE NOT BEEN IN BUSINESS FOR THREE YEARS OR MORE, AND CANNOT INCLUDE ALL FINANCIAL STATEMENTS REQUIRED BY 16 CFR PART 436.5(u) (THE FTC FRANCHISE RULE). Attached as part of Exhibit D is our unaudited opening balance sheet as of November 30, 2010.

## **ITEM 22. CONTRACTS**

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

Exhibit A	Schedule of State Administrators and Agents For Service of Process
Exhibit B	Cascade Family Dental Franchise Agreement
	Acknowledgment Addendum
	Ownership Addendum
	Guaranty
	Form of Sublease
	Confirmation of Term Commencement Date
	Owner Personal Covenants Regarding Confidentiality and Non-Competition
	Authorization Agreement for Prearranged Payments (Direct Debits)
	Assignment of Telephone Number(s)
	Protected Area
	Buy Sell Agreement
Exhibit C	Cascade Family Dental Operations Manual Table Of Contents
Exhibit D	Financial Statements
Exhibit E	State Specific Addenda
Exhibit F	Definitions
Exhibit G	Receipts

## **ITEM 23. RECEIPTS**

Exhibit G of this Disclosure Document is a detachable document acknowledging your receipt of this Disclosure Document. The Federal Trade Commission requires that you promptly sign and return one copy of the Receipt to us. This does not obligate you to purchase a franchise and it does not obligate us to sell you a franchise.

**[The remainder of this page is intentionally left blank.]**



**EXHIBIT A**  
**SCHEDULE OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

**The regulatory authority for Utah is:**

Division of Consumer Protection  
Utah Department of Commerce  
160 East Three Hundred South  
P.O. Box 45804  
Salt Lake City, Utah 84145-0804  
(801) 530-6601

**The state of Utah does not have a designated agent for service of process. At the time that Franchisor seeks to franchise outside the state of Utah, this exhibit will be updated.**

**EXHIBIT B**

**CASCADE FAMILY DENTAL FRANCHISE AGREEMENT**

(see attached)

# Cascade Family Dental™ Franchise Agreement

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Franchisee

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Location

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Date of Agreement

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## CASCADE FAMILY DENTAL™ FRANCHISE AGREEMENT

This Franchise Agreement (the “Agreement”) is made and entered into as of this day of \_\_\_\_\_, 20\_\_, by and between Cascade Family Dental, LLC, a Utah limited liability company with its principal place of business at 246 E 1370 S, Payson UT, 84651 (“we”, “us”, the “Company” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”) whose principal address is \_\_\_\_\_ [address]. The Company and Franchisee are sometimes collectively referred to in this Agreement as the “Parties.”

### 1. INTRODUCTION.

#### A. CASCADE FAMILY PRACTICES.

We own, operate, and franchise Cascade Family Dental Practices. We, or our Affiliates, have developed and own a comprehensive system for developing and operating Cascade Family Dental Practices, which includes trademarks, building designs and layouts, equipment, training programs, processes and workflows, and certain operational and practice standards and policies, all of which we may improve, further develop or otherwise modify.

#### B. YOUR ACKNOWLEDGEMENTS.

You have read and understood this Agreement, our Franchise Disclosure Document, and agreements relating hereto, if any. You acknowledge that you have had ample time and opportunity to consult advisors of your own choosing about the potential benefits and risks of entering into this Agreement. By signing this Agreement, you understand that the Cascade Family Dental concept offers high-quality dental care for patients. You accept the proposition that to deliver that care requires a unique approach to the quality of service, level of design, environment, and patient experience (impacted by the quality of people and training). You understand the terms, conditions, and covenants of this Agreement and accept them as being reasonably necessary to maintain the uniformity of our high-quality standards at all Cascade Family Dental Practices locations to protect and preserve the goodwill of the Marks and the integrity of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that the industry is highly competitive, with constantly changing market conditions. You recognize that the nature of Cascade Family Dental Practices may change over time, that an investment in Cascade Family Dental Practices involves business risks and that the success of the venture is largely dependent on your own abilities, efforts, and financial resources.

We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any representation, guaranty, or warranty expressed or implied, as to the income, earnings, expenses, revenues, profits or success of Cascade Family Dental Practices or the business venture contemplated by this Agreement or the extent to which we will continue to develop and expand the network of Cascade Family Dental Practices. You further acknowledge that you have not received or relied on any representations about the franchise, Cascade Family Dental, or its franchising program or policies from us or our officers, directors, shareholders, employees, or agents that are contrary to the statements made in our Franchise Disclosure Document or the terms of this Agreement. Any information acquired by you from other Cascade Family Dental franchisees relating to income, earnings, expenses, revenues, profits or success of any franchised Cascade Family Dental Practices does not constitute information obtained from us; nor do we make any representation as to the accuracy of any information. You acknowledge and agree that Cascade Family Dental’s officers, directors, employees, and agents act only in a representative, and not in a personal, capacity in connection with any of our dealings with you.

C. YOUR REPRESENTATIONS.

You and your Owners, jointly and severally if applicable, represent and warrant to us that: (1) neither you nor any of your Owners has made any untrue statement of any material fact or has omitted to state any material fact in the written information you have submitted in obtaining the rights granted hereunder; (2) neither you nor any of your Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as you have otherwise completely and accurately disclosed in writing to us in connection with obtaining the rights granted hereunder; and (3) the signing and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have signed this Agreement in reliance on all of the statements you and your Owners have made in writing in connection with this Agreement.

D. CERTAIN DEFINITIONS.

The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

“Affiliate” — Any person or entity that directly or indirectly owns or controls the referenced party; that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

“Cascade Family Dental Practices” — Dental practices operating within the System, all as designated by us and developed and operated with our approval and consent, which we, or any of our Affiliates, own, operate or franchise and which use the Marks and the System.

“Competitive Business” — A dental practice. Restrictions in this Agreement on competitive activities do not apply to: (a) the ownership or operation of other Cascade Family Dental Practices that are licensed or franchised by us or any of our Affiliates; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent of that class of securities.

“Confidential Information” — Our proprietary and confidential information relating to the development and operation of Cascade Family Dental Practices, including: (1) Operations Manual, and other manuals given to you, your partners, and your staff; (2) site selection criteria for Cascade Family Dental Practices and plans and specifications for the development of Cascade Family Dental Practices; (3) sales, marketing, and advertising programs and techniques for Cascade Family Dental Practices; (4) identity of suppliers and knowledge of specifications, processes, procedures, and equipment, and fees; (5) knowledge of operating results and financial performance of Cascade Family Dental Practices, other than Cascade Family Dental Practices you own; (6) methods of training and management relating to Cascade Family Dental Practices; (7) computer systems and software programs used or useful in Cascade Family Dental Practices; and (8) any and all other information that we provide you that is labeled proprietary or confidential.

“Copyrights” — Works of authorship and other categories of work entitled to copyright protection that we license for use in connection with the operation of Cascade Family Dental Practices and for which we or any of our Affiliates claim copyright protection.



“Entity” — A corporation, general partnership, joint venture, limited partnership, limited liability partnership, limited liability company, trust, estate or other business entity.

“Entity Owner” or “Owner” — With respect to an Entity, any shareholder owning directly or beneficially any class of securities of the Entity; any general partner or coventures in the Entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially the ownership interests in the limited liability partnership or limited liability company; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, the interests in the trust or estate. If any Entity Owner within the scope of this definition is itself an Entity (including an Entity Owner that is an Entity Owner because of this sentence), the terms “Entity Owner” also include Entity Owners (as defined in the preceding sentence) in the Entity. It is the intent of this definition to “trace back” and include within the definition of Entity Owner all natural persons owning the requisite interests to qualify as Entity Owners.

“Intellectual Property” — The Copyrights, Marks, Patents and Trade Secrets. Also, see “Marks” below.

“Internet” — All communications between computers and between computers and television, telephone, facsimile and similar communications devices, including the World Wide Web, proprietary online services, email, news groups, RSS feeds, and electronic bulletin boards.

“LMF” — Local Marketing Fund, as defined in Section 10.

“MAC” — The Marketing Advisory Council.

“Marks” — Also see “Intellectual Property” above. The trademarks, trade names, service marks, logos and other commercial symbols which we authorize you to use to identify Cascade Family Dental Products and/or services offered by Cascade Family Dental Practices, including the trademarks and service marks CASCADE FAMILY DENTAL™ and the Trade Dress (defined below) and the goodwill associated therewith; provided that we have the right to modify and/or discontinue the use of these trademarks, trade names, service marks, logos and other commercial symbols and the Trade Dress, and establish, in the future, additional or substitute trademarks, trade names, service marks, logos, commercial symbols or Trade Dress.

“NMF” — Our National Marketing Fund, as defined in Section 10.

“Operations Manual” — All information for the development, establishment and operation of a Cascade Family Dental Practice which contains any mandatory or suggested standards, specifications or operating procedures, whether this information is communicated in writing, electronically (such as in bulletins, updates, guidelines, newsletters, emails, videotapes, audio tapes, compact discs, computer diskettes, CD-ROMs, presentations, limited access intranet sites, portable storage media, and alternative or supplemental means of communicating information by other media), all as supplemented and amended occasionally, including information with respect to training, management, quality assurance, health, safety, recruitment, security, site selection, site approval processes, standards, patient services, owner’s manuals, training manuals, approved suppliers, and operating system manuals.

“Owner” — Each person or entity that has a direct or indirect legal or beneficial ownership interest in you, if you are a corporation, partnership, limited liability company, or other legal entity.

“Patents” — The current and future patents and patent applications, if any, that cover business methods, processes, products, structures, equipment, and designs that we license for use in connection with the operation of Cascade Family Dental Practices.

“Personnel” — All persons employed by you in connection with the development, management, or operation of your Practice, including all dental hygienists, dental assistants and administrative personnel.

“Practice” — The Cascade Family Dental Practice operated by you under this Franchise Agreement.

“Premises” — The location identified in Section 2.

“Protected Area” — A radius of two (2) miles around the Premises, or as otherwise defined in Exhibit I.

“Restricted Person” — You; each of your Entity Owners, if you are an Entity; and the spouses, natural and adopted children, and siblings of any of you and your Entity Owners.

“System Standards,” “the System” or “Cascade Family Dental System Standards” — The business formats, signs, equipment, methods, procedures, designs, layouts, specifications, and arrangements for developing and operating Cascade Family Dental Practices, which include the Marks, Trade Dress, building design and layouts, equipment, training and certain operating and business standards and policies, all of which we may improve, further develop or otherwise modify.

“Trade Dress” — The designs, color schemes, decor and images which we authorize and you to use in the development and operation of Cascade Family Dental Practices, which we or our Affiliates have the right to revise and further develop at any time.

“Trade Secrets” — Any Confidential Information and other materials or information that creates value for Franchisor or Cascade Family Dental Practices because it is not generally known and kept private or confidential.

“Transfer the Franchise” — or similar words — The voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of this Agreement, of any interest in or right under this Agreement, or any form of ownership interest in you or the assets, revenues or income of your Practice including: (1) any transfer, redemption or issuance of a legal or beneficial ownership interest in the capital stock of, membership of, or a partnership interest in, you or of any interest convertible to or exchangeable for capital stock of, membership of or a partnership interest in, Franchisee; (2) any merger or consolidation between you and another entity, whether or not you are the surviving entity; (3) any transfer in, or as a result of, a divorce, insolvency, corporate, limited liability company or partnership dissolution proceeding or otherwise by operation of law; (4) any transfer upon your death or the death of any of your Owners by will, declaration of or transfer in trust or under the laws of interstate succession; or (5) any foreclosure upon your Practice or the transfer, surrender or loss by you of possession, control or management of your Practice.

## 2. **GRANT OF RIGHTS.**

### A. **GRANT OF FRANCHISE.**

You have applied for a franchise to own and operate a Cascade Family Dental Practice (the “**Practice**”) at and only at, the following location: 1392 W. Turf Farm Way, Suite 1, Payson UT 84651 (the “**Premises**”). Subject to the terms and conditions of this Agreement, we grant you a non-exclusive franchise (the “**Franchise**”) to operate your Practice at the Premises and to use the Marks in the operation of the Practice in accordance with the System Standards. During the Initial Term, as defined in Section 2B below, the Company will not operate (directly or through an Affiliate), nor grant to another person the right to operate, any Cascade Family Dental Practices located within the Protected Area.

You have no right to construct or operate any additional, expanded or modified facilities on the Premises, nor any right to construct or operate a Cascade Family Dental Practice at any location other than at the Premises. In addition, you have no right to sublicense pursuant to this Agreement.

**B. INITIAL TERM.**

The initial term of this Agreement will be five (5) years, commencing on the date of this Agreement (the “Initial Term”). The Parties shall sign and deliver a Confirmation of Term Commencement Date in the form of Exhibit E. This Agreement may be renewed as provided in Section 2C. This Agreement may be terminated before expiration of its term if: (i) the lease or sublease of the Premises is terminated, or you otherwise lose the rights to occupy the Premises, or (ii) this Agreement is otherwise terminated in accordance with Section 14. References in this Agreement to the “Term” of this Agreement mean the initial term and any renewal term.

**C. RENEWAL.**

Subject to our If you are not in default at the time of exercise of a renewal option and at the time the prior term expires, you shall have the right, subject to the conditions contained in this Section, to renew this Agreement for your Practice on the terms and conditions of our then-current form of the Franchise Agreement, for an additional five-year term, if upon expiration of the Term:

(i) You give us written notice of your desire to renew your Agreement not less than six months nor more than twelve months before the expiration of the Agreement;

(ii) You sign our then-current form of Franchise Agreement, which may include different Royalty Fees and marketing fees, other fees and charges, and changes in performance criteria and in other terms and conditions, and our then-current Renewal Rights to this Franchise Agreement, which shall, among other things, establish that the Franchise Agreement is for a renewal term with no additional renewal rights, and contain a general release of any and all claims against us or our Affiliates and our and their respective officers, directors, attorneys, shareholders and employees;

(iii) At our request, you refurbish, remodel, redecorate, and renovate your Practice at the commencement of the renewal term to meet our then-current System Standards, including designs and service systems, trade dress and our then-current site criteria;

(iv) You have complied with all of the material terms and conditions of this Agreement or any other agreement between you and us during the initial term; and you and your Owners have been in substantial compliance with this Agreement throughout the Term;

(v) All monetary obligations owed by you to us, our affiliates or your suppliers or creditors, whether pursuant to this Agreement or otherwise, have been satisfied before renewal, and have been paid in a timely manner throughout the Term; and

- (vi) You have the right to maintain the Premises for the duration of the renewal term.

If you have the right to renew, you must pay a renewal fee at the end of the Initial Term equal to the greater of the then-current initial franchise fee being charged by us, less the amount you paid to us as an initial fee when you purchased your franchise, or \$7,500. We retain the right to waive or change your fee for any renewal of your Agreement.

We will give you notice, not later than sixty days after receipt of your election to renew, of our decision whether or not you have the right to renew this Agreement pursuant to this Section 2C.

Failure by you (and your Owners) to sign these agreements and releases within thirty days after delivery to you shall be deemed an election by you not to renew the franchise for your Practice.

**D. OUR RESERVATION OF RIGHTS.**

Except as otherwise expressly provided in this Agreement, we and all of our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation, or otherwise) retain all of our rights and discretion with respect to the Marks, the System Standards, and Cascade Family Dental Practices anywhere in the world, and the right to engage in any business whatsoever, including the right to: (1) operate, and grant to others the right to operate, Cascade Family Dental Practices at these locations and on these terms and conditions as we deem appropriate (you acknowledge that these Cascade Family Dental Practices may be in direct competition with your Practice, without regard to any adverse effects of these activities on your Practice and without any obligation or liability to you); (2) sell any products or services under any trade names, trademarks, service marks or trade dress, including the Marks; and (3) operate, and grant to others the right to operate, dental practices (including other non-Cascade Family Dental Practices) identified by trade names, trademarks, service marks or trade dress, other than the Marks, pursuant to these terms and conditions as we deem appropriate. You acknowledge and agree that, except as expressly provided to the contrary in Section 2A hereof, your rights hereunder shall be non-exclusive. You waive, to the fullest extent permitted under law, all claims, demands or causes of action arising from or related to any of the foregoing activities by us or any of our Affiliates.

**3. DEVELOPMENT AND OPENING OF THE PRACTICE.**

**A. SELECTION OF PREMISES**

The parties acknowledge that it is essential for the Premises selected for the operation of the Practice to conform to standards developed by Franchisor and be agreed upon by both parties. One of our Affiliates will own or lease the Premises from the owner of the Premises and our Affiliate subsequently lease or sublease the Premises to Franchisor. Franchisor will then sublease the Premises to Franchisee in accordance with the Real Estate Sublease Agreement attached hereto as Exhibit D or such sublease as is provided by the owner of the property. In the event that you request any site selection services from us, you shall pay our reasonable costs and expenses incurred in performing such services.

**B. ACKNOWLEDGMENT OF FRANCHISEE**

Franchisee acknowledges and agrees that Franchisor's selection or approval of the Premises site and Protected Area and any information imparted to Franchisee regarding the Premises site and Protected Area does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the Premises site and Protected Area for the Practice or for any other purpose. Franchisor shall not be responsible for the failure of the Premises site and Protected Area selected and approved by Franchisor to

meet expectations as to potential revenue. Franchisee further acknowledges and agrees that Franchisee's acceptance of the Premises site and Protected Area for the operation of the Practice is based on Franchisee's own independent investigation of the suitability of the Premises site and Protected Area. Franchisee acknowledges that Franchisor's sub-lease of the Premises site does not constitute a guarantee or warranty by Franchisor, express or implied, of the successful operation or profitability of the Practice operated at such site.

### C. DEVELOPMENT OF THE PRACTICE.

You must construct and develop the Practice, for all expenses associated with it and for compliance with the requirements of any applicable federal, state, or local law, code or regulation, including those concerning the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. The Company will prepare suitable plans and specifications for the Premises of the Practice reflecting the Company's requirements for interior and exterior design, layout, equipment, leasehold improvements, furnishings and fixtures of Cascade Family Dental Practices, modified if necessary to comply with applicable ordinances. The plans and specifications that the Company will provide you will not contain the requirements of any federal, state, or local laws, codes or regulations. You must modify the operational concept plan to ensure that it and all specifications comply with all applicable ordinances, building codes and permit requirements and any lease requirements and restrictions. You acknowledge that design quality is important to us. You must employ an architect and/or engineer acceptable to us. Your architect and/or engineer must prepare construction plans for the development of your Practice based upon our operational concept plan. Upon request, and at no cost to you, we will either loan to you a complete set of construction plans for previously built Cascade Family Dental Practices, or loan to you a complete set of engineered prototype drawings (the "Prototype Drawings"). Any construction plans or Prototype Drawings will remain the property of the Company, and must be returned by you upon request. Before we will loan you construction plans or Prototype Drawings, we may require your architect and/or engineer to sign confidentiality agreements.

You must submit all these modified plans and specifications, including design specifications, to us for our approval before starting to develop the Premises. All final plans are subject to our approval. At our request, you must submit all revised or "as built" plans and specifications. Our review and approval of your plans is not designed to assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with these laws is your sole responsibility. All development and any signage must be in accordance with the plans and specifications we have approved and must comply with all applicable laws, ordinances and local rules and regulations. We shall have the right to supervise and inspect all construction to ensure compliance with approved plans and specifications. You must make no changes to the plans and/or specifications without our approval.

We will furnish this guidance to you in developing the Premises as we deem appropriate. We may periodically inspect the Premises during its development. We do not, by approving your plans or specifications or inspecting the Premises, assume any liability or responsibility to you or to any third parties. These approvals and inspections shall be solely for the purpose of assuring compliance with our standards and shall not be construed as any express or implied representation or warranty that your Practice complies with any applicable laws, codes or regulations (including the ADA or any other federal, state, or local law or ordinance regulating standards for the access to, use of, or modifications of buildings for any by persons whose disabilities are protected by law) or that the construction thereof is sound or free from defects. All prototype and modified plans and specifications for your Practice remain our sole and exclusive property, and you may claim no interest.

Without limiting the foregoing, you will do or cause to be done the following with respect to development of the Practice: (1) obtain all required construction and sign permits and licenses; (2)

complete the construction of all required improvements to the Premises and decorate the Premises; (3) purchase and install all fixtures, furnishings, equipment, signs, and the operating supplies and other materials from sources approved or designated by the Company; and (4) obtain all required financing in connection with development of the Practice. You must complete development of and have the Practice ready to open within one hundred eighty days after the Company gives its approval of the Premises and all required construction permits and licenses. Failure to timely open shall subject the Franchise Agreement to termination under Section 15. You acknowledge and agree that your Cascade Family Dental Practice must be open and operating within three hundred days after you sign this Agreement. You must start construction of your Practice within sixty days after you have leased, subleased or acquired the Premises. You must employ a general contractor acceptable to us. You must procure all applicable construction insurance in amounts and coverages acceptable to us. You must open your Practice within ten days after the date construction is completed and all necessary approvals have been obtained. Any extensions of time are subject to our approval, which we may withhold at our discretion. You must provide us with weekly progress reports during the construction phase. These visits shall be at our expense, except for visits made upon your request, which shall be at your expense.

The requirement to complete construction of your Practice includes obtaining all required construction and occupancy licenses and permits, developing the Premises (including all outdoor features and landscaping of the Premises), installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have your Practice ready to open for business. Your Practice may not be opened for business until we have notified you that your Practice meets our requirements for opening. At the time the construction is completed, you must comply with the following requirements:

(1) You must obtain all permits and certifications required for the lawful operation of your Practice, including a certificate of occupancy and health permits. You must certify in writing that all these permits and certifications have been obtained, or submit copies of these permits and certificates to us. You understand and acknowledge that we will not approve your Practice to be open for business until you certify in writing that all permits necessary for operation of your Practice have been received.

(2) You must notify us of the date of completion of construction. You understand and acknowledge that you may not open the Practice for business unless you receive express written authorization from us in our standard Opening Approval Letter. You further acknowledge and agree that our authorization to open will be conditioned upon your strict compliance with the specifications of the approved final plans and with the System Standards.

Following the opening of your Practice, you have thirty days to provide us with a complete and full detailed statement of construction costs in a format prescribed by us. You must sign verification that the information in this statement is complete and accurate.

Notwithstanding anything to the contrary contained in this Section 3C, you shall not be deemed to be in breach of this Section 3C if your failure to start construction, finish construction or open your Practice as provided above results solely from windstorms, rains, floods, earthquakes, typhoons, tsunamis, mudslides, fires, other natural disasters, or terrorist act. Any delay resulting from any of these causes shall extend performance accordingly, in whole or part, as may be reasonable, except that no such causes shall extend performance more than ninety days without prior written consent, which consent may be withheld in our sole discretion.

If, after you open, your Practice is damaged or destroyed by windstorms, rains, floods, earthquakes, typhoons, tsunamis, mudslides, fires, other natural disasters, or terrorist act, or if you are required by any

governmental authority to repair or reconstruct the Premises, you must repair or reconstruct the Practice in accordance with our then-current design standards. This repair or reconstruction must be completed within a reasonable time in light of the circumstances. If the repairs or reconstruction cannot be completed within ninety days after the damage or destruction, then you will have thirty days after this event in which to apply for our approval to relocate your Practice or for additional time to reconstruct the Practice. This approval will not be unreasonably withheld, but may be conditioned upon the payment of an agreed minimum royalty while your Practice is not in operation.

D. FURNISHINGS, FIXTURES, SIGNS AND EQUIPMENT.

You must purchase or lease all required equipment, furnishings, fixtures, and signs for your Practice. You must purchase, lease, or use in the development and operation of the Practice only those brands, types or models of fixtures, furnishings, signs, supplies, services, and equipment and the design, architectural and construction services that the Company has approved as meeting its specifications and standards for quality, design, warranties, performance, appearance and function. You must purchase approved brands, types or models of signs, fixtures, furnishings, equipment, supplies and services only from the Company or from suppliers approved by the Company (including the Company and any of its Affiliates). Occasionally, we may modify the list of approved types, brands, models and/or suppliers, and you may not, after receipt of notice of this modification, reorder any type, brand or model from any supplier that is no longer approved. If you propose to purchase any fixtures, furniture, equipment, signs or supplies of a type, brand, or model, or propose to purchase from a supplier, that we have not previously approved, you must notify us and submit to us this information as we may request. We may impose reasonable inspection and supervision fees on approved suppliers to cover our costs. After your Practice opens, you agree not to alter its fixtures, equipment, signs, or furniture without our express prior written approval. You acknowledge that the Company may, at its option, purchase this furniture, fixtures, equipment and services from an approved supplier and arrange for delivery to you, and you must pay the Company for the purchase price of these items, which purchase price may include compensation to be paid to or retained by the Company, plus any credit card processing fees the Company incurs in the transaction.

You further agree to place or display at the Premises only such signs, emblems, lettering, and logos that are periodically approved in writing by the Company. You must display in your Practice all (1) product identification materials; (2) promotional memorabilia, merchandise and prizes; and (3) other advertising and marketing materials we provide you pursuant to Section 10 for use by Cascade Family Dental Practices.

E. OPENING.

You must not open the Practice for business until the Company determines that it is in suitable condition and you have met all of its pre-opening obligations under this Agreement. You must open the Practice for business within ten days after this determination by the Company. You will prepare and furnish to the Company an opening advertising and promotional plan and budget for the Practice which will contain a plan and budget for publicity, advertising, promotion, staffing, decoration and operation during the Opening Period ("Grand Opening Plan"). You must submit a Grand Opening Plan and budget to us for approval at least ninety days before your Practice's scheduled opening. You must use the types of advertising media specified in the Operations Manual, and you must conduct a grand opening advertising and promotion program for at least seven consecutive days, beginning within fifteen days after opening of your Practice to the public. You must spend not less than Ten Thousand Dollars (\$10,000) for advertising and promotion of the opening of the Practice in addition to the payments required by you to the GMF.

You must submit proof of these advertising expenditures to us ten days before the opening of your Practice. You also agree that your grand opening program must be implemented sixty days before your

Practice's scheduled opening date and for sixty days following the commencement of the Practice's operation.

If you request that one or more of the Company's personnel or if you (or any of your Affiliates) have not previously owned or managed a Cascade Family Dental Practice, we will provide you with opening operational assistance as we deem appropriate to assist you in starting your operations, including on-site opening assistance for not more than seven days, as scheduled by us. You must pay for the expenses of personnel, including airline and other transportation costs, meals, lodging and salaries.

#### 4. **TRAINING AND GUIDANCE.**

##### A. **TRAINING.**

We may periodically require or permit you to implement, at your expense, programs for the training of you (or your Owners) and all or some of your Personnel, which may include viewing or listening to specified third party training seminars identified by us. Before training any of your Owners or Personnel, your training programs must be certified by us as meeting our standards. You must periodically obtain re-certification of your training programs; and we may withhold certification if we determine, in our sole discretion, that your training programs do not meet our standards.

##### B. **REFRESHER TRAINING.**

We have the right to require you, your Owners, and/or previously trained and experienced employees to attend periodic refresher courses at the times and locations that we designate.

We have the right to charge fees for refresher training courses. We also may (but are not required to) make additional training available to you at your request, and may charge a fee for additional training. You are responsible for all compensation and expenses (including training materials, travel, meals, incidental expenses, and lodging) for you and your trainees during these training programs.

##### C. **HIRING AND TRAINING OF EMPLOYEES BY FRANCHISEE.**

You must be responsible for all employment decisions with respect to your staff, including hiring, firing, compensation, training, supervision and discipline, regardless whether you receive advice from us on any of these subjects. You are required, however, to follow the guidelines provided for this hiring, in the Operation Manual. In addition, we may, in our sole and absolute discretion, require you to terminate the employment of any person identified by us for any or no reason. You may not recruit or hire any person who is an employee of ours or of any Cascade Family Dental Practice operated by us, our Affiliates or another franchisee of ours without obtaining the respective employer's consent, which consent may be withheld for any reason. Likewise, we may not recruit or hire any person who is an employee of yours or your Affiliates without obtaining the employer's consent, which consent may be withheld for any reason. You must maintain at all times a staff of employees, who have been trained pursuant to our guidelines and requirements, sufficient to operate the Practice in compliance with the System Standards.

##### D. **GUIDANCE.**

Although the Company does not have the obligation to do so, the Company may maintain a continuing advisory relationship with you, including consultation in the areas of marketing, Practice operations and patient care. the Company may advise you periodically of operating problems of the Practice disclosed by reports submitted to or inspections made by the Company and may furnish to you guidance in connection with methods and procedures used by Cascade Family Dental Practices, including



improvements and changes to the System Standards. This guidance shall, in the discretion of the Company, be furnished in the form of the Company's Operations Manual or business practices for Cascade Family Dental Practices, electronic mail, posts to the Portal, bulletins, other written materials, telephone consultations and/or consultations at the office of the Company or at the Practice or by any other means of communications. At your request, we may provide special assistance for which you must pay per diem fees and charges we may establish occasionally.

E. OPERATIONS MANUAL.

The Operations Manual contains mandatory and suggested specifications, standards and operating procedures that we prescribe for Cascade Family Dental Practices, and contains information relating to your other obligations under this Agreement. You must comply fully with all mandatory standards, specifications, and operating procedures and other obligations contained in the Operations Manual. We have the right to modify the Operations Manual in the future to reflect changes in the image, specifications, standards, procedures, system, and System Standards. If a dispute develops relating to the contents of the Operations Manual, our master Operations Manual will be controlling. The Operations Manual contains Confidential Information, and you agree not to copy at any time any part of the Operations Manual, either physically or electronically, provided that you may print out one current copy of any Operations Manual that we provide in electronic format and keep it at the premises of your Practice. If your copy of the Operations Manual is lost, destroyed or significantly damaged, you must obtain from us, at our then-applicable charge, a replacement copy of the Operations Manual. You agree not to allow unauthorized persons access to the Cascade Family Dental intranet sites, including the Cascade Family Dental Franchise Portal — [www.cascadefamilygroup.com](http://www.cascadefamilygroup.com) or such other intranet site we develop for internal franchise purposes (the "Portal").

5. THE MARKS.

A. OWNERSHIP AND GOODWILL OF THE MARKS AND TRADE SECRETS.

You acknowledge that the Company is the owner of certain rights to the Marks, that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by you pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by the Company periodically during the term of the Franchise. Any unauthorized use of the Marks by you shall constitute a breach of this Agreement and an infringement of the rights of the Company in and to the Marks. You acknowledge and agree that all usage of the Marks by you and any goodwill established by it shall inure to the exclusive benefit of the Company and that this Agreement does not confer any goodwill or other interests in the Marks upon you (except the right to operate a Cascade Family Dental Practice in compliance with this Agreement). All provisions of this Agreement applicable to the Marks shall apply to any additional proprietary trade and service marks and commercial symbols authorized for use by and licensed to you by the Company. You acknowledge that as of the date of the Franchise Agreement, some or all of the Marks may not have been registered with any state or federal agency. You may not at any time during or after the Term contest, or assist any other person or entity in contesting, the validity or ownership of any of the Marks.

You hereby acknowledge that Franchisor or one or more of Franchisor's affiliates own and control the distinctive plan and trade secrets for establishing, operating, and promoting Cascade Family Dental Practices and all related licensed methods of doing business which include, but are not limited to, technical equipment standards; relations; marketing techniques; written promotional materials; Operations Manual; advertising; financial reports; and accounting systems; all of which constitute trade secrets of these affiliate(s) and may have been licensed to Franchisor, and you acknowledge that Franchisor and its affiliates have valuable rights in and to these trade secrets. You further acknowledge all innovations,

additions, or improvements made to the Marks or System Standards, even if by you, shall belong to Franchisor and its affiliates.

**B. LIMITATIONS ON FRANCHISEE'S USE OF THE MARKS.**

You must use the Marks as the sole identification of the Practice, provided that you are identified as the independent owner in the manner prescribed by the Company. You must use only the Marks as we prescribe in connection with your Practice and the services provided in the Practice. You shall ensure that all Copyrights used hereunder shall bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws prescribed by us. Any unauthorized use, adaptation, publication, reproduction, preparation of derivative works, distribution of copies (whether by sale or other transfer or ownership, or by rental, lease or lending), or attempts to recreate all or a portion of these Copyrights shall constitute a breach of this Agreement and an infringement of the rights of the Company in and to the Marks and to the Copyrights. You may not use the subject matter of any of the Patents in any other manner not expressly authorized by us in writing. You must agree to mark all products and equipment as directed by us in a legible manner in some conspicuous place with patent markings in compliance with the requirements of the United States patent laws. You shall not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or trade name or any Internet-related use such as an electronic media identifier, for websites, web pages or domain names not expressly authorized by us in writing, or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you under this Agreement), or in any modified form or in any other manner; nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by the Company. You must prominently display the Marks in the manner prescribed by the Company, to give these notices of trade and service mark registrations as the Company specifies and to obtain these fictitious or assumed name registrations as may be required under applicable law. In addition to all other rights we may have for unauthorized use of the Marks or the sale of unauthorized products or services, you must reimburse us for any damages, liability or expenses incurred by us arising out of your sale of any unauthorized product or service or for any damages, liability or expenses incurred by us arising out of your use of the Marks in an unauthorized manner. If any of the fees payable pursuant to Section 6 are for the right to use the System Standards, these fees are all-inclusive and are not allocated among any of the various rights, including the Marks or any components of the Marks, that compromise the System Standards.

You and your Entity Owners acknowledge that Franchisor is the lawful, rightful, and sole owner of the www.cascadefamily.com domain name and unconditionally disclaim any ownership interest in that phrase or any similar Internet domain name, including www.cascadeimaging.com. You and your Entity Owners agree not to register any Internet domain name in any class or category that contains the words Cascade Family Dental or any abbreviation, acronym, or variation of those words.

You and your Entity Owners agree to use the Portal, in strict compliance with the standards, protocols and restrictions we include in the Operations Manual. You and your Entity Owners agree to implement all reasonable procedures we periodically prescribe to prevent unauthorized use and strict compliance with the standards, protocols and restrictions we include in the Operations Manual regarding the use of the Portal among your Practice's Owners, dental hygienists, dental assistants, administrative staff and the like.

You and your Entity Owners recognize and understand the crucial importance of a user's not transmitting Confidential Information, documents or data via the Portal or Internet without first encrypting the transmission with the encryption program we may either require you to purchase or approve of your purchase. You and your Entity Owners recognize and understand the crucial importance of a user's refraining from making derogatory, defamatory, or libelous statements in an Intranet or Internet

transmission.

C. NOTIFICATION OF INFRINGEMENT AND CLAIMS.

You shall immediately notify the Company of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you shall not communicate with any person other than the Company and its counsel in connection with any infringement, challenge or claim. the Company shall have sole discretion to take action as it or they deem appropriate and shall have the right to exclusively control any litigation or U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You must sign any and all instruments and documents, render assistance and do such acts and things as may, in the opinion of the Company's counsel, be necessary or advisable to protect and maintain the interests of the Company in any litigation or proceeding or to otherwise protect and maintain the interests of the Company in the Marks.

D. INDEMNIFICATION OF FRANCHISEE.

The Company agrees to indemnify you against and to reimburse you for all damages for which you are held liable in any proceeding arising out of his use of any Mark, pursuant to and in compliance with this Agreement and for all costs reasonably incurred by you in the defense of any claim or in any proceeding in which you are named as a party, provided that you have timely notified the Company of this claim or proceeding and have otherwise complied with this Agreement. The Company is entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement, and if the Company undertakes to prosecute, defend and/or settle any matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

E. DISCONTINUANCE OF USE OF THE MARKS.

If it becomes advisable at any time in the Company's sole discretion for the Company and/or Franchisee to modify or discontinue use of any Mark and/or use one or more additional or substitute elements of the Mark due to priority of use by another party of the same or a confusingly similar mark, and/or use one or more additional or substitute trade or service marks, you must comply within fourteen days after notice by the Company of its modification or discontinuance of any Mark. Neither the Company nor any of its Affiliates shall have any liability or obligation whatsoever with respect to any required modification or discontinuance of use of any of the Marks or the promotion or use of a substitute Mark, except as otherwise provided in Section 5D hereof.

6. FRANCHISE FEES.

A. INITIAL FRANCHISE FEE.

You shall pay to the Company a nonrecurring and nonrefundable initial franchise fee of **\$60,000** payable when you sign this Franchise Agreement. The initial franchise fee shall be fully earned by the Company.

B. ROYALTY AND SERVICE FEES (ROYALTY FEES).

During the entire term of this Agreement, you shall pay to the Company a continuing fee equal to a percentage of the monthly Gross Collections of the Practice (the "**Royalty Fee**") as described in this paragraph. During the term of this Agreement, you shall pay to the Company a Royalty Fee equal to six percent (6%) of monthly Gross Collections of the Practice. Payment shall be due monthly on or before the

10th day of each month for the preceding calendar month. Any payment or report not actually received by us on or before this date shall be deemed overdue. If any state imposes a sales or use tax on continuing royalties, then you must pay for or reimburse us for these taxes imposed on the Royalty Fee due to us under this Agreement. Franchisee shall be entitled to a reimbursement, or offset against further Royalty Fees, as determined by Franchisor, in an amount equal to one percent (1%) of the Gross Collections for a calendar year for each of the following conditions that are satisfied with respect to such calendar year:

(1) Franchisee performed pro bono, or charitable, dental services in an amount equal to at least three percent (3%) of Gross Collections for such year to an unrelated person who does not have dental insurance and could not otherwise afford dental services. Franchisor may from time to time revise the standards for determining whether an individual qualifies for the charitable or pro bono dental services contemplated by this paragraph; and/or

(2) The Owners each fulfilled at least two (2) times the minimum continuing education requirements established by the applicable licensing agency for such Owners.

As set forth under Section 3D, you acknowledge that we have the right to transfer information from your Practice's systems via a remote-access, e-mail, web-based programs and protocols, Internet, the Portal, or other types of electronic data transfer to determine your Practice's Royalty Fee for the previous month. We have the right to access your Practice's records at any time to observe your Practice's Gross Collections and other financial information, at our sole discretion, and you must set up your systems to maintain and facilitate this Polling. "**Gross Collections**" shall mean the aggregate amount of all collections of the Practice from its patients. Gross Collections include cash, credit, check, services, property or other means of exchange. The fair market value of any non-cash item shall be determined as agreed by the parties. In the event of any disagreement, Franchisor may retain an independent third party appraiser to appraise the value of such item using customary methodologies. Franchisee shall pay the costs of the appraisal. The appraiser's valuation shall be binding upon the parties.

#### C. INTEREST AND LATE FEES.

If any payment is overdue, you shall pay to us, in addition to the overdue amount, interest on this amount from the date it was due until paid, at a rate which is stated below or the maximum rate permitted by law. Entitlement to this interest shall be in addition to any other remedies we may have. Your failure to have sufficient funds available in the designated account in an amount equal to any amount then due or your failure to pay all amounts when due, constitutes grounds for termination of this Agreement, as provided in Section 15 and 16, notwithstanding the provisions of this Paragraph. To compensate the Company for its increased administrative costs of handling late payments, the Company shall have the right to charge a fee of \$100 for each delinquent payment to the Company, due upon making the delinquent payment. All Royalty Fees and other contributions, and all other amounts which you owe to the Company shall also bear interest after due date at the highest applicable legal rate for open account business credit, not to exceed 1.5% per month. You acknowledge that this Paragraph shall not constitute the Company's agreement to accept these payments after same are due or commitment by the Company to extend credit to, or otherwise finance your operation of, the Practice. You shall also pay a \$25.00 late fee for each delinquent report, due when the report becomes delinquent and shall incur an additional \$25.00 late fee for each period that the report continues to be delinquent. We may require you to pay any and all late fees by way of automatic withdrawal (ACH) from an account designated by you.

#### D. APPLICATION OF PAYMENTS.

Notwithstanding any designation by you, the Company shall have the sole discretion to apply any payments by you to any past due indebtedness of you for Royalty Fees, advertising contributions, purchases

from company, interest or other indebtedness. The Company also has the right to direct the method of payment of any amounts due to us or our Affiliates from you under this Agreement, including Royalty Fees due, through payment by automatic withdrawal (ACH) or wire transfer from an account designated by you. All costs and expenses of establishing and maintaining this designated account, including transaction fees and wire transfer fees, shall be paid by you. You must complete any form necessary to authorize and direct its bank or financial institution to pay and deposit any payments due to the Company directly to the Company's account. The Company's current form of ACH authorization is attached as Exhibit G. If payments are made by automatic withdrawal, you must retain sufficient funds in its account to cover all these withdrawals. If sufficient funds are not available in the designated bank account at the time of an electronic transfer to pay fees that are due to us or our Affiliates, we have the right to charge a service fee, subject to applicable law. Also, as stated in Section 6C, you acknowledge that your failure to have sufficient funds available in the designated account in an amount equal to any amount then due or your failure to pay all amounts when due, constitutes grounds for termination of this Agreement, as provided in Sections 15 and 16, notwithstanding the provisions in Section 6C. You agree that you will not withhold payment of any amount due and payable to us on the grounds that we have not performed any of our obligations under this Agreement.

7. **YOUR ORGANIZATION AND MANAGEMENT.**

A. **ORGANIZATIONAL DOCUMENTS.**

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you and each of your Owners represent, warrant, and agree that: (1) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state in which your Practice is located; (2) you have the authority to sign and deliver this Agreement and to perform your obligations hereunder; (3) true and complete copies of the articles or certificate of incorporation, articles of organization, operating agreement or principles, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control ("Organizational Documents") shall be promptly delivered to us for our approval, which approval shall not be unreasonably withheld; (4) any and all amendments, deletions and additions to your Organizational Documents shall be promptly delivered to us for our approval, which approval shall not be unreasonably withheld; (5) your activities are restricted to those necessary solely for the development, ownership and operation of Cascade Family Dental Practices in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates; (6) the articles or certificate of incorporation, articles of organization, operating agreement or principles, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; (7) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to these restrictions; and (8) you will deliver to us a Secretary/Clerk's Certificate or other evidence satisfactory to us, that the signing, delivery and performance of this Agreement and all other agreements and ancillary documents contemplated hereby or thereby have been duly authorized by all necessary action by your corporation, partnership, limited liability company or other legal entity, as applicable.

B. **DISCLOSURE OF OWNERSHIP.**

If Franchisee is an entity (a corporation, general partnership, joint venture, limited partnership, limited liability partnership, limited liability company, trust, estate or other business entity), then Franchisee will complete the Ownership Addendum attached as Exhibit B, which identifies each of its

Entity Owners, and each of its Entity Owners must sign the Company's then-current form of Personal Guaranty.

You and each of your Owners represent, warrant and agree that Exhibit B is current, complete and accurate. You agree that an updated Exhibit B will be furnished within thirty days of any change, so that Exhibit B (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes a Owner must sign a guaranty in the form we may choose to prescribe, undertaking to be jointly and severally bound by the terms of this Agreement, the current form of which is attached as Exhibit C. Each Owner must be an individual acting in his/her individual capacity, unless we waive this requirement.

C. MANAGEMENT OF PRACTICE.

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate in Exhibit B as the "Owners" the individual dentists approved by us who must: (1) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), your equity; (2) have the authority to bind you regarding all operational decisions with respect to your Cascade Family Dental Practice(s); and (3) have completed our training to our satisfaction.

You (or your Owners): (1) shall exert your full-time and best efforts to the development and operation of your Practice and all other Cascade Family Dental Practices you own; and (2) may not engage in any other dental practice or business activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. You must provide us with a copy of any proposed arrangement, agreement or contract, and all amendments, with your Owners for our prior review and approval, and upon approval thereof, signed copies thereof. The agreement should include a provision that if the Owner no longer practices dentistry with you, for whatever reason, he/she shall not for a period of two years after this termination, recruit or hire any person who is an employee of yours, ours, or any Cascade Family Dental Practice operated by us, our Affiliates, or any franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason. We shall have no responsibility, liability or obligation to any party to any arrangement, agreement or contract, or any amendments, on account of our approval thereof or otherwise, and you must indemnify and hold us harmless with respect thereto. Your Practice at all times must be managed by you (or your Owners).

D. PRACTICE ORGANIZATION.

Only dentists licensed to practice in the state in which the Practice is located may be Owners. All Owners must be in good standing with any regulatory or governmental authority with jurisdiction over the Practice

8. CASCADE FAMILY DENTAL OPERATING STANDARDS.

A. CONDITION OF YOUR PRACTICE.

You must maintain the condition and appearance of your Practice consistent, in accordance with the Operations Manual, with the image of a Cascade Family Dental Practice as an attractive, clean, family friendly, and efficiently operated dental practice, and courteous service. You must maintain your Practice's condition and appearance and to make these modifications and additions to its layout, decor, operations, and general theme as we periodically require, including interior and exterior repair and appurtenant parking areas, periodic cleaning of your Practice premises, replacement of worn out or obsolete leasehold

improvements, fixtures and signs and periodic redecorating. If at any time the general state of repair, appearance, or cleanliness of your Practice, or its fixtures, equipment, furniture, signs or utensils, does not meet our standards, we may notify you and specify the action you must take to correct this deficiency. If, within ten days after receiving this notice, you fail or refuse to initiate the requested action(s), we reserve the right to enter the Premises and do this maintenance on your behalf and at your expense. You must promptly reimburse us for this expense. We may collect payment for this expense by pre-authorized electronic bank transfer from your general account. You must notify the Company of any repairs or maintenance services required for your Practice. The Company may, in its discretion, engage a third party contractor to perform regular maintenance inspections. The costs of such inspections (and any repairs made in connection with such inspections) shall be paid from the Maintenance Fund (as defined below). If the Maintenance Fund is not sufficient to cover the costs of any such inspections or repairs, you shall be obligated to pay, or reimburse the Company, for the cost of any such inspections or repairs to the extent the Maintenance Fund does not have sufficient funds.

At our request, during each five year period after this Agreement becomes effective, you must complete any renovation, repair, modernization, and improvement of your Practice and its fixtures, equipment, furniture, and signs as we may deem appropriate. This work may include, without limitation, replacement or addition of signs, equipment, furnishings, fixtures, finishes, and decor items, both interior and exterior, and redesign of the layout of your Practice, to reflect the then-current design standards and image of a Cascade Family Dental Practice. The maximum amount you must spend on this mid-term refurbishment work during each such five year period is Ninety Thousand Dollars (\$90,000). Such costs shall first be paid from the Maintenance Fund for your Practice, but if the Maintenance Fund is not sufficient, then you will be obligated to pay for any costs necessary for such refurbishment.

You agree not to make any material replacements of or alterations to the Premises, leasehold improvements, layout, fixtures, furnishings, signs, equipment, or appearance of the Practice as originally developed in accordance with the plans and specifications furnished by us without prior written approval by us.

#### **B. UNIFORM IMAGE.**

You agree that your Practice will provide dental services consistent with the Cascade Family Dental concept that we periodically determine to be appropriate for your Practice unless you receive written authorization to do otherwise. You must display in your Practice all the advertising and marketing materials we provide you pursuant to Section 10 for use by Practices. You further agree that your Practice will not, without our approval, offer any products or services (including promotional items) not then authorized by us. Your Practice may not be used for any purpose, other than the operation of a Cascade Family Dental Practice in compliance with this Agreement. You agree that your Practice will offer courteous and efficient service and a pleasant ambiance, consistent with your acknowledgments in Section 1B. You must ensure that all of your Practice's employees follow our grooming and dress code in accordance with the Operations Manual. You must maintain your Practice's business hours and days of operation in accordance with the Operations Manual, unless we grant you a written exception.

#### **C. PURCHASE OF OTHER PRODUCTS.**

You acknowledge and agree that the reputation and goodwill of Cascade Family Dental Practices are based on, and can be maintained only by providing high quality dental care. Therefore, you agree that your Practice will use only supply products, forms, labels, and suppliers approved by us (which may include us and/or any of our Affiliates). We may periodically modify the list of approved brands and/or suppliers in our sole discretion. After notice of this modification, you may not reorder any brand or reorder

from any supplier that is no longer approved.

If you propose to use any brand and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning this brand and/or supplier so that we can decide whether this brand complies with our specifications and standards and/or this supplier meets our approved supplier criteria. We have the right to charge reasonable fees to cover our costs. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We may impose limits on the number of suppliers and/or brands for any of the foregoing items.

We may conduct market research to determine trends and viability of new services. You must cooperate by participating in our market research programs; by test marketing new products and services in your Practice and providing us timely reports and other relevant information regarding this market research.

We have the right, in addition to any amounts received by us from suppliers or distributors as to receive rebates, marketing fund contributions or other payments from suppliers, distributors and other service providers based (directly or indirectly) on sales to you and company owned Practices. We may negotiate purchase arrangements from suppliers or service providers for the benefit of franchisees. If a specific arrangement is worked out and discounts or rebates are offered to Cascade Family Dental practices, then we may retain a portion of the discounts as determined by us in our discretion. We may obtain the benefit of such rebates or discounts by receiving payment directly from a supplier or service provider or by receiving payment from you by the 10<sup>th</sup> of the month for purchases in the preceeding month.

#### D. SPECIFICATIONS AND STANDARDS.

You acknowledge that each and every aspect of the interior and exterior appearance, layout, decor, services and operation of your Practice is important to us and is subject to our specifications and standards. Consequently, you must comply with all mandatory System Standards and other specifications, standards and operating procedures and other obligations that we periodically prescribe (whether contained in the Operations Manual or any other written or oral communication to you), unless we grant you a written exception. More particularly, you must comply with all mandatory specifications, standards and operating procedures, as periodically modified relating to the appearance, function, cleanliness or operation of a Cascade Family Dental Practice, including: (1) dental procedures and patient service; (2) advertising and promotional programs; (3) qualifications, appearance, uniforms and dress of employees; (4) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of your Practice and its fixtures, equipment, furnishings, decor and signs; (5) days and hours of operation; (6) bookkeeping, accounting, and record keeping systems and forms; (7) training system for dentists and staff; and (8) supply ordering procedures.

You must display at the location in your Practice as we designate, a placard of the size we prescribe containing the following statement: "This dental practice is owned and operated by a franchisee under a license from Cascade Family Dental." You shall never make a statement or representation to any person that is contrary to or inconsistent with Section 5 of this Agreement.

As soon as you obtain a telephone number for the Practice, you will sign and deliver to us the Assignment of Telephone Number(s) for the number(s) attached at Exhibit H. If your Practice's telephone number changes during the Term, or if you add additional lines for a modem, fax, or other purposes, you will promptly sign and deliver to us a new Assignment of Telephone Number(s) for the new or additional number(s).



E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Practice and shall operate the Practice in full compliance with all applicable laws, ordinances and regulations including all government regulations relating to occupational hazards and health, workers compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. You shall, in all dealings with the patients, the suppliers, the Company and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You must refrain from any business or advertising practice which may be injurious to the Company and the goodwill associated with the Marks and other Cascade Family Dental Practices. You shall immediately notify the Company in writing of: (1) any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency other governmental instrumentality, which may adversely affect the development, occupancy, operation or financial condition of Franchisee or the Practice; or (2) the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those relating to health or sanitation at your Practice.

F. PERSONNEL.

Your Practice must be staffed by a sufficient number of competent dental hygienists and dental assistants who are successful graduates of the appropriate certified training programs. You (or your Owners) at all times must remain active in overseeing the operations of your Practice. Any successor Owners must meet our approval and must successfully complete our training program. You are solely responsible for all employment decisions with respect to your Personnel, including hiring, firing, compensation, training, supervision and discipline, and regardless whether you receive advice from us on any of these subjects. You may not recruit or hire any person who is an employee of ours or of any Cascade Family Dental Practice operated by us, our Affiliates or another franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason. Likewise, we may not recruit or hire any person who is an employee of yours or your Affiliates without obtaining the employer's consent, which consent may be withheld for any reason.

G. INSURANCE.

You must maintain in force: (1) comprehensive, general and product liability insurance; (2) all risk property insurance, including fire and extended coverage, vandalism and malicious mischief insurance for the replacement value of your Practice and its contents; and (3) other insurance policies, such as professional liability insurance, business interruption insurance, automobile, unemployment insurance and worker's compensation insurance as we may determine. All insurance policies must: (1) be issued by carriers approved by us; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we periodically prescribe; (3) name us and our Affiliates as additional insureds; (4) provide for thirty days' prior written notice to us of any material modification, cancellation or expiration of this policy; and (5) include such other provisions as we may require.

Upon 30 days prior notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional kinds of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. You shall submit to us before the Practice opens, and annually thereafter, a copy of the certificate or of other evidence of the renewal or extension of each insurance policy. If you at any time fail or refuse to maintain in effect any insurance coverage required by the Company, or to furnish satisfactory evidence of it, the Company, at its option and in addition to its other rights and remedies under this Agreement, may, but need not, obtain this insurance coverage on behalf of you, and you shall promptly sign any application or other forms or

instruments required to obtain any insurance and pay to the Company, on demand, any costs and premiums incurred by the Company. At our request, you must furnish us with evidence of insurance coverage and payment of premiums as we require. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may, but need not, obtain insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain these insurance policies, promptly sign any application or other forms or instruments required to obtain any such insurance, and pay us, on demand, any costs and premiums we incur.

Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your obligations under Section 17B.

#### H. QUALITY CONTROL

We may, in our sole discretion, establish “quality control” programs, or web based Patient Satisfaction Measurement program, a “patient intercept” program and/or patient focus groups, to ensure the highest quality of service in all Cascade Family Dental Practices. You must participate in any such quality control programs, and bear your pro-rata share, as determined by us in our sole discretion, of the costs of any such program. We reserve the right to publish or disclose to other franchisees, in any manner or format that we deem appropriate in our sole discretion, any information that we collect, produce or maintain in connection with these “quality control” programs. We also reserve the right to publish or disclose to third parties in an aggregate anonymous format any information that we collect, produce or maintain in connection with these “quality control” programs.

#### I. PROVISIONS CONCERNING COMPLIANCE WITH ANTI-TERRORISM LAWS

You, your Owners and your Affiliates agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with this compliance, you, your Owners and your Affiliates certify, represent, and warrant that none of your property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that you, your Owners, and your Affiliates are not otherwise in violation of any of the Anti-Terrorism Laws.

For the purposes of this Section 8I, “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

You, your Owners and your Affiliates certify that none of you, your Owners and your Affiliates, your employees, or anyone associated with you is listed in the Annex to Executive Order 13225. You agree not to hire any individual who is listed in the Annex. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>).

You, your Owners, and your Affiliates certify that you have no knowledge or information that, if generally known, would result in you, your Owners and your Affiliates, your employees, or anyone associated with you to be listed in the Annex to Executive Order 13224.

You, your Owners, and your Affiliates are solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in Section 17B of this Agreement pertain to your obligations under this Section 8I.

Any misrepresentation by you under this Section 8I or any violation of the Anti-Terrorism Laws by you, your Owners and your Affiliates, or your employees shall constitute grounds for immediate termination of this Agreement and any other Agreement you have entered with us or one of our Affiliates, in accordance with the terms of Section 15A of this Agreement.

9. **RESTRICTIVE COVENANTS.**

A. **CONFIDENTIAL INFORMATION.**

You acknowledge that we possess proprietary knowledge consisting of the methods of dental care and operating procedures of Cascade Family Dental Practices, and other confidential information. We may disclose Confidential Information to you, your Owners, or your personnel in the training program, Operations Manual and/or in guidance furnished to you during the term of the Agreement.

We will disclose parts of our Confidential Information to you solely for your use in the operation of your Practice. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter: (1) you and your Owners may not use the Confidential Information in any other business or capacity (you and your Owner's acknowledge this use is an unfair method of competition); (2) you and your Owners must maintain the confidentiality of the Confidential Information; (3) you and your Owners may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic, or other form; (4) you and your Owners must implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of the Confidential Information, including the use of non-disclosure/non- compete agreements with your Owners, officers, directors, dental hygienists, dental assistants, administrative personnel, and the like, and you and your Owners must deliver these agreements to us; (5) you and your Owners must not disclose during or after the Term of the franchise any of the Confidential Information; (6) you, your Owners, dental hygienists, dental assistants, administrative personnel, and all other personnel may be required to sign a standard confidentiality agreement for any trade secrets and confidential information herein described and to conform with the covenants not to compete; (7) you and/or your Owners must immediately notify us if there is an improper disclosure and if it is determined that there was negligence in protecting the behavior, you can be sued for damages; and (8) you and your Owners acknowledge that we have no obligation to reimburse you or provide any remuneration for implementing all reasonable procedures that we periodically prescribe to prevent unauthorized use or disclosure of the Confidential Information.

At the end of the Term, you and your Owners must deliver to us all this Confidential Information in your possession or control. Your restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the dentistry (other than through your own disclosure), provided you obtain our prior written consent to this disclosure or use. If any of the Confidential Information which has been disclosed to you pursuant to this Agreement becomes generally known in the dental industry other than through your default in the obligations under this Agreement, and you desire to be released from the secrecy obligations under this Section in respect to this information, we will not unreasonably withhold our consent to this release.

B. **IN-TERM COVENANTS.**

You agree and acknowledge that the Company would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Cascade Family Dental Practices if franchised owners of Cascade Family Dental Practices or the dentist or other key personnel of your Practice and Entity were permitted to hold interests in or perform services for a Competitive Business. You also agree that we have granted the franchise to you in consideration of and reliance upon your agreement to deal exclusively with us in any business similar to Cascade Family Dental. Therefore, you agree (and agree to cause any Entity Owner if Franchisee is an Entity, and each other Restricted Person), during the term of this Agreement, not to have any direct or indirect interest in a Competitive Business, or perform services of any type as an owner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business. The restrictions of this Section and the definition of Competitive Business will not apply to: (1) the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent two percent or less of the number of shares of that class of securities issued and outstanding; or (2) the ownership or operation of other Cascade Family Dental Practices that are licensed or franchised by us or any of our Affiliates. Further, you agree during the term of this Agreement that you shall not hire any employee who, within the immediately preceding six months, was employed by the Company or any other franchisee or licensee of us, without obtaining the prior written permission of us or the franchisee or licensee pursuant to Section 4C of this Agreement.

**C. INFORMATION EXCHANGE.**

All processes, ideas, concepts, methods, techniques, or materials used or useful to a dental practice, whether or not constituting protectable intellectual property, that you create, or that are created on your behalf, in connection with the development or operation of your Practice must be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and deemed to be works made-for-hire for us. You must sign whatever assignment or other documents we request to evidence our ownership or to assist us in securing intellectual property rights in these recipes, processes, ideas, concepts, methods, techniques, or materials.

**10. MARKETING AND ADVERTISING.**

**A. GENERAL FUND.**

We may, in our sole discretion, establish and administer a General Marketing Fund (the “GMF”) not to exceed two percent (2%) of Gross Collections for the month together with the Royalty Fees and other payments due hereunder for such month, payable on the 10th day of the following month. At our discretion, GMF contributions may be electronically drafted or transferred from the designated account referred to in Section 6D hereof. The GMF shall be our exclusive property and shall be used by us to cover costs of, among other things, all marketing and advertising activities that, in our sole and absolute discretion, we deem necessary or desirable for the marketing of our brand, including without limitation the activities and materials described in Section 10B below. The funds in the GMF may be used to promote the brand generally and we shall not be obligated to use the funds in a proportionate direct benefit to each franchisee based on the amount paid by a franchisee.

**B. LOCAL MARKETING FUND (LMF) NATIONAL MARKETING FUND (NMF).**

Although we do not currently have a separate local marketing fund (“LMF”) or national marketing fund (“NMF”), we may, in our sole discretion, during the term of this Agreement, establish and administer a LMF and/or NMF for the creation and development of marketing, advertising and related programs and materials, including electronic, print and Internet media as well as the planning and purchasing of advertising, including television, radio, Internet, newspaper, billboards, posters, business cards, direct mail,

collateral and promotional items, and advertising on public vehicles (transit and aerial). Upon the establishment of an LMF and/or NMF you must contribute amounts that we periodically establish, up to two percent of Gross Collections to each such fund, and payable on the first business day following the immediately preceding month together with the Royalty Fees due hereunder. At our discretion, LMF and/or NMF contributions may be electronically drafted or transferred from the designated account referred to in Section 6D hereof. Cascade Family Dental Practices owned by us and our Affiliates shall contribute to the NMF on the same basis as the then-current rate for franchisees. We reserve the right to increase or modify the two percent maximum limit on LMF and/or NMF contributions in the future by gaining an approval vote by either (1) sixty-six percent of all then-existing company, company-affiliated, and franchised Cascade Family Dental Practices or (2) fifty-one percent of all then-existing franchised Cascade Family Dental Practices. Voting will be accomplished through a system of one vote per eligible Cascade Family Dental Practice.

The LMF and/or NMF will be accounted for separately from our other funds. All disbursements from the NMF shall be made first from income and then from contributions. While our intent will be to balance the LMF and/or NMF on an annual basis, the LMF and/or NMF may periodically run at either a surplus or deficit. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Cascade Family Dental Practices to the LMF and/or NMF in that year, and the LMF and/or NMF may borrow from us or other lenders to cover deficits in the LMF and/or NMF or cause the LMF and/or NMF to invest any surplus for future use by the LMF and/or NMF. We will prepare annually a statement of monies collected and costs incurred by the LMF and/or NMF and furnish a copy to you upon your written request. Except as otherwise expressly provided in this Section 10C, we assume no direct or indirect liability or obligation with respect to the maintenance, direction or administration of the LMF and/or NMF. We do not act as trustee or in any other fiduciary capacity with respect to the LMF and/or NMF.

We will seek the advice of owners of Cascade Family Dental Practices by formal and/or informal means with respect to the creative concepts and media used for programs financed by the NMF. At our discretion, we may establish a Marketing Advisory Council ("MAC"). Members of the MAC are appointed by us and the MAC serves only in an advisory capacity. The final authority on all programs financed by the NMF will rest with us, and we will have sole discretion over all aspects of these programs, including national or regional media, creative concepts, materials, endorsements, agencies and suppliers. We have the right to change or dissolve the MAC.

#### C. ADVERTISING APPROVALS AND INITIAL ADVERTISING COSTS.

You acknowledge that all advertising and promotional materials will be sourced solely through us. You must submit to us for our prior approval a marketing plan and samples of all advertising and promotional materials not prepared or previously approved by us and which vary from our standard advertising and promotional materials by following the procedures that are in place at the time of submittal. If you elect to work with a marketing firm (including an advertising agency or public relations firm), you must obtain our written approval of this marketing firm and this marketing firm must sign a Cascade Family Dental approved confidentiality agreement before you sign any contracts or share any Confidential Information with this marketing firm. This marketing firm or agency shall not under any circumstances be given access to any of our proprietary limited access intranet sites, if any, or any other information we deem inappropriate. You may not use any advertising or promotional materials that we have not approved.

We may establish a creative process in which you will submit requests for advertising and promotional materials for your Practice. You must follow this process when established. You will find this process in the Operations Manual. We will try to meet your requests by using existing marketing collateral and/or customizable marketing templates. As part of the creative process, you acknowledge that we may

incur costs in customizing the proposed advertising and promotional materials. We reserve the right to charge for these customized revisions of the advertising and promotional materials. Additionally, if your creative marketing requests fall outside the scope of, and cannot be adequately met with, existing collateral and marketing templates, we will charge you a customized marketing development fee and will provide you with an estimate of this fee at the outset of the project. If your project exceeds available resources or the timeline we provide, you must pay this customized marketing development fee to complete your custom marketing project.

If you default under this Agreement, fail to pay any and all amounts due and payable to us or our Affiliates, or fail to comply with any other provision of this Agreement, we may elect not to provide you marketing and advertising assistance for your Practice's grand opening or on an ongoing basis. Until such time as you pay your outstanding obligation in full or cure this default, we may not permit you to open your Practice.

#### D. ADVERTISING ASSOCIATIONS.

We have the right, at our sole discretion, to establish or approve local and/or regional advertising associations for Cascade Family Dental Practices in your local or regional areas, covering these geographic areas as we may periodically designate. You must participate in any such association at the time your Practice opens for business, and you must immediately become a member of this association. If an association applicable to your Practice is established during the term of this Agreement, you must become a member no later than thirty days after the date approved by us for the association to commence operation. The following provisions shall apply to each association:

(1) Each association shall use a voting system of one vote per eligible Cascade Family Dental Practice.

(2) Each association shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by us in writing. No changes in the by-laws or governing documents of an association shall be made without our prior written consent.

(3) Each association shall be organized for the exclusive purpose of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in association.

(4) No advertising or promotional plans or materials may be used by an association or furnished to its members without prior approval by us pursuant to Section 10D (6) below.

(5) You and each other member of the association shall contribute to the association, using a collection structure selected and established by us, the amount determined in accordance with the associations, by-laws. Any Cascade Family Dental Practices owned by us or any of our Affiliates located in these designated local or regional area(s) will contribute to the association on the same basis. If we provide you and your association ninety days' notice of a special promotion, including any regional promotions, you must participate in this promotion and pay to us any special promotion advertising fees assessed in connection therewith, beginning on the effective date of this notice and continuing until this special promotion is concluded. Any such special promotion advertising fees shall be in addition to, and not credited towards, the required contributions to the GMF.

(6) All advertising and promotion by you and the associations shall be in such media and of such type and format as we may approve, shall be conducted in a dignified manner, and

shall conform to such standards and requirements as we may specify. You or the association shall submit written samples of all proposed advertising and promotional plans and materials to us for our approval (except with respect to prices to be charged) at least thirty days before their intended use, unless these plans and materials were prepared by us or have been approved if they have not been disapproved by us within fifteen days after their receipt by us.

(7) At our request, you shall furnish us with copies of this information and documentation evidencing your association contributions as we may require to evidence your compliance with this Section 10D.

E. PROMOTIONS.

You must participate in all promotions and advertising campaigns required by us, whether on a test, temporary or permanent basis, and to maintain adequate inventories of all products identified by us as part of this promotion or advertising campaign. You must display in your Practice all advertising marketing materials we provide you pursuant to this Section 10 for use by Practices.

F. FRANCHISEE WEBSITES.

You may not promote, offer, or sell any products or services relating to your Practice, or use any of the Marks, through the Internet without our consent. You and your Entity Owners agree not to register any Internet domain name in any class or category that contains the words Cascade Family Dental or any abbreviation, acronym, or variation of those words. Also, you and your Entity Owners agree not use any email address or alias that contains the words Cascade Family Dental or any abbreviation, acronym, or variation of those words except those we have authorized.

G. CASCADE FAMILY DENTAL WEBSITE AND INTRANET.

We have established and maintain the Cascade Family Dental Website (the “Website”) to provide information about Cascade Family Dental. Also, we will have control over the Cascade Family Dental Website’s design and contents. We will have no obligation to maintain the Website indefinitely, and may dismantle it at any time. We have the right to modify or discontinue the Website or any of its functions if we determine that it becomes advisable at any time. We will have no liability or obligation whatsoever with respect to any required modification or discontinuance of the Website. Also, we are not obligated to reimburse you for any loss of goodwill associated with any modification or discontinuance of the Website. We may include pages on the Website that identify participating Practices by address and telephone number. We are the sole owners of and reserve the rights to access and use the information collected through the Cascade Family Dental Website. You will not have the capability or the right to modify the Website.

We have established and plan to maintain the Portal through which our franchisees may communicate with each other, we may disseminate updates to the Operations Manual and other confidential information, and members franchisees may purchase supplies, marketing and advertising material, merchandise and other things we deem appropriate. We may use the Portal to provide Practice rankings in the network of Cascade Family Dental Practices based on various data points tracked at any given time for the purpose of performance evaluation.

We will have no obligation to maintain the Portal indefinitely and may dismantle it at any time. We will have no liability or obligation whatsoever with respect to any required modification or discontinuance of the Portal. Also, we are not obligated to reimburse you for any loss of goodwill associated with any modification or discontinuance of the Portal. We may include pages on the Portal that identify participating

Franchisees and vendors by address, telephone number, and email address. You will not have the capability or the right to modify the Portal. We are the sole owners of and reserve the rights to access and use the patient information collected through the Portal.

Access to the Portal by your employees should be strictly limited. You acknowledge that you are responsible for all purchase orders placed by employees through the portal and agree to reimburse us for any and all unpaid purchases made through the Portal by your Practice.

We may require you to purchase and install necessary hardware, software, and other necessary additions to your computer system and to establish and continually maintain connection with the Portal that allows us to send messages to and receive messages from you. Your obligations to maintain connection with the Portal will continue until the Franchise Agreement's expiration or termination (or, if earlier, until we dismantle the Portal).

If you default under this Agreement, fail to pay any and all amounts due and payable to us or our Affiliates, or fail to comply with any other provision of this Agreement, we may remove information about your Practice from the Website, until such time as you pay your outstanding obligation in full or cure this default or we may temporarily suspend your access to any message board, directory, online supply catalog, or other features the Portal includes until such time as you fully cure the default. You must reimburse us for any and all purchases made through the Portal by your Practice. You acknowledge that you are responsible for all orders placed by employees through the Portal.

11. **MAINTENANCE FUND.**

We may, in our sole discretion, establish and administer a Maintenance Fund (the "Maintenance Fund") not to exceed four percent (4%) of Gross Collections for the month together with the Royalty Fees and other payments due hereunder for such month, payable on the 10th day of the following month. At our discretion, Maintenance Fund contributions may be electronically drafted or transferred from the designated account referred to in Section 6D hereof. The Maintenance Fund shall be our exclusive property and shall be used by us to cover costs of, among other things, maintaining of equipment, buildings, signage and technical support, including without limitation website and intranet development, and maintenance, administration and direction of the foregoing activities. For the avoidance of doubt, the Maintenance Fund may be used to changes signage in a manner determined by Franchisor in the event that the Franchisor determines to cease using the Marks and/or to change the Marks used under this Agreement.

12. **RECORDS, REPORTS, AND FINANCIAL STATEMENTS.**

A. **FRANCHISEE REPORTS/BOOKKEEPING SERVICES.**

Initially, you shall be required to use the practice management software that we designate and any other accounting or practice management software we require for the management of your Practice. On or before the tenth day of each month, you shall send us a back up copy of the records maintained using such software. The back up data shall be sent by either mailing a CD or DVD copy of such data or through an upload to the Portal, as determined by us in our sole and absolute discretion. In the event you fail to follow our procedures for reporting, as described below, or backing up and transmitting data to us, we may, in addition to any other remedies, we may require you to use our bookkeeping services (collectively "Bookkeeping Services") at the then-current fee.

We may require you to use our designated vendor to provide certain accounting and bookkeeping services to the Practice and for payroll services. You must comply with all requirements Franchisor prescribes with regard to said services. The fees associated with Bookkeeping Services do not include any



charges associated with cash management or payroll services. Franchisor reserves the right to designate different vendors for various portions of the Bookkeeping Services. This vendor will provide the following Bookkeeping Services on a period basis for the Practice: Balance Sheet; Profit and Loss Statement; Side-by-Side Analysis, Accounts Payable Register; Bank Reconciliation; Check Register; process Accounts Payable Checks; prepare necessary sales tax reports; prepare necessary personal property tax reports; and prepare necessary use tax reports. The vendor will review all period-end financial information before issuance to us. Such services may be performed on a quarterly and/or annual basis and you shall pay for the costs of all such services.

In order for a vendor to provide the most timely and useful information to the Practice, it is essential that the vendor receive information from you as soon as possible after the applicable accounting period closes. The vendor will provide the Bookkeeping Services to you within ten working days upon receiving the last information for the relevant accounting period.

Each week, if required in accordance with Franchisor's procedures, you must submit to the vendor completed Weekly Profitability worksheets; sales reconciliation report; credit card summary report, payroll changes and current hours worked; bank statements; manual check stubs with invoice copies; approved invoices to be paid; physical inventory count; and any other documents or reports required to properly record all transactions affecting the Practice's financial activity.

In consideration for the services the vendor provides to the Practice, you shall pay to Franchisor the sum of Five Hundred Dollars (\$500) per month due and payable at the same time and in the same manner as Royalties. Franchisor may increase the fee after twelve months following the date the Practice commences operations, and thereafter annually, to an amount equal to the market rate for similar services as determined by Franchisor.

If you fail to: (i) submit Practice-related items when required pursuant to this Section; or (ii) pay fees due to Franchisor for these services, Franchisor shall have the right to terminate the Agreement as provided in Section 15. Franchisor also shall have the separate and independent right to terminate Bookkeeping Services upon ninety days' written notice to you.

#### **B. RECORDS.**

You must establish and maintain a bookkeeping, accounting, record keeping and data processing system conforming to the requirements and formats that we prescribe. You must prepare and to maintain three years' complete and accurate books, records, (including invoices and records relating to your advertising expenditures) and accounts (using our then-current standard chart of accounts) for your Practice, copies of your state and federal income tax returns, daily cash reports, cash receipts journal and general ledger, cash disbursements journal and weekly payroll register, monthly bank statements and daily deposit slips and canceled checks, supplier invoices, dated cash register tapes (detail and summary), semiannual balance sheets and monthly profit and loss statements, daily production, leftover and donations records and weekly inventories, records of promotions and coupon redemptions, records of all corporate accounts, and such other records as we deem appropriate as relate to your Practice. All these books and records shall be kept at your principal address indicated on the first page of this Agreement, unless we otherwise approve. You acknowledge that we may require you to furnish these records to us.

You must furnish to us reports relating to your Practice by the delivery method and in a form and content as we have the right to periodically prescribe. In addition you must furnish us periodic reports, which include and are not limited to, the following:

(i) Gross Collections Reports. Monthly reports of Gross Collections due at the same time that Royalty Fees are due;

(ii) Monthly Dental Practice Management Reports. Monthly reports of statistical data required by the Company are due by the 10<sup>th</sup> of each month;

(iii) Monthly Financial Reports. Within 10 days after the end of calendar month, a profit and loss statement for your Practice for the previous month and a year-to-date statement of financial condition as of the end of the previous month;

(iv) Quarterly Reports. Within 10 days after the end of calendar quarter, a quarterly balance sheet and income statement and statement of cash flow of your Practice for such quarter, reflecting any adjustments and accruals;

(v) Annual Reports. Within 90 days after the end of each calendar year, (1) a year-end balance sheet and income statement and statement of cash flow for you and all of your Affiliates that develop, own or operate Cascade Family Dental Practices, all prepared in accordance with generally accepted accounting principles, consistently applied, reflecting all year-end adjustments and accrual; (2) similar information from all Entity Owners who have signed guarantees of this Agreement; and (3) these summaries of financial information as we may require;

(vi) Tax Returns. Within 10 days after the returns are filed, exact copies of federal and state income, sales and any other tax returns and the other forms, records, books and other information pertaining to the Practice as we have the right to periodically require;

(vii) Regulatory Reports. Within 10 days after receipt of any report relating to the Practice from any regulatory agency; and

(viii) Other Reports. Within 30 days of our request, such other information as we may periodically require, including income tax statements and a consolidated Business Plan for all Cascade Family Dental Practices that you and your Affiliates own or operate.

All accounting and other reports shall use our then-current standard chart of accounts and standard accounting methodologies and practices as outlined in the System Standards. Each report and financial statement will be signed and verified by you in the manner we specify. We reserve the right to publish or disclose information that we obtain under this Section in any data compilations, collections, or aggregations that we deem appropriate, in our sole discretion, if we do not disclose financial information relating to your individual Practice, unless this disclosure is required by law or order of a court. We also have the right to require your financial statements be audited, at your expense, by an independent certified public accountant approved by us. We have the right to determine the format and manner of submission of each report. In addition, we have the right to charge you a late fee for each delinquent report due to us, as further described above. Also, we have the right, but not the obligation, to provide you with analytical and comparative practice performance reports. The data we use to generate these reports are aggregated directly from information provided by franchise owners and third party sources. Therefore, it would be impossible to warrant the veracity of these reports. Ideal and theoretical labor and paper costs found in these reports are estimates and may or may not be accurate. You acknowledge that we do not warrant the reliance on the figures in these reports for your Practice.

We have the right to require you to create, prepare and continually update a business plan containing this information as we may require and presented in a format which we have approved ("Business Plan"). Your Business Plan must include, with respect to the Practice that you own and operate

under this Agreement as well as all Practices owned or operated by you or any of your Affiliates, your short-term and long-term goals in at least the following areas: your mission statement, sales building, patient satisfaction, operations, quality of service, staffing, training certification, human resources, marketing, development and initiatives.

C. RETENTION OF RECORDS.

You must prepare and to maintain, following the end of each fiscal year, complete and accurate books, records, (including invoices and records relating to your advertising expenditures) and accounts (using our then- current standard chart of accounts) for your Practice, copies of your sales tax returns and such portions of your state and federal income tax returns, daily cash reports, cash receipts journal and general ledger, cash disbursements journal and weekly payroll register, monthly bank statements and daily deposit slips and canceled checks, supplier invoices (detail and summary), semi-annual balance sheets and monthly profit and loss statements, daily production, records of promotions, records of charitable or discounted services, and other records as we deem appropriate as it relates to your Practice. These annual financial records shall be maintained for three years. All books and records shall be kept at your principal address indicated on the first page of this Agreement, unless we otherwise approve. You acknowledge that we may require you to furnish these records to us. You must keep full, complete and proper books, records and accounts of Gross Collections and of your operations at your Practice.

13. COMPANY'S RIGHT TO INSPECT THE PRACTICE; AUDITS.

A. INSPECTIONS.

To determine whether you are complying with this Agreement and with all System Standards and whether your Practice is in compliance with the terms of this Agreement, we and our designated agents have the right to, at any reasonable time and without prior notice to you:

- (i) Inspect the Premises and the Practice;
- (ii) Observe, photograph and video tape your Practice's operations for these consecutive or intermittent periods as we deem necessary;
- (iii) Remove samples of any materials or supplies for testing and analysis;
- (iv) Interview personnel and patients of your Practice; and
- (v) Inspect and copy any books, records and documents relating to the operation of your Practice.

You must cooperate fully with us in connection with any of our inspections, observations, photographing, videotaping and interviews. You also must cooperate fully with our representatives and independent accountants conducting audits.

You shall maintain readily available for inspection by the Company, and shall furnish to the Company upon its request, at these locations as the Company may reasonably request (including the Company's office), exact copies of all books and records, tax returns and documents relating to the development, ownership, lease, occupancy or operation of your Practice and of any corporation or partnership that holds the Franchise and shall afford the Company (and its agents), at any time during business hours, and without prior notice to you, full and free access to these books and records at the Practice. the Company (and its agents) shall have the right to make extracts from, and copies of, and to

audit, or cause to be audited, these books and records and shall have the right to communicate freely with Practice employees. You shall fully cooperate with representatives of the Company and independent accountants hired by the Company to conduct any inspection or audit. In the event any inspection or audit shall disclose an understatement of the Gross Collections of the Practice, you shall pay to the Company, within seven days after receipt of the inspection or audit report, the royalty and service fee and any advertising or other contributions due on the amount of this understatement, plus interest (at the rate and on the terms provided in Section 6) from the date originally due until the date of payment. Further, in the event this inspection or audit is made necessary by the failure of you to furnish reports, supporting records or other information, as herein required, or to furnish these reports, records or information on a timely basis, or if an understatement of Gross Collections for the period of any inspection or audit (which shall not be for less than three months) is determined by any inspection or audit to be greater than two percent, you shall reimburse the Company for the cost of this inspection or audit, including the charges of any attorneys, independent accountants and the travel expenses, room and board and compensation of employees of the Company. The foregoing remedies shall be in addition to all other remedies and rights of the Company under this Agreement or under applicable law.

**14. TRANSFERS /ASSIGNMENT.**

**A. TRANSFERS/ASSIGNMENTS BY US.**

This Agreement is fully transferable and/or assignable by us and will inure to the benefit of any transferee or assignee or other legal successor to our interest in this Agreement.

**B. RESTRICTIONS ON TRANSFERS BY YOU.**

Your rights and duties created by this Agreement are personal to you, or, if you are a business corporation, partnership, limited liability company or other legal entity, your Entity Owners. We have granted this Agreement to you in reliance upon our perceptions of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and, if you are not an individual, your Entity Owners. Accordingly, no Transfer will be made without our prior written approval. Any Transfer without our approval will constitute a breach of this Agreement and will be void and of no effect.

“**Transfer**” is defined, for purposes of this Agreement, as the voluntary or involuntary, direct or indirect transfer, assignment, sale, gift, pledge, mortgage, hypothecation or other disposition (including those occurring by operation of law and a series of transfers that in the aggregate constitute a Transfer) of any of your interest in this Agreement or of an Owner’s interest in you. Your Owners shall enter into and continue to be bound by a Buy and Sell Agreement in the form attached hereto as Exhibit J or in such other form approved by Franchisor, which shall provide for, among other things, the mandatory purchase by the other Owners of an Owner’s interest upon such Owner’s death or disability.

**C. CONDITIONS FOR APPROVAL OF TRANSFERS BY YOU.**

If we have not exercised our right of first refusal and if you are in full compliance with this Agreement, we will not unreasonably withhold our approval of a Transfer that meets all of the following requirements:

(i) Character. The proposed transferee and the individuals ultimately owning the transferee, if the transferee is an Entity, must be individuals of good moral character and otherwise meet our then-applicable standards for owners of Cascade Family Dental Practices. Also, the transferee must provide us on a timely basis all information we request;

(ii) Experience. The transferee and, if the transferee is an Entity, its Entity Owners must have sufficient business experience, aptitude and financial resources to operate a dental practice and comply with this Agreement;

(iii) Training. The transferee (or its owner(s)) must be licensed to practice dentistry and must have completed our required training program or must be currently certified by us to operate a Cascade Family Dental Practice to our satisfaction;

(iv) Satisfaction of Obligations. You have paid all amounts owed for purchases by you from us and our Affiliates and all other amounts owed to us or our Affiliates and third-party creditors;

(v) Execution of New Agreement or Assumption of Agreement. At our option, the transferee either has signed our then-current form of Franchise Agreement and related documents used in the state in which the Practice is located (which may provide for different royalties, advertising contributions and expenditure, duration and other rights and obligations than those provided in this Agreement) for a new term, and if the transferee is an Entity, each Entity Owner of the transferee has signed our then-current form of guaranty, or has agreed to be bound by and expressly assume all of the terms and conditions of this Agreement for the remainder of its term, and if the transferee is an Entity, each Entity Owner of the transferee has signed our then-current form of guaranty;

(vi) Payment of Transfer Fees. You have paid us a transfer fee equal to ten percent (10%) of the aggregate sales price for the Practice, the interest in the Practice (if you issue additional interests in the Practice) or the Transferring Owner's interest in you or the Practice if the Transfer occurs as the result of a sale of an interest by an Owner;

(vii) Execution of Termination Agreement and/or Release. At our option, you and your transferring Entity Owners, if you are an Entity, have signed our then-current form of termination agreement and/or general release, in form and substance satisfactory to us, unless limited or prohibited by applicable law, (which shall release us and our affiliates and our and their respective officers, directors, employees shareholders, successors, assigns, and agents from any and all claims);

(viii) Approval of Terms of Transfer. We have approved the material terms and conditions of the Transfer, including the price and terms of payment. However, our approval of a Transfer does not ensure the transferee's success as a Cascade Family Dental Practice franchisee nor should the transferee rely upon our approval of the Transfer in determining whether to acquire your Practice;

(ix) Subordination. If you (or your Entity Owners) finance any part of the sale price of the transferred interest, you and the Entity Owners have agreed that all obligations of the transferee under any promissory notes, agreements or security interests reserved by you (or your Entity Owners) will be subordinate to the transferee's obligations to us and our affiliates;

(x) Non-Competition Covenant. You and your Owners must sign a non-competition covenant, in form and substance satisfactory to us, in favor of us and the transferee agreeing that, for a period of two years, starting on the effective date of the transfer, you and your Owners will not directly or indirectly (such as through members of his/her or their Immediate Families) (i) own any legal or beneficial interest in, or render services or give advice to (1) any Competitive Business that is located in the Protected Area; (2) any Competitive Business that is located within five mile radius of any Cascade Family Dental Practice in operation or under construction as of the effective date of this transfer; or (3) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business; and (ii) recruit or hire any person who is an employee of ours or of any Cascade Family Dental Practice operated

by us, our Affiliates or any franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason;

(xi) Landlord Consent. If consent is required, the lessor of the Premises consents to the assignment or sublease of the Premises to the transferee;

(xii) Non-Use of Marks. You and your Entity Owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to Cascade Family Dental Practices owned and operated by you or them) identify yourself or themselves or any of their businesses as a current or former Cascade Family Dental Practice, or as a franchisee, licensee or dealer of us or our affiliates, use any Mark, any colorable imitation of any of the Marks or other indicia of a Cascade Family Dental Practice in any manner or for any purpose or use for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us;

(xiii) Refurbishment. You or the transferee has agreed to any refurbishment of the Practice required by us to bring the Practice in compliance with the then-current standards and trade dress;

(xiv) Practice Operation. You have completed development of your Practice and are operating your Practice in accordance with this Agreement;

(xv) Agreement Compliance. You, your Owners and Affiliates must be in compliance with the provisions of this Agreement and all other agreements with us or any of our Affiliates;

(xvi) Securities Exchange Act. The proposed transferee may not be an entity, or be affiliated with an entity, that is required to comply with reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(xvii) Material Terms and Conditions. We must not have disapproved the material terms and conditions of this transfer (including the price and terms of payment and the amount to be financed by the transferee in connection with this transfer, which shall not in any event exceed fifty percent of the purchase price for the assets or stock to be transferred) on the basis that they are so burdensome as to be likely, in our reasonable judgment, to adversely affect the transferee's operation of your Practice or its compliance with its franchise agreements, any area development agreements and any other agreements being transferred; and

(xviii) Other Conditions. You and your transferring Entity Owners, if you are an Entity, have complied with any other conditions that we periodically reasonably require as part of our transfer policies. You and your Entity Owners and Affiliates must sign such other documents and do such other things as we may reasonable require to protect our rights under this Agreement and under any area development agreement.

In connection with any assignment permitted under this Section, you will provide us with all documents to be signed by you and the proposed transferee at least thirty days before signing.

#### D. TRANSFER TO A WHOLLY-OWNED CORPORATION.

If you are in full compliance with this Agreement, you will have the right to transfer your rights in this Agreement to a corporation which will conduct no business other than the business contemplated by this Agreement, which you actually manage and in which you maintain management control and own and control 100% of the equity and voting power of all issued and outstanding capital stock. Transfers of shares

of this corporation will be subject to the provisions of this Section 14. Even though a transfer is made under this Section, you will remain personally liable under this Agreement as if the transfer to this corporation had not occurred. The articles of incorporation, by-laws and other organizational documents of the corporation will recite that the issuance and assignment of any interest in the corporation is restricted by the terms of this Section, and all issued and outstanding stock certificates of this corporation must bear a legend reciting or referring to these restrictions.

**E. DEATH OR DISABILITY OF FRANCHISEE.**

The Franchisee or the Owners must maintain life insurance policies on the life of each Owner naming either the Franchisee or the other Owners as beneficiaries of such policy. The life insurance policy benefit must be at least equal to the aggregate purchase price required to be paid by the Owner whose life is the subject of the policy in connection with his or her purchase of an interest in the Practice. If requested by Franchisor, at least once after the first two years, but before five years, of practicing with the Practice, the life insurance policy shall be amended or a new policy shall be obtained if necessary to provide that the death benefit is at least equal to fifty percent (50%) the aggregate collections actually received by the Practice and attributed to professional services rendered by the Owner for the twenty-four (24) calendar month period in such five year period which had the highest average monthly collections attributed to professional services rendered by the Owner. The policy shall remain in effect so long as the Owner practices with the Practice.

In accordance with the Buy Sell Agreement executed by the Owners, upon the death of an Owner, the executor, administrator, conservator or other personal representative of the Owner shall assign to the other Owners or the Franchisee the deceased Owner's interest in Franchisee. The amount of the life insurance proceeds from the insurance policy on the deceased Owner's life shall be the purchase price for the deceased Owner's interest in Franchisee and shall be used to make such purchase; provided however, the purchase price shall not exceed fifty percent (50%) the aggregate collections actually received by the Practice and attributed to professional services rendered by the deceased Owner for the twenty-four (24) calendar month period immediately prior to the death of such Owner. This disposition of the Franchise or this interest in Franchisee shall be completed within a reasonable time, not to exceed six months from the date of death and shall be subject to all the terms and conditions applicable to assignments contained in Paragraph C of this Section and to the Company's right of first refusal contained in Paragraph G of this section. Failure to so dispose of the Franchise or the interest in Franchisee within that period of time shall constitute a breach of this Agreement. If the Franchisee is a natural person without any co-franchisee's, the death of such Franchisee shall constitute a breach of this Agreement. Pending disposition, the Company shall have the right to approve the management of the Practice and no person whom the Company disapproved shall continue to act as a manager of the Practice.

In accordance with the Buy Sell Agreement executed by the Owners, the interest of an Owner (the "Absent Owner") who ceases working or reduces his or her hours worked in the Practice due to his or her health concerns may be purchased by the other Owners or another dentist approved by us and the other Owners. An Absent Owner's interest in the Franchisee shall be subject to the foregoing purchase right if the Absent Owner has failed to work an average of 32 hours per week in at least one month during the six calendar month period (the "Initial Absence Period") following the first instance of the Absent Owner ceasing to work or reducing work hours as a result of the health concern and either (a) after the Initial Absence Period, the Absent Owner fails to work at least 16 hours in any week during the six month period following the Initial Absence Period, or (b) after six months following the Initial Absence Period, Owner fails to work at least 32 hours in any week during the two month period following such one year period.

The purchase price of such Owner's interest shall vary based on how long after the Initial Absence Period either (a) the Owner gives notice to the other Owners of an offer to sell his interest, or (b) the other

Owners give such Owner notice of their offer to purchase his or her interest. (Each such notice, the “Offer Notice.”) The purchase price of such Owner’s interest shall equal a percentage (the “Percentage of Selling Owner’s Collections”) of the aggregate collections actually received by the Practice and attributed to professional services rendered by the Owner for the twenty-four (24) calendar month period prior to the Offer Notice as set forth in the following table with the first column being the number of months since the expiration of the Initial Absence Period and second column being the applicable Percentage of Selling Owner’s Collections:

<b>Number of Months Since Initial Absence Period</b>	<b>Percentage of Selling Owner’s Collections</b>
1-2 months	80%
3 months	70%
4 months	60%
5-6 months or later	50%

As an example, if the Offer Notice is given during the first two months following the Initial Absence Period, then the purchase price shall be equal to eighty percent (80%) the aggregate collections actually received by the Practice and attributed to professional services rendered by the Absent Owner for the twenty-four (24) calendar month period prior to the date of the Offer Notice. This disposition of the Absent Owner’s interest in Franchisee shall be completed within a reasonable time, not to exceed six months from the date of the Offer Notice and shall be subject to all the terms and conditions applicable to assignments contained in Paragraph C of this Section and to the Company’s right of first refusal contained in Paragraph G of this section. Failure to so dispose of the interest in Franchisee within that period of time shall constitute a breach of this Agreement.

#### F. SPECIAL TRANSFERS.

None of Section 14C (v), or Section 14C (vi) or Section 14C (xiv) shall apply to any Transfer of the Franchise among any of your then-current Owners. On thirty days’ notice to us, you (if you are an individual or partnership) may transfer this Agreement, in conjunction with a transfer of all of the assets of your Practice, by an agreement in form and substance approved by us, to an entity which conducts no business other than the Practice (and other Cascade Family Dental Practices under franchise agreements granted by us), and of which you own and control all of the equity and voting power. The entity to which this Agreement is transferred must comply with Sections 7A and 7B. None of the foregoing assignments shall relieve you or your Owners of your respective obligations hereunder, and you and your Owners remain jointly and severally liable for all obligations hereunder.

#### G. COMPANY’S RIGHT OF FIRST REFUSAL.

If you or any of your Owners desire to transfer the franchise or an interest in Franchisee for legal consideration, you or this Owner must obtain a *bona fide*, signed written offer from a qualified purchaser and must deliver immediately to us a complete and accurate copy of this offer. If the offeror proposes to buy any other property or rights from you or any of your Owners or Affiliates (other than rights under area development agreements or rights to other franchise agreements for Cascade Family Dental Practices) as part of the *bona fide* offer, the proposal for this property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer of the Franchise must reflect the *bona fide* price offered therefore and may not reflect any value for any other property or rights.

We have the option, exercisable by notice delivered to you or your Owners within thirty days from the date of delivery of a complete and accurate copy of this offer to us, to purchase such interest for the



price and on the terms and conditions contained in this offer, provided that: (1) we may substitute cash for any form of payment proposed in this offer; (2) our credit shall be deemed equal to the credit of any proposed purchaser; and (3) we will have not less than ninety days from the option exercise date to consummate the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable to make an informed investment decision with respect to the fairness of the terms of our right of first refusal. We may conduct such investigation and analysis in any manner we deem reasonably appropriate and you and your Owners must cooperate fully with us in connection therewith.

If we exercise our option to purchase, we are entitled to purchase such interest subject to all representations and warranties, closing documents, releases, non-competition covenants and indemnities we as reasonably may require, provided if we exercise our option as result of a written offer reflected in a fully negotiated definitive agreement with the proposed purchaser, we will not be entitled to any additional representations, warranties, closing documents or indemnities that will have a materially adverse effect on your rights and obligations under the definitive agreement. If we do not exercise our option to purchase, you or your Owners may complete the sale to the offeror pursuant to and on the exact terms of this offer, subject to our approval of the transfer as provided in Section 14A, 14B, or 14C provided that if the sale to this offeror is not completed within ninety days after delivery of this offer to us, or if there is a material change in the terms of the offer, you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the thirty-day period following your notification of the expiration of the ninety-day period or the material change to the terms of the offer.

#### H. EFFECT OF CONSENT TO ASSIGNMENT.

The Company's consent to an assignment of the Franchise or any interest subject to the restrictions of this Section, shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of the Company's right to demand exact compliance with any of the terms or conditions of the Franchise by the assignee(s), nor a representation as to the fairness of the terms of any agreement or arrangement between you and the transferee or as to the prospects of success of the Cascade Family Dental Practice by the transferee. Any approval shall apply only to the specific Transfer of the Franchise being proposed and shall not constitute an approval of, or have any bearing on, any other proposed transfer of the Franchise.

#### I. SECURITIES OFFERINGS.

In the event we decide to offer for sale securities in the Company and you or any of your Owners purchase these securities, neither you nor any of your Owners may issue or sell, or offer to issue or sell, any of your Cascade Family Dental securities or any Cascade Family Dental securities of any of your Affiliates, regardless of whether this sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior consent and complying with all of our requirements and restrictions concerning use of information about us and our Affiliates. Neither you nor any of your Owners may issue or sell your securities or the securities of any of your Affiliates if: (1) these securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or these securities would be owned by more than thirty-five persons; or (2) after this issuance or sale, you or this Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended.

Any proposed private placement of your or of your Affiliate's securities must be approved by us.

15. **TERMINATION.**

A. **IMMEDIATE TERMINATION.**

You are in material breach and deemed to be in default of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if any of the following events occur:

(i) **Insolvency.** You file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any federal or state bankruptcy law or any similar federal or state law, or are adjudicated a bankrupt or make an assignment for the benefit of creditors or admit in writing your inability to pay your debts generally as they become due, or if a petition or answer proposing the adjudication of you as a bankrupt or your reorganization pursuant to any federal or state bankruptcy law or any similar federal or state law is filed in any court and you consent to or acquiesce in the filing thereof or this petition or answer is not discharged or denied within thirty days after the occurrence of any of the foregoing, or if a receiver, trustee or liquidator of you or of all or substantially all of your assets or your interest in this Agreement is appointed in any proceeding brought by you, or if any such receiver, trustee or liquidator is appointed in any proceeding brought against you and is not discharged within thirty days after the occurrence thereof, or if you consent to or acquiesce in this appointment (any such event described in this Section being referred to as an “**Insolvency Event**”), or if you request the appointment of a receiver or make a general assignment for the benefit of creditors, or if your bank accounts, property or accounts receivable are attached or signing is levied against your business or property or;

(ii) **Unauthorized Transfer.** A Transfer occurs in violation of the provisions of Section 14;

(iii) **Misstatements and Other Adverse Developments.** You (or, if you are an Entity, any Entity Owner of you) have made any material misrepresentation or omission in your application for the rights conferred by this Agreement, are convicted by a trial court of, or plead no contest to, a felony or to any other crime or offense that may adversely affect the goodwill associated with the Marks, or if you engage in any conduct which may adversely affect the reputation of any Cascade Family Dental Practice or the goodwill associated with the Marks;

(iv) **Unauthorized Use of Marks or Confidential Information.** You or any of your Entity Owners make any unauthorized use of the Marks or any unauthorized use or disclosure of Confidential Information;

(v) **Abandonment.** You abandon or fail actively to operate your Practice for twenty consecutive days for any reason (including without limitation because of the death or disability of one or more of your Owners) unless your Practice has been closed for a purpose approved in advance by us in writing or because of fire, flood or other casualty or government order;

(vi) **Breach of Lease Loss of Right of Possession.** You are in breach of any of your obligations under your lease or sublease of the Premises or you lose the right to possession of the Premises;

(vii) **Failure to Comply with Certain System Standards and Health Requirements.** You fail or refuse to comply with System Standards relating to the cleanliness or sanitation of your Practice or violate any health, safety or sanitation law, ordinance or regulation;

(viii) Understatements of Gross Collections. You understate your Practice's Gross Collections in any report or financial statement by an amount greater than two percent;

(ix) Failure to Make Payments. You or any of your Affiliates fail to make payments, when due, of any amounts due to us or our Affiliates under this Agreement or any other agreement with us or our Affiliates;

(x) Failure to Pay Taxes. You fail to pay any federal or state income, sales or other taxes due with respect to your Practice's operations unless you are in good faith contesting your liability for the taxes;

(xi) Other Breaches. You fail to comply with any other provision of this Agreement or any System Standard;

(xii) Repeated Breaches. You fail on two or more separate occasions within any period of twelve consecutive months or on three occasions during the term of this Agreement to submit when due reports or other data, information or supporting records or to pay when due the Royalty Fees or other payments due to us or our Affiliates or otherwise fail to comply with this Agreement, whether or not the failures to comply are corrected after notice thereof is delivered to you;

(xiii) Financing Defaults. You default with respect to any of your obligations to us or any other lender under any financing provided to you in connection with this Franchise Agreement or a purchase of Practice assets; or

(xiv) Default of any Other Agreement. You default in the performance or observance of any of your obligations under any other agreement with us or our Affiliates. Also, a final judgment against you in the amount of Twenty-Five Thousand Dollars (\$25,000) or more remains unsatisfied of record for thirty days or longer;

(xv) Foreclosure. A suit is filed to foreclose any lien or mortgage against any of your assets and this suit is not dismissed within thirty days;

(xvi) Corporate or Partnership Dissolution. You voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and this petition is not dismissed within thirty days;

(xvii) Anti-Terrorism Laws. You are otherwise in violation of any of the Anti-Terrorism Laws;

(xviii) Failure to Maintain License to Practice Dentistry. You fail to maintain the licenses and other authorizations necessary to practice dentistry in the state of which your Practice is located.

You expressly waive all rights under the provisions of the bankruptcy or other applicable laws and rules, and consent to the immediate termination of this Agreement as provided herein. You agree not to seek an order from any court, tribunal, or agency in any jurisdiction relating to bankruptcy, insolvency, reorganization or any similar proceedings that would have the effect of staying or enjoining this provision.

## B. NOTICE OF TERMINATION.

In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if you or any of your Entity Owners or Affiliates:

- (i) fail to open your Practice and treat patients, as provided in Section 3C and 3E;
- (ii) abandon or fail to actively operate your Practice for twenty consecutive days, except where this failure to actively operate results solely from causes beyond your reasonable control;
- (iii) surrender or transfer control of the operation of your Practice without prior written consent;
- (iv) make any material misstatement or omission in the franchise application and related materials or in any other information, report or summary provided to us at any time;
- (v) suffer cancellation or termination of the lease or sublease for your Practice;
- (vi) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System Standards or the goodwill associated with the Marks;
- (vii) make an unauthorized Transfer of the Franchise or fail to transfer the Franchise or the interest of a deceased or disabled Entity Owner of Franchisee as herein required;
- (viii) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Operations Manual in violation of this Agreement;
- (ix) fail or refuse to comply with any mandatory specification, standard, or operating procedure prescribed by us relating to the cleanliness or sanitation of your Practice or violate any health, safety or sanitation law, ordinance or regulation, that we reasonably believe may pose harm to the public or to you or our reputation, and do not correct this failure, refusal or violation within twenty- four hours after written notice thereof is delivered to you;
- (x) fail to report accurately Gross Collections, to establish, maintain and/or have sufficient funds available in the designated account as required by Section 6D of this Agreement or to make payment of any amounts due us or any of our Affiliates, and do not correct this failure within ten days after written notice of this failure is delivered to you;
- (xi) fail to make a timely payment of any amount due to a supplier unaffiliated with us (other than payments which are subject to bona fide dispute), and do not correct this failure within thirty days after we deliver to you notice of this failure to comply;
- (xii) fail to comply with any other provision of this Agreement or any other mandatory specification, System Standards or operating procedure or other obligation that we periodically prescribe in the Operations Manual and do not correct this failure within thirty days after notice of this failure to comply is delivered to you; or
- (xiii) fail on three or more separate occasions within any period of twelve consecutive months to submit when due reports or other data, information or supporting records or to pay when due royalties, advertising fund contributions or other payments due us, any of our Affiliates or any

unaffiliated suppliers or otherwise fail to comply with this Agreement or any mandatory specification, standard or operating procedure or other obligation that we periodically prescribe in the Operations Manual, whether or not this failure is corrected after notice is delivered to you.

(xiv) lose the right to possession of the Premises, or otherwise forfeit the right to transact business in the jurisdiction where the Practice is located, and do not correct this failure within ten days after written notice of this failure is delivered to you;

(xv) deny us the right to inspect, examine or audit your Practice and your Practice's books and do not correct this failure within ten days after written notice of this failure is delivered to you;

(xvi) fail to submit any financial statement or report when required, or your submission is incorrect or incomplete, and do not correct this failure within ten days after written notice of this failure is delivered to you;

(xvii) fail to pay any federal or state income, sales, or other taxes due on your Practice's operations, unless you are in good faith contesting liability for these taxes, and do not correct this failure within ten days after written notice of this failure is delivered to you;

(xviii) violate any federal labor laws, and do not correct this failure within ten days after written notice of this failure is delivered to you;

(xix) fail to commence repair or restoration of your Practice after damage or destruction as provided in Section 3C, or fail to insure the Practice as provided in Section 8G, and do not correct this failure within thirty days after written notice of this failure is delivered to you;

(xx) fail to commence repair, restoration, modernization of your Practice after we provide you a written request to do so as provided in Section 8A, and do not correct this failure within thirty days after written notice of this failure is delivered to you;

(xxi) fail to comply with the in-term covenants in Section 9B of this Agreement, fail to obtain signing of the covenants required under that Section, or fail to comply with the confidentiality non-competition agreement found in Exhibit F, and do not correct this failure within ten days after written notice of this failure is delivered to you; and

(xxii) fail to maintain Owner(s) who satisfy the requirements provided for in Section 7C will be considered as a breach of this Agreement.

We have no obligation whatsoever to refund any portion of the franchise fee upon any termination.

#### C. OUR RIGHT TO TERMINATE IN CERTAIN OTHER CIRCUMSTANCES.

(i) Failure to Complete Training. If you fail to complete all phases of the training program to our satisfaction, we will have the right to terminate this Agreement effective upon delivery of notice of termination to you. If we terminate the Agreement as permitted by this provision, we will refund to you the initial franchise fee less all reasonable expenses incurred by us in connection with (i) the preparation of this Agreement and all related agreements, (ii) the grant of the Franchise, (iii) approval of the Premises, (iv) selection of the Premises, (v) training services and materials, and (vi) any other services performed by us in connection with the establishment and development of your Practice. However, in no event will the refund exceed 50% of the initial

franchise fee. The refund will be delivered to you upon signing of all releases, waivers and other agreements necessary to terminate the relationship between you and us.

(ii) Failure to Open Your Practice for Business. If you fail to open your Practice for business in compliance with Section 3, we will also have the right to terminate this Agreement effective upon delivery of notice of termination to you. No refund of the initial franchise fee will be made in these circumstances.

If you are in default of this Agreement for abandonment (as described above), we have the right, at our option, to enter the Premises and assume the management of your Practice for any period of time we deem appropriate. If we assume management of your Practice, we will appoint a manager who will maintain Practice operations. All funds from the operation of your Practice during the period of management by our appointed manager will be kept in a separate fund, and all expenses of your Practice, including compensation, other costs, and travel and living expenses of our appointed manager, will be charged to this fund. As compensation for these management services, we may charge this fund ten percent of the Gross Collections of your Practice during the period of our management. Operation of your Practice during any such period will be on your behalf, provided that we will have a duty only to use our good faith effort and will not be liable to you for any debts or obligations incurred by your Practice or to any of your creditors for any merchandise, materials, supplies or services purchased by your Practice during any period in which your Practice is managed by our appointed manager. You will maintain in force for your Practice all insurance policies required by this Agreement. Our right to assume management of your Practice pursuant to this Section is in addition to and does not affect our right to terminate this Agreement.

16. **RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.**

A. **REVISION OF RIGHTS.**

You agree that upon termination or expiration of this Agreement, all of your rights to use the Marks and all other rights and licenses granted herein and the right and license to conduct business under the Marks at your Practice and on the Premises shall revert to us without further act or deed of any party. All right, title and interest of you in, to, and under this Agreement shall become our property.

B. **PAYMENT OF AMOUNTS OWED TO US AND OTHER FOLLOWING TERMINATION OR EXPIRATION.**

You must pay us within fifteen days after the date of termination or expiration of this Agreement, or such later date as the amounts due to us are determined, the Royalty Fees, marketing fees, amounts owed for purchases by you from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

C. **VACATE PREMISES.**

The sublease agreement for the Premises shall immediately terminate and Franchisee must vacate the Premises within ten (10) calendar days of the termination or expiration date of this Agreement.

D. **DISCONTINUANCE OF THE USE OF THE MARKS FOLLOWING TERMINATION OR EXPIRATION.**

You agree that, upon termination or expiration of this Agreement, you will:

(i) Not directly or indirectly at any time or in any manner (except with respect to other Cascade Family Dental Practices owned and operated by you) identify yourself or any business as a current or former Cascade Family Dental Practice, or as a franchisee, licensee or dealer of us or our Affiliates, and not use any Mark, any colorable imitation of a Mark or other indicia of a Cascade Family Dental Practice in any manner or for any purpose or use for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us or our Affiliates;

(ii) Deliver to us all signs, sign-faces, sign-cabinets, marketing materials, forms, invoices and other materials containing any Mark or otherwise identifying or relating to a Cascade Family Dental Practice and allow us, without liability, to remove all these items from your Practice;

(iii) Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(iv) If we do not exercise our right to purchase your Practice pursuant to Section 14, promptly remove from the Premises, and discontinue using for any purpose, all signs, fixtures, furniture, decor items, advertising materials, forms and other materials and suppliers which display any of the Marks or any distinctive features, images, or designs associated with Cascade Family Dental Practices and, at your expense, make such alterations as may be necessary to distinguish the Premises so clearly from its former appearance as a Cascade Family Dental Practice and from other Cascade Family Dental Practices as to prevent any possibility of confusion by the public;

(v) Deliver all materials and supplies identified by the Marks in full cases or packages to us for credit and dispose of all other materials and supplies identified by the Marks within thirty days after the effective date of termination of this Agreement;

(vi) Notify the telephone company and all telephone directory publishers of the termination of your right to use any telephone and fax numbers and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer of those rights to us, or at our direction, our designee. You agree that, as between you and us, we have the right to and interest in all telephone and fax numbers and directory listings associated with any Mark. You authorize us and appoint us and any of our officers as your attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone and fax numbers and directory listings relating to your Practice to us, or our designee, should you fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of our exclusive rights in the telephone and telecopy numbers and directory listings and our authority to direct their transfer; and

(vii) Furnish us, within thirty days after the effective date of termination, with evidence satisfactory to us of your compliance with the obligations in this Section.

(viii) Immediately discontinue the use of any of our proprietary software;

(ix) Immediately discontinue any mode of communications on the Portal and Internet directly or indirectly relating to your Practice, including any websites or any pages associated with your Practice, and immediately take all steps required by us to transfer any domain name associated with your Practice to us (such as signing a Registrant Name Change Agreement with

applicable Registrar). You irrevocably appoint an authorized officer of ours as your duly authorized agent and attorney-in-fact to sign all instruments and take all steps to transfer these domain names;

(x) Immediately cease to use all Confidential Information and return to us all copies of the Operations Manual and any other confidential information which have been loaned to you;

You agree that if you fail to fulfill any of the obligations contained in this Section upon termination or expiration of this Agreement, we have the right, at our option, to perform these obligations at your expense.

E. DISCONTINUANCE OF USE OF CONFIDENTIAL INFORMATION FOLLOWING TERMINATION OR EXPIRATION: POST-TERM COVENANT NOT TO COMPETE.

You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any confidential information disclosed to you pursuant to this Agreement in any business or otherwise and you will return to us all copies of the Operations Manual and any other Confidential Information, which we have loaned to you. Upon termination of this Agreement for any reason other than as a result of our uncured default, you agree that, for a period of two years (or three years if we purchase your Store as provided below), commencing on the effective date of termination, neither you, your Owners, nor any other Restricted Person will directly or indirectly own a legal or beneficial interest in, or render services or give advice to: (1) any Competitive Business operating in the Protected Area; (2) any Competitive Business operating within a radius of five miles of any Cascade Family Dental Practice in operation or under construction on the effective date of termination or expiration; (3) any entity which grants franchises or licenses other interests to others to operate any Competitive Business; or (4) recruit or hire any person who is an employee of ours or of any Cascade Family Dental Practice operated by us, our Affiliates or franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason.

You expressly acknowledge that you, your Entity Owners, and the other Restricted Persons possess skills and abilities of a general nature and have other opportunities for exploiting those skills. Consequently, enforcement of the covenants made in this Section will not deprive you or any of the other Restricted Persons of their personal goodwill or ability to earn a living. If any covenant in this Agreement which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all of the covenant, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.

F. OUR OPTION TO PURCHASE YOUR ASSETS

We have the right to purchase only the assets of your Practice, upon termination or expiration (without renewal) of this Agreement. We shall have the right, exercisable by giving notice thereof ("Appraisal Notice") within ten days after the date of termination or expiration of this Agreement, to require that a determination be made of the "Fair Market Value" (as defined below) of any or all of the assets of your Practice which you own, including inventory of non-perishable products, materials, supplies, furniture, equipment, signs, and any and all leasehold improvements, fixtures, building and land, but excluding any cash and short-term investments and any items not meeting our specifications for Cascade Family Dental Practices (the "Purchased Assets"). Notwithstanding the foregoing, if you notify us not less



than one hundred eighty days and no more than two hundred seventy days before expiration, then we agree, if we desire to exercise our right to purchase, to give you the Appraisal Notice at least one hundred twenty days before the date of expiration of this Agreement.

Upon delivery of the Appraisal Notice, you may not sell or remove any of the assets of your Practice from the Premises (other than in the ordinary course of business) and must give us, our designated agents and the “Appraiser” (as defined below) full access to your Practice and all of your books and records at any times during customary business hours to conduct inventories and determine the purchase price for the Purchased Assets.

The Fair Market Value shall be determined based upon the amount that an arm’s length purchaser would be willing to pay for the Purchased Assets, assuming that the Purchased Assets would be used for the operation of a Cascade Family Dental Practice under a valid franchise agreement reflecting the then-current (or if we are not offering franchises at that time, then the most recent) standard terms upon which we offer or offered franchises for Cascade Family Dental Practices. Under no circumstances does this calculation contemplate any value be attributed to any goodwill associated with the Marks or any value attributed to other Intellectual Property or the System Standards, provided, however, that an amount may, if appropriate, be attributed to the going concern value of your Practice. You and we hereby agree that the valuation methodology described herein is a fair and reasonable method by which to value the Purchased Assets.

Notwithstanding, the mutually agreeable valuation methodology, if you and we are unable to agree on the final calculation of the Fair Market Value of the Purchased Assets, within fifteen days after the Appraisal Notice, then Fair Market Value will be determined by a member of a nationally recognized accounting firm (other than a firm which conducts audits of our or your financial statements) mutually selected by you and us who has experience in the valuation of dental businesses (the “Appraiser”). If we are unable to agree on the Appraiser within thirty days after the Appraisal Notice, either party may demand the appointment of an Appraiser be made by the director of the Regional Office of the American Arbitration Association located nearest to Salt Lake City, Utah, and this person shall be the Appraiser.

The Appraiser will make his or her determination and submit a written report (the “Appraiser Report”) to you and us as soon as practicable, but in no event more than sixty days after his or her appointment. Each party may submit in writing to the Appraiser its judgment of Fair Market Value (together with its reason therefore); however, the Appraiser shall not be limited to these submissions and may make such independent investigations as he or she reasonably determines to be necessary. The Appraiser’s fees and costs shall be borne equally by the Parties.

We have the option, exercisable by delivering notice thereof within thirty days after submission of the Appraisal Report (or the date that an agreement is reached, if the Parties agree to the Fair Market Value), to agree to purchase the Purchased Assets at Fair Market Value. We shall have the unrestricted right to assign this option to purchase separate and apart from the remainder of this Agreement.

If we exercise our option to purchase, the purchase price for the Purchased Assets will be paid in cash at the closing, which will occur at the place, time and date we designate, but not later than sixty days after the exercise of our option to purchase the Purchased Assets. At the closing, we will be entitled to all representations, warranties, title insurance policies and other closing documents and post-closing indemnifications as we reasonably require, including: (1) instruments transferring good and marketable title to the Purchased Assets, free and clear of liens, encumbrances, and liabilities, to us or our designee, with all sales and other transfer taxes paid by you; and (2) an assignment of all leases of assets used in the operation of your Practice, including land, building and/or equipment (or if an assignment is prohibited, a sublease to us or our designee for the full remaining term and on the same terms and conditions as your lease,

including renewal and/or purchase options), provided, however, that if any of your Owners or Affiliates directly or indirectly owns the land, building and/or equipment of your Practice, you will, at our option, cause this Owner or Affiliate to grant to us a lease at reasonable and customary rental rates and other terms prevailing in the community where your Practice is located.

If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the closing of the sale may, at our option, be accomplished through an escrow on these terms and conditions as we deem appropriate, including the making of payments, to be deducted from the purchase price, directly to third parties to obtain clear title to all of the Purchased Assets. Further, you and we shall comply with any applicable bulk sales provisions of the Uniform Commercial Code as enacted in the state where the Premises are located and all applicable state and local sales and income tax notification and/or escrow procedures. We have the right to set off against and reduce the purchase price by any and all amounts owed by you or any of your Owners or Affiliates to us or any of our Affiliates.

Upon delivery of the Appraisal Notice and pending (1) determination of Fair Market Value, (2) our option period, and (3) the closing of the purchase, we may authorize continued temporary operations of your Practice pursuant to the terms of this Agreement, subject to the supervision and control of one or more of our appointed managers.

**G. CONTINUING OBLIGATIONS.**

All obligations of us and you which expressly or by their nature survive the termination of this Agreement will continue in full force and effect subsequent to and notwithstanding termination and until they are satisfied in full or by their nature expire.

**17. RELATIONSHIP OF PARTIES/INDEMNIFICATION.**

**A. INDEPENDENT CONTRACTORS.**

Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between the parties. Franchisor and Franchisee, as between themselves, are and shall be independent contractors.

You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including our judgment of what is in the best interest of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions could have been made by us; (2) our decision or the action we take promotes our financial or other individual interest; (3) our decision or the action we take applies differently to you and one or more other franchisees or our Company-owned or Company-affiliated operations; or (4) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that this covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights

hereunder.

**B. INDEMNIFICATION.**

You must indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, members, agents, successors and assigns (collectively “indemnitees”), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the indemnitees in connection with the development, ownership, operation or closing of any of your Cascade Family Dental Practices (collectively “event”), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the indemnitees or the gross negligence or willful acts of indemnitees (unless joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to you). The term “losses and expenses” includes compensatory, exemplary, and punitive damages; fines and penalties; attorney’s fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any event of which we become aware for which indemnification may be required and we may elect (but are not obligated) to direct the defense thereof, provided that the selection of counsel shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereto as may be necessary for the protection of indemnitees or Cascade Family Dental Practices generally, provided however, that any settlement shall be subject to your consent, which consent shall not be unreasonably withheld or delayed. Further, notwithstanding the foregoing, if the insurer on a policy or policies obtained in compliance with your Franchise Agreement agrees to undertake the defense of an event (an “Insured Event”), we agree not to exercise our right to select counsel to defend event if this would cause your insurer to deny coverage. We reserve the right to retain counsel to represent us with respect to an Insured Event at our sole cost and expense. This Section shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**C. TAXES.**

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon your Practice, your property or upon us, in connection with business conducted by you (except any taxes we are required by law to collect from you). Payment of all these taxes shall be your responsibility. In the event of a *bona fide* dispute as to your liability for taxes, you may contest your liability in accordance with applicable law. In no event, however, will you permit a tax sale, seizure, or attachment to occur against your Practice or any of its assets.

**18. DISPUTE RESOLUTION.**

**A. CONSENT TO JURISDICTION.**

You and your Owners irrevocably submit to the jurisdiction of the courts of the State of Utah in any suit, action or proceeding, arising out of or relating to this Agreement or any other dispute between you and us, and you irrevocably agree that all claims in respect of any suit, action or proceeding must be brought and/or defended except with respect to matters that are under the exclusive jurisdiction of the

Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in Salt Lake City, Utah. You irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of this suit, action or proceeding and agree that service of process for purposes of any suit, action or proceeding need not be personally served or served within the State of Utah but may be served with the same effect as if you were served within the State of Utah, by certified mail or any other means permitted by law addressed to you at the address set forth herein. Nothing contained herein shall affect our rights to bring a suit, action, or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a State or Federal Court.

**B. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.**

Except with respect to your obligations regarding use of the Marks and Confidential Information, we and you (and your Owners) each waives, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other. You and each of your Owners waive to the fullest extent permitted by applicable law, the right to recover consequential damages for any claim directly or indirectly arising from or relating to this Agreement.

Furthermore, the Parties agree that any legal action in connection with this Agreement shall be tried to the court sitting without a jury, and all Parties waive any right to have any action tried by jury.

The provisions of this Section 18B shall continue in full force and effect subsequent to and notwithstanding expiration and termination of this Agreement.

**19. MISCELLANEOUS.**

**A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Each section, paragraph, term and provision of this Agreement shall be considered severable and if any portion of this agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation, it shall not have any effect upon these other portions of this Agreement as may remain otherwise intelligible. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this agreement than is required under this Agreement, or the taking of some other action not required under it, or if under any applicable and binding law or rule of any jurisdiction, any provision of this agreement or any specification, standard or operating procedure prescribed by the Company is invalid or unenforceable, the prior notice and/or other action required by this law or rule shall be substituted for the comparable provisions of this Agreement, and the Company shall have the right to modify this invalid or unenforceable provision, specification, standard or operating procedure if required to be valid and enforceable. You must be bound by any modification to this Agreement. Otherwise, all modifications to this Agreement must be in writing signed by both Parties (except for modifications accomplished by virtue of the Company's amendment to System Standards and/or the Operations Manual as described herein). If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

**B. WAIVER OF OBLIGATION.**

the Company and you may by written instrument unilaterally waive or reduce any obligation of, or restriction upon, the other under this Agreement, effective upon delivery of written notice to the other. the

Company and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (i) by virtue of any custom or practice of the Parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of the Company or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement; (iii) any waiver, forbearance, delay, failure or omission by the Company to exercise any right, power or option with respect to any other Cascade Family Dental Practice; or (iv) the acceptance by the Company of any payments due from you after any breach of this Agreement. Neither the Company nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (i) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof (ii) compliance with any law, ruling, order, regulation, requirement or instruction of any agency of government; (iii) acts of God; (iv) acts of omissions of the other party; v) fires, strikes, embargoes, war, or riot; or (vi) any other similar event or cause. Any delay resulting from any cause shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

C. COSTS AND ATTORNEY'S FEES.

In a judicial proceeding, the non-prevailing party agrees to reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees.

D. GOVERNING LAW.

This Agreement shall be construed under the laws of the State of Utah, provided the foregoing shall not constitute a waiver of any of your rights under any applicable franchise law of another state. Otherwise, in the event of any conflict of law, Utah law will prevail, without regard to its conflict of law principles. However, if any provision of this Agreement would not be enforceable under Utah law, and if your Practice is located outside of Utah and this provision would be enforceable under the laws of the state in which your Practice is located, then this provision shall be construed under the laws of that state. Nothing in this Section 19D is intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Utah to which it otherwise would not be subject.

E. SPECIFIC PERFORMANCE/INJUNCTIVE RELIEF.

Notwithstanding Section 18A, we may obtain in any court of competent jurisdiction any injunctive relief including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm. We may have this injunctive relief, without bond, but upon due notice, in addition to this further and other relief as may be available at equity or law, and your sole remedy in the event of the entry of this injunction, shall be its dissolution, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any injunction being expressly waived). You and each of your Owners acknowledge that any violation of Sections 9, 14C(x), 16C or 16D would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you and each of your Owners consent to the issuance of an injunction prohibiting any conduct in violation of any of those Sections and agree that the existence of any claim you or any of your Owners may have against us, whether arising from this Agreement, shall not constitute a defense to the enforcement of any of those Sections.

F. BINDING EFFECT.

This Agreement is binding upon the Parties to it and their respective executors, administrators, heirs, assigns, and successors in interest and shall inure to the benefit of any transferee or other legal successor to our interest herein.

G. CONSTRUCTION.

The preambles and the exhibit(s) and riders to this Agreement, if any, are part of this Agreement, which constitutes the entire agreement of the Parties, and there are no other oral or written understandings or agreements between the Company and you relating to the subject matter of this agreement. The headings of Sections are for convenience only and do not limit or construe their contents. The word “including” shall be construed to include the words “without limitation.” The term “Franchisee” as used in this Agreement is applicable to one or more persons, a corporation or a partnership and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee under this Agreement, their obligations and liabilities to the Company shall be joint and several. References to “Franchisee,” “owner” and “assignee” which are applicable to an individual or individuals shall mean the Entity Owner or owners of Franchisee or an assignee (any person owning of record or beneficially ten percent or more of the equity or control of Franchisee) if Franchisee or the assignee is a corporation or partnership.

This Agreement may be signed in multiple copies, each of which shall be deemed an original. Time is of the essence in this Agreement.

H. EXERCISE OF RIGHTS.

The rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled to enforce by law. If you commit any act of default under any agreement or this Agreement for which Franchisor exercises its right to terminate this Agreement, you shall pay to Franchisor the actual and consequential damages Franchisor incurs as a result of the premature termination of this Agreement. You acknowledge and agree that the proximate cause of these damages sustained by Franchisor is your act of default and not Franchisor’s exercise of its right to terminate. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement shall constitute a waiver of this right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless written notice specifying this breach or violation is provided to other party within twenty-four months after the later: (1) the date of this breach or violation; or (2) the date of discovery of the facts (or the date the facts could have been discovered, using reasonable diligence) giving rise to this breach or violation.

I. APPROVAL AND CONSENTS.

Whenever this Agreement requires the approval or consent of either party, the other party shall make written request therefore, and this approval or consent shall be obtained in writing; provided however, unless specified otherwise in this Agreement, this party may withhold approval or consent, for any reason or for no reason at all. Furthermore, unless specified otherwise in this Agreement, no such approval or consent shall be deemed to constitute a warranty or representation of any kind, express or implied, and the approving or consenting party shall have no responsibility, liability or obligation arising therefrom.

J. NOTICES AND PAYMENTS.

All written notices permitted or required to be delivered by this Agreement shall be deemed so delivered at the time delivered:

(i) at the time delivered by hand to the recipient party or any officer, director, or partner of the recipient party;

(ii) on the same day of the transmission by facsimile, telegraph, e-mail or other reasonably reliable electronic communication system (provided sender has electronic confirmation of transmission);

(iii) one business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or

(iv) five business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. All notices to us must include a copy to our Manager to be effective. All payments and reports required by this Agreement shall be sent to us at the address identified in this Agreement unless and until a different address has been designated by written notice to the other party. No restrictive endorsement on any check or in any letter or other communication accompanying any payments shall bind us, and our acceptance of any payments shall not constitute an accord and satisfaction.

All payment and reports required by this Agreement must be directed to the Company at the address notified to you.

K. RECEIPT OF DISCLOSURE DOCUMENT AND AGREEMENT.

You acknowledge having received our Franchise Disclosure Document by the earliest of: (1) the first personal meeting to discuss our franchise; or (2) ten business days before signing a binding agreement; or (3) ten business days before making any payment to us relating to this agreement. You acknowledge having received this Agreement, with all blanks completed, at least seven calendar days before you signed it.

*[Signature page follows]*

IN WITNESS WHEREOF, the Parties have signed, sealed and delivered this Agreement on the day and year first above written.

**FRANCHISOR**

CASCADE FAMILY DENTAL, LLC  
a Utah limited liability company

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

**FRANCHISEE**

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

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

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

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

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



**EXHIBIT A**  
**ACKNOWLEDGMENT ADDENDUM**

Cascade Family Dental, LLC, (“we”, “us”, the “the Company” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”) have, this day \_\_\_\_ of \_\_\_\_\_, 20\_\_\_\_, entered into a certain Cascade Family Dental Franchise Agreement (“Franchise Agreement”) and desire to supplement its terms, as set out below.

1. You acknowledge and represent that you have read this Agreement and our Disclosure Document and understand and accept the provisions of this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all Cascade Family Dental Practices franchised or operated by us and to protect and preserve the goodwill of the Marks.

\_\_\_\_\_  
(Franchisee’s Initials)

2. You acknowledge that you have conducted an independent investigation of the business venture contemplated by this Agreement and you recognize that, like any other business, the nature of the business contemplated by this Agreement may change over time, that an investment in a Cascade Family Dental Practice involves business risks, and that the success of the venture is largely dependent upon your business abilities and efforts.

\_\_\_\_\_  
(Franchisee’s Initials)

3. You acknowledge and understand that any information relating to the profits or cash flows of Cascade Family Dental Practices operated by us or our Affiliates, or our franchisees that is contained in our Disclosure Document and other materials is intended only to be an indication of historical performance of certain Cascade Family Dental Practices and NOT of potential future financial performance.

\_\_\_\_\_  
(Franchisee’s Initials)

4. Except for the earnings claim, if any, included in our Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received or relied on, any express or implied warranty or guarantee as to the revenues, profits or success of the business venture contemplated by this Agreement.

\_\_\_\_\_  
(Franchisee’s Initials)

5. You acknowledge and understand that our officers, directors, employees and agents are acting only in a representative and not a personal capacity in their dealings with you. You also acknowledge and represent that you have not received or relied on any representations about us or our franchise program or policies from us or our officers, directors, employees or agents that are contrary to the statements made in our Disclosure Document or to the terms of this Agreement.

\_\_\_\_\_  
(Franchisee’s Initials)

6. You represent to us, as an inducement to your entry into this Agreement, that all statements in your application for the rights granted in this Agreement are accurate and complete and that you have made no misrepresentations or material omissions in obtaining these rights.

\_\_\_\_\_  
(Franchisee’s Initials)

7. You acknowledge that you received a copy of this Agreement, all applicable addenda, and any other related agreements with us or our Affiliates at least 7 calendar days before the date on which this Agreement was signed. You further acknowledge that you have received our Disclosure Document at least 14 calendar days before the date on which this Agreement was signed.

\_\_\_\_\_  
(Franchisee’s Initials)

8. You acknowledge and agree that this Agreement, together with any duly signed amendment or addendum attached to the Agreement contain the entire agreement between the Parties with

respect to your Franchise for the Practice, and that it supersedes any prior or contemporaneous agreements between the Parties, written or oral, with respect to the Franchise for the Practice. \_\_\_\_\_  
(Franchisee's Initials).

9. You acknowledge and agree that this Agreement creates an arm's length commercial relationship that cannot and will not be transformed into a fiduciary or other "special" relationship by course of dealing, by any indulgences or benefit that we bestow on you, or by inference from a party's conduct. \_\_\_\_\_ (Franchisee's Initials).

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

**FRANCHISOR**

CASCADE FAMILY DENTAL, LLC,  
a Utah limited liability company

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

**FRANCHISEE**

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

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

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

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

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

**EXHIBIT B**  
**OWNERSHIP ADDENDUM TO CASCADE FAMILY DENTAL**  
**FRANCHISE AGREEMENT**

Cascade Family Dental, LLC, (“we”, “us”, the “the Company” or “Franchisor”) and \_\_\_\_\_ (“you” or “Franchisee”) have, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, entered into a certain Cascade Family Dental Franchise Agreement (“Franchise Agreement”) and desire to supplement its terms, as set out below. The Parties therefore agree as follows:

1. Entity Type of Franchisee

(a) Corporation or Limited Liability the Company.

Franchisee was organized on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, under the laws of the State of \_\_\_\_\_. Its Federal Employer Identification Number is \_\_\_\_\_. It has not conducted business under any name other than its corporate or company name. The following is a list of all of Franchisee’s directors and officers, managers or members as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Director/Officer/Managing Member’s Names

Position(s) Held

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(b) Partnership.

Franchise is a [general] [limited] partnership formed on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, under the laws of the State of \_\_\_\_\_. Its Federal Employer Identification Number is \_\_\_\_\_. It has not conducted business under any name other than its partnership name. The following is a list of all of Franchisee’s general partners as of the day \_\_\_\_\_ of \_\_\_\_\_, 20\_\_\_\_.

General Partner’s Names

_____
_____
_____
_____
_____
_____
_____

2. Owners. Franchisee and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Franchisee, including the full name, mailing address, and social security number of each Owner, and fully describes the nature and extent of each Owner’s interest in Franchisee. Franchisee and each Owner as to his/her ownership interest in Franchisee, represents and

warrants that each Owner is the sole and exclusive legal beneficial owner of his/her ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by the Agreement.

<u>Owner's Name &amp; SSN</u>	<u>Owners Address</u>	<u>Ownership Percentage</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. Change. You must immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information.

5. Date of Addendum. The date of this Addendum this day \_\_\_\_ of \_\_\_\_\_, 20\_\_.

**FRANCHISOR**

CASCADE FAMILY DENTAL, LLC,

\_\_\_\_\_ a Utah limited liability company

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

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

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

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

**FRANCHISEE**

(Name of corporation, partnership, limited liability company or other legal entity)

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

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

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

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

**OWNERS:**

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

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

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

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

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

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

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

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

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

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

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

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

## **EXHIBIT C GUARANTY**

In consideration of, and as an inducement to, the signing of a Cascade Family Dental Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "Agreement") by and between Cascade Family Dental, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee"), each of the undersigned for themselves, their heirs, legal representatives, successors and assigns (collectively the "Guarantors") do hereby personally, unconditionally, individually, jointly and severally: (1) guarantee to Franchisor and to its successors and assigns, for the term of Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any modification or amendment to the Franchise Agreement) including the payment of all continuing license fees, marketing fees and all other fees and charges accruing pursuant to the Franchise Agreement and that each and every representation of Franchisee made in connection with the Agreement (and any modification or amendment to the Franchise Agreement) are true, correct and complete in all respects at and as of the time given; and (2) agree personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any modification or amendment to the Franchise Agreement).

Each of the Guarantors further agrees as follows:

1. The Guarantors, individually, jointly and severally, shall be personally bound by each and every condition and term contained in the Franchise Agreement as though each of the Guarantors had signed a franchise agreement containing the identical terms and conditions of the Franchise Agreement, including the provisions relating to confidentiality and non-competition covenants. This Guaranty shall continue in favor of Franchisor notwithstanding any extension, modification, or alteration of the Franchise Agreement, and notwithstanding any assignment of the Franchise Agreement, with or without the Franchisor's consent. No extension, modification, alteration or assignment of the Franchise Agreement shall in any manner release or discharge the Guarantors, and each of the Guarantors consents to any extension, modification, alteration or assignment.

2. Each Guarantor's liability under this Guaranty is primary and independent of the liability of Franchisee and any other Guarantors. Each Guarantor waives any right to require Franchisor to proceed against any other person or to proceed against or exhaust any security held by Franchisor at any time or to pursue any right of action accruing to Franchisor under the Franchise Agreement. Franchisor may proceed against each Guarantor and Franchisee, jointly and severally or may, at its option, proceed against each Guarantor without having commenced any action, or having obtained any judgment, against Franchisee or any other Guarantor. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty. Each Guarantor waives any right that the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each Guarantor waives any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

3. The Guarantors unconditionally, individually, jointly and severally agree to pay all attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against Franchisee.

4. Each Guarantor waives notice of any demand by Franchisor, any notice of default in the payment of any amounts contained or reserved in the Franchise Agreement (and any modification or

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amendment to the Franchise Agreement), or any other notice of default or nonperformance of any obligations under the Franchise Agreement. Each Guarantor waives protest and notice of default to any party with respect to indebtedness, default or nonperformance of any obligations under the Franchise Agreement (and any modification or amendment to the Franchise Agreement).

Each Guarantor expressly agrees that the validity of this Guaranty and its obligations shall in no way be terminated, affected or impaired by reason of any waiver by Franchisor, or its successors or assigns, or the failure of Franchisor to enforce any of the terms, covenants or conditions of the Franchise Agreement or this Guaranty, or the granting of any indulgence or extension of time to Franchisee, all of which may be given or done without notice to the Guarantors.

5. This Guaranty shall extend, in full force and effect, to any assignee or successor of Franchisor and shall be binding upon the Guarantors and each of their respective successors and assigns.

6. Until all obligations of Franchisee to Franchisor have been paid or satisfied in full, the Guarantors have no remedy or right of subrogation and each Guarantor waives any right to enforce any remedy which Franchisor has or may in the future have against Franchisee and any benefit of, and any right to participate in, any security now or in the future held by Franchisor.

7. All existing and future indebtedness of Franchisee to each Guarantor is hereby subordinated to all indebtedness and other monetary obligations guaranteed in this Guaranty and, without the prior written consent of Franchisor, shall not be paid in whole or in part to any Guarantor, nor will any Guarantor accept any payment of or on account of any indebtedness while this Guaranty is in effect, unless at the time of this payment, all indebtedness and other monetary obligations to Franchisor are current under the terms of the Franchise Agreement.

8. Each Guarantor consents and agrees that the undersigned shall render any payment or performance required under this Guaranty and that the liability of each Guarantor shall be joint and several. This liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may periodically grant to Franchisee or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until satisfied in full.

9. Each Guarantor waives acceptance and notice of acceptance by Franchisor of the foregoing undertakings. Each Guarantor waives notice of any amendment to the Agreement.

You and your owners irrevocably submit to the jurisdiction of the courts of the State of Utah in any suit, action or proceeding, arising out of or relating to this Guaranty or any other dispute between you and us, and you irrevocably agree that all claims in respect of any suit, action or proceeding must be brought and/or defended except with respect to matters that are under the exclusive jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in Salt Lake City, Utah. You irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of this suit, action, or proceeding and agree that service of process for purposes of any suit, action, or proceeding need not be personally served or served within the State of Utah, by certified mail or any other means permitted by law addressed to you at the address set forth herein. Nothing contained herein shall affect our rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a State or Federal Court.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his/her signature as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**“GUARANTOR(S)”**

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

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

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

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

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

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

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

**EXHIBIT D**  
**FORM OF SUBLEASE**

(see attached)



## SUBLEASE

This Sublease (this "Sublease") is made as of the \_\_\_\_\_, 2010, by and between Robert M. Baird, LLC, a Utah limited liability company (hereinafter referred to as "Sublessor") and \_\_\_\_\_, a \_\_\_\_\_ (hereinafter referred to as "Sublessee").

## RECITALS

WHEREAS, Sublessor, as tenant, and \_\_\_\_\_, as landlord ("Landlord"), entered into that certain [**Prime Lease dated as of** \_\_\_\_\_] (the "Master Lease"), a true and complete copy of which, and any amendments thereto, is attached hereto as Exhibit A, with respect to the premises identified on Exhibit B attached hereto (the "Subleased Premises").

WHEREAS, Sublessee desires to sublease from Sublessor the Subleased Premises, and Sublessor has agreed to sublease the Subleased Premises to Sublessee upon the terms, covenants and conditions herein set forth.

WHEREAS, Sublessee has entered into a franchise agreement (the "Franchise Agreement") with Cascade Family Dental, LLC, a Utah limited liability company, with respect to the operation of a Cascade Family Dental practice.

## AGREEMENT

In consideration of the mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

1. Sublease. Sublessor hereby subleases and demises to Sublessee and Sublessee hereby hires and takes from Sublessor the Subleased Premises.
2. Term. The term ("Term") of this Sublease shall commence on the Commencement Date and shall end, unless sooner terminated as provided in the Master Lease, on the Expiration Date. Possession of the Subleased Premises shall be delivered to Sublessee on the Commencement Date.
3. Rent. During the Term, Sublessee shall pay to Sublessor a base rent in the amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) per month (the "Base Rent"). The Base Rent shall be paid in advance on or before \_\_\_\_\_, \_\_\_\_ and on or before the first day of each calendar month thereafter. Base Rent for any partial calendar month shall be prorated. Each Base Rent payment shall be delivered to Sublessor at such place as Sublessor may from time to time designate in writing. Each Base Rent payment shall be paid without any notice, offset, deduction, or reduction whatever. All charges payable by Sublessee under this Sublease other than Base Rent are called "Additional Rent." Unless this Sublease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent. The term "rent" shall mean Base Rent and Additional Rent. All payments received by Sublessor from Sublessee shall be applied to the oldest payment obligation owing by Sublessee to Sublandlord. No designation by Sublessee, either in a separate writing or on a check or other payment instrument, shall modify this Section or have any other force or effect.

4. Terms of Payment. All Base Rent and Additional Rent will be paid to Sublessor in lawful money of the United States of America, at Sublessor's address set forth below or to such other person or at such other place as Sublessor may from time to time designate in writing, without notice or demand.

5. Interest on Late Payments, Late Charge. All amounts payable under this Sublease, by Sublessee to Sublessor, if not paid when due, will bear interest from the due date until paid at the lesser of the highest interest rate permitted by law or 5% in excess of the then-current Prime Rate. Sublessor, at Sublessor's option, in addition to past due interest, may charge Tenant a late charge for all payments more than five business days past due, equal to the lesser of 10% of the amount of said late payment or the maximum amount permitted by law.

6. Security Deposit. \$\_\_\_\_\_.

7. Guaranty. The principals of Sublessee, or such other parties acceptable to Sublessor, shall guaranty Sublessee's obligations under this Sublease by executing a guaranty in substantially the form attached hereto as Exhibit C.

8. Use in General. The Subleased Premises shall be used for the use set forth in the Master Lease and shall not be used or permitted to be used for any other purpose without the prior written consent of Landlord, which may be withheld by Landlord in its sole and absolute discretion. All provisions of the Master Lease regarding use of the Subleased Premises shall apply to Sublessee.

a. Compliance with Laws. Sublessee shall not commit or knowingly permit any nuisance on the Subleased Premises or permit the waste of the Subleased Premises. Sublessee shall not cause or permit the Subleased Premises to be used in any way which constitutes a violation of any law, ordinance, or governmental regulation or order, or which constitutes a nuisance or waste. Sublessee shall obtain and pay for all permits required for Sublessee to operate the Subleased Premises and shall promptly take all actions necessary to comply with all applicable statutes, ordinances, rules, regulations, orders and requirements regulating the use by Sublessee of the Subleased Premises, including the federal Occupational Safety and Health Act and all state and local sanitation and health laws. Without limiting the generality of the above provisions of this Section, Sublessee agrees that it shall not do anything nor suffer anything to be done in or about the Subleased Premises which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated (collectively, "Applicable Laws"). Sublessee shall, at its sole cost and expense, promptly comply with any Applicable Laws which relate to (or are triggered by) (i) Sublessee's use of the Subleased Premises, and (ii) any alteration or any improvements to the Subleased Premises made by Sublessee. Should any standard or regulation now or hereafter be imposed on Sublessee by any federal, state or local governmental body charged with the establishment, regulation and enforcement of occupational, health or safety standards, then Sublessee agrees, at its sole cost and expense, to comply promptly with such standards or regulations when and as required by such standards or regulations. The judgment of any court of competent jurisdiction or the admission of Sublessee in any judicial action, regardless of whether Sublessor or Landlord is a party thereto, that Sublessee has violated any

Applicable Laws, shall be conclusive evidence of that fact as between Landlord or Sublessor and Sublessee.

b. Toxic Materials. Without limiting the generality of Section 8.a above, Sublessee shall not, except in strict accordance within applicable law, create, generate, use, bring, allow, emit, dispose of or permit to be used, brought, emitted or disposed of on, over or under the Subleased Premises, or any part thereof or any adjacent thereto, any toxic or hazardous gaseous, liquid or solid material or waste or any material which is defined as "Hazardous Substances," "Hazardous Materials" or "Toxic Substances" or the like pursuant to any federal, state or local law, rule, regulation or ordinance or which has been determined by any state, federal or local governmental or public authority to be capable of posing a risk of injury to health or safety (collectively, the "Toxic Materials"). Sublessee, at its sole cost and expense, shall immediately take all steps necessary to effect a clean up of any Toxic Materials in the event of a breach of this Section and to obtain appropriate governmental agency certification of such clean up. Sublessee shall indemnify, defend and hold harmless Sublessor, Landlord, Trustee and Credit Provider from any claims, judgments, damages, penalties, fines, expenses or liabilities, arising or in any way relating to the presence, release, or disposal of any Toxic Materials resulting from its activities (or that of its employees, agents, subcontractors, or invitees) on or about the Subleased Premises or arising from or related to a breach of this Section.

9. Sublease Subordinate to Master Lease. Sublessor and Sublessee agree that this Sublease shall at all times be subject and subordinate to the Master Lease. All of the terms and conditions contained in the Master Lease are incorporated herein by reference as terms and conditions of this Sublease, except those terms (the "Excluded Provisions") relating to any base rent due under the Master Lease. All of the terms and conditions of the Master Lease except the Excluded Provisions shall be referred to in this Sublease as "Incorporated Provisions." The Incorporated Provisions, together with the express terms and conditions of this Sublease, shall be the complete terms and conditions of this Sublease. If there is a conflict between the provisions of this Sublease and the Master Lease, then as between Sublessor and Sublessee the provisions of this Sublease shall prevail. Except for the Excluded Provisions, Sublessee hereby agrees for the benefit of Landlord and Sublessor to perform and be personally bound by all of the covenants, agreements, terms and conditions of the Master Lease on the part of the Sublessor to be performed. The fact that one or more Incorporated Provisions may be repeated or restated in this Sublease while other Incorporated Provisions are not shall not be interpreted or construed as rendering such unrepeatd or unrepeatd Incorporated Provisions inapplicable to or not binding upon Sublessee. Sublessee agrees that notwithstanding this Sublease and any consent of Landlord to this Sublease, all provisions of the Master Lease regarding assignment and subletting shall continue to be binding with respect to future assignments, subleases and/or other transfers of all or any portion of the Subleased Premises. Sublessee shall not sub-sublet the Subleased Premises or assign this Sublease without first obtaining Landlord's and Sublessor's consent, which consent may be granted or withheld in their sole and absolute discretion. Sublessee shall have no right (and hereby waives any and all rights it may have) to hold Landlord or Sublessor responsible for any liability in connection with the Subleased Premises, including, without limitation, any liability arising from the noncompliance with any federal, state, or local laws applicable to the Subleased Premises. Nothing in this Sublease shall amend or shall be construed or deemed to amend the Master Lease.

10. No Option to Extend Term. Sublessee shall have no right to exercise any option to extend the Term or any right of first refusal (or similar right) granted to Sublessor in the Master Lease. Sublessor agrees that it shall neither exercise on behalf of, nor assign to, Sublessee any such option or right.

11. Alterations. Sublessee, acting through Sublessor, shall obtain Landlord's prior written consent to any alterations to the Subleased Premises, to the extent Sublessor is required by the Master Lease to obtain such consent.

12. Landlord's Performance under Master Lease. Sublessee recognizes that Sublessor is not in a position to render any of the services or to perform any of the obligations required of Landlord under the Master Lease. Sublessor shall not be liable to Sublessee for any default of the Landlord under the Master Lease, and Sublessee shall have no claim against Sublessor by reason of the Landlord's failure or refusal to comply with any of the provisions of the Master Lease. This Sublease shall remain in full force and effect notwithstanding the Landlord's failure or refusal to comply with any such provisions of the Master Lease and Sublessee shall pay the base rent and additional rent and all other charges provided for herein without any abatement, deduction or setoff whatsoever. Sublessee covenants and warrants that it fully understands and agrees to be subject to and bound by all of the covenants, agreements, terms, provisions and conditions of the Master Lease, to the extent that the same have been incorporated herein, except as modified herein. Furthermore, Sublessee further covenants not to take any action or do or perform any act or fail to perform any act which would result in the failure or breach of any of the covenants, agreements, terms, provisions or conditions of the Master Lease on the part of the tenant thereunder.

13. Indemnity. Sublessee shall protect, defend, indemnify and hold Sublessor and Landlord and their respective partners, shareholders, officers, directors, trustees, employees, agents, affiliates, managers, members (other than Sublessee), attorneys, representatives and other contractors (collectively, "Affiliates") harmless from and against any and all claims, demands, judgments, loss, cost, expense, liability, damage or injury to property or persons, resulting from or occurring by reason of: (1) the use, occupancy or nonoccupancy of the Subleased Premises or the actions or inactions, whether or not negligent, of Sublessee and/or any additional subtenant, and their agents, officers, employees, contractors, customers, invitees, or licensees whether the active or passive negligence of Landlord or Sublessor was or is a contributing factor; (2) any default or breach of this Sublease or the Master Lease by Sublessee; and/or (3) the failure of Sublessee or any other occupant to surrender possession of the Subleased Premises upon the expiration or earlier termination of this Sublease in accordance with the provisions of this Sublease and the Master Lease, either due to failure of Sublessee to timely perform its obligations for removal and repair of personal property or any other reason, which indemnity shall include, without limitation, any claims made by any succeeding tenant founded upon such delay; provided, however, that Sublessee shall not be obligated to so indemnify Landlord, Sublessor or any of their respective affiliates from matters arising from or caused by the sole willful misconduct or gross negligence of Landlord, Sublessor and/or any of their respective Affiliates each acting within the scope of their authority on behalf of Landlord or Sublessor. Payment of any sum by Landlord or Sublessor shall not be a condition precedent to Sublessee's

obligations hereunder. If Sublessee is required to defend Landlord or Sublessor, then Landlord and/or Sublessor shall be entitled to select its own defense counsel and Sublessee shall pay on behalf of, or to, Landlord or Sublessor all defense expenses incurred by Landlord or Sublessor, including, without limitation, reasonable attorneys' fees and expenses, fees of experts and accountants and court costs. The indemnities contained in this subsection and elsewhere in this Sublease shall be in addition to and not in lieu of the indemnities from Sublessor to Landlord set forth in the Master Lease.

14. Insurance. Sublessee shall at all times during the Term of this Sublease continue to maintain such policies of insurance as are required by the Master Lease. Sublessee hereby waives any right of subrogation against Landlord and Sublessor, and Sublessee's insurance policies shall acknowledge such waiver of subrogation.

15. Common Areas; Use, Maintenance and Costs. Sublessee's pro rata share of costs for the operation and maintenance of any common areas ("Common Areas") shall be determined in accordance with the terms of the Master Lease. Sublessee shall pay Sublessee's pro-rata share of all costs incurred by Landlord for the operation and maintenance of the Common Areas, if any, as such costs may be determined in accordance with the Master Lease. Sublessee shall pay Sublessee's annual pro-rata share of all Common Area costs (prorated for any fractional month) upon written notice from Sublessor that such costs are due and payable, and in any event prior to delinquency. Any changes in the Common Area costs during the Lease Term shall be effective on the first day of the month after such change occurs. Sublessor, may, at Sublessor's election, estimate in advance and charge to Sublessee as Common Area costs, all property taxes, insurance premiums, maintenance and repair costs and all other Common Area costs payable by Sublessee hereunder. At Sublessor's election, such statements of estimated Common Area costs shall be delivered monthly, quarterly or at any other periodic intervals to be designated by Sublessor. Sublessor may adjust such estimates at any time based upon Sublessor's experience and reasonable anticipation of costs. Such adjustments shall be effective as of the next rent payment date after notice to Sublessee. Within one hundred twenty (120) days after the end of each calendar year of the Term, Sublessor may deliver to Sublessee a statement prepared in accordance with generally accepted accounting principles setting forth, in reasonable detail, the Common Area costs paid or incurred by Sublessor during the preceding calendar year and Sublessee's pro-rata share. Upon receipt of any such statement, there shall be an adjustment between Sublessor and Sublessee, with payment to or credit given by Sublessor (as the case may be) so that Sublessor shall receive the entire amount of Sublessee's share of such costs and expenses for such period.

16. Utilities. In the event utilities are not separately metered for the Subleased Premises, Sublessor and Sublessee agree to cooperate in good faith on a reasonable allocation of such utilities between the Subleased Premises and any other premises, based on the respective square footages, usage and demand.

17. Sublessee's Property. Sublessee agrees that all personal property of whatever kind, including, without limitation, inventory and/or goods stored at or about the Subleased Premises, Sublessee's trade fixtures and Sublessee's interest, if any, in tenant improvements which may be at any time located in, on or about the Subleased Premises, whether owned by

Sublessee or third parties, shall be at Sublessee's sole risk or at the risk of those claiming through Sublessee, and that Landlord and Sublessor shall not be liable for any damage to or loss of such property except for loss or damage arising from or caused by the sole gross negligence of Landlord or Sublessor or any of their officers, employees, agents or authorized representatives each acting within the scope of their authority. Sublessee shall obtain and maintain policies of fire and extended coverage and sprinkler damage insurance covering the full replacement cost of all such property.

18. Exemption of Landlord and Sublessor From Liability. Except in the event of Landlord's or Sublessor's sole gross negligence or willful misconduct, Sublessee hereby agrees that neither Landlord nor Sublessor including Landlord's or Sublessor's respective Affiliates shall be liable for injury to sublessee's business or loss of income therefrom or for: (a) damage to the goods, wares, merchandise or other property of Sublessee, Sublessee's employees, invitees, patients, customers, or any other person in or about the Subleased Premises, or (b) injuries to any person on the Subleased Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, heating, ventilation, air conditioning, or lighting fixtures, or from any other cause, or whether such damage or injury results from conditions arising upon the Subleased Premises or upon other portions of the Property, or from other sources or places appurtenant to the Subleased Premises and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Sublessee.

19. Sublessee's Default and Sublessor's Remedies

a. Default. Each of the following events will constitute a material breach by Sublessee and a "**Default**" under this Sublease.

i. Failure to Pay Rent. Sublessee fails to pay Base Rent any Additional Rent payable by Sublessee under the terms of this Sublease when due.

ii. Failure to Perform Other Obligations. Sublessee breaches or fails to comply with any other provision of this Sublease applicable to Sublessee (including without limitation any breach of the Incorporated Provisions from the Master Lease), and such breach or noncompliance continues for a period of, unless a shorter period is applicable under the Master Lease, 10 days after notice by Sublessor to Sublessee; or, if such breach or noncompliance cannot be reasonably cured within such period, Sublessee does not in good faith commence to cure such breach or noncompliance within such period or does not diligently complete such cure within 30 days after such notice from Sublessor.

iii. Nonoccupancy of Premises. Sublessee fails to occupy and use the Subleased Premises in compliance with this Sublease or vacates and abandons substantially all of the Subleased Premises.

iv. Transfer of Interest Without Consent. Sublessee's interest under this Sublease or in the Subleased Premises is transferred or passes to, or devolves upon, any other party in violation of the Master Lease or this Sublease.

v. Execution and Attachment Against Sublessee. Sublessee's interest under this Sublease or in the Subleased Premises is taken upon execution or by other process of law directed against Sublessee, or is subject to any attachment by any creditor or claimant against Sublessee.

vi. Bankruptcy or Related Proceedings. Sublessee files a petition in bankruptcy or insolvency, or for reorganization or arrangement under any bankruptcy or insolvency Laws, or voluntarily takes advantage of any such Laws by answer or otherwise, or dissolves or makes an assignment for the benefit of creditors, or involuntary proceedings under any such Laws or for the dissolution of Sublessee are instituted against Sublessee, or a receiver or trustee is appointed for the Subleased Premises or for all or substantially all of Sublessee's property.

vii. Default Under Franchise Agreement. Sublessee defaults in its obligations under the Franchise Agreement.

b. Remedies. Time is of the essence with respect to Sublessee's obligations under this Sublease. If any Default occurs, Sublessor will have the right, at Sublessor's election, then or at any later time, to exercise anyone or more of the remedies described below. Exercise of any of such remedies will not prevent the concurrent or subsequent exercise of any other remedy provided for in this Sublease or otherwise available to Sublessor at law or in equity

i. Cure by Sublessor. Sublessor may, at Sublessor's option but without obligation to do so, and without releasing Sublessee from any obligations under this Sublease, make any payment or take any action as Sublessor deems necessary or desirable to cure any Default in such manner and to such extent as Sublessor deems necessary or desirable. Sublessor may do so without additional demand on, or additional written notice to, Sublessee and without giving Sublessee an additional opportunity to cure such Default. Sublessee covenants and agrees to pay Sublessor, upon demand, all advances, costs and expenses of Sublessor in connection with making any such payment or taking any such action, including reasonable attorneys' fees, together with interest at the rate described in Section 5 above, from the date of payment of any such advances, costs and expenses by Sublessor.

ii. Termination of Sublease and Damages. Sublessor may terminate this Sublease, effective at such time as may be specified by written notice to Sublessee, and demand (and, if such demand is refused, recover) possession of the Subleased Premises from Sublessee. Sublessee will remain liable to Sublessor for damages in an amount equal to the Base Rent and Additional Rent which would have been owing by Sublessee for the balance of the Term had this Sublease not been terminated, less the net proceeds, if any, of any reletting of the Subleased Premises by Sublessor subsequent to such termination, after deducting all Sublessor's expenses in connection with such recovery of possession or reletting. Sublessor will be entitled to collect and receive such damages from Sublessee on the days on which the Base Rent and Additional Rent would have been payable if this Sublease had not been terminated.

iii. Repossession and Reletting. Sublessor may reenter and take possession of all or any part of the Subleased Premises, without additional demand or notice, and repossess the same and expel, Sublessee and any party claiming by, through or under Sublessee, and remove

the effects of both using such force for such purposes as may be necessary, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Subleased Premises by Sublessor will be construed as an election by Sublessor to terminate this Sublease unless a written notice of such intention is given to Sublessee. No notice from Sublessor or notice given under an unlawful detainer or ejectment statute, or similar Laws will constitute an election by Sublessor to terminate this Sublease unless such notice specifically so states. Sublessor reserves the right, following any reentry or reletting, to exercise its right to terminate this Sublease by giving Sublessee such written notice, in which event the Sublease will terminate as specified in such notice. Sublessor may make such repairs, alterations or improvements as Sublessor considers appropriate to relet the Subleased Premises, and Sublessee will reimburse Sublessor upon demand for all costs and expenses, including attorneys' fees, which Sublessor may incur in connection with such reletting. Sublessor may collect and receive the rents for such reletting but Sublessor will in no way be responsible or liable for any failure to relet the Subleased Premises or for any inability to collect any rent due upon such reletting. Regardless of Sublessor's recovery of possession of the Subleased Premises, Sublessee will continue to pay on the dates specified in this Sublease, the rent which would be payable if such repossession had not occurred, less a credit for the net amounts, if any, actually received by Sublessor through any reletting of the Subleased Premises.

iv. Bankruptcy Relief. Nothing contained in this Sublease will limit or prejudice, Sublessor's right to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding, an amount equal to the maximum allowable by any laws governing such proceeding in effect at the time when such damages are to be proved, whether or not such amount be greater, equal or less than the amounts recoverable, either as damages or rent, under this Sublease.

v. Acceleration. Should Sublessor elect to terminate this Sublease pursuant to the provisions of Section 19(b), Sublessor will be entitled to recover from Sublessee, as damages for the loss of the bargain and not as a penalty, a sum equal to (i) all unpaid rent for any period prior to the termination date of this Sublease (including interest from the due date to the date of the award at the rate described above); plus (ii) the present value at the time of termination (calculated at the rate commonly called the "discount rate" in effect at Wells Fargo Bank, N.A. (or if such bank does not exist, a comparable bank selected on a reasonable basis by Sublessor) on the termination date) of the amount, if any, by which (A) the aggregate of all rent payable by Sublessee under this Sublease that would have accrued for the balance of the Term after termination, exceeds (B) the amount of rent which Sublessor will receive for the remainder of the Term from any reletting of the Subleased Premises occurring prior to the date of the award, or if the Subleased Premises have not been relet prior to the date of the award, the amount, of such rent which could reasonably be recovered by reletting the Subleased Premises for the remainder of the Term at the then-current fair market rental value, in either case taking into consideration loss of rent while finding a new Sublessee, Sublessee improvements and rent abatements necessary to secure a new Sublessee, leasing brokers' commissions and other costs which Sublessor has reasonably incurred or might reasonably incur in leasing the Subleased Premises to a new Sublessee; plus (iii) interest on the amount described in (ii) above from the termination date to the date of the award at the rate described in Section 5 above.



vi. Commence Actions. Sublessor may commence one or more actions to recover all unpaid rent including, without limitation, the accelerated rent and/or recover possession of the Subleased Premises.

20. Notices. Any and all notices, approvals or demands required or permitted under this Sublease shall be in writing and shall be served either personally or by United States certified mail, postage prepaid, return receipt requested, in compliance with the requirements of the Master Lease and addressed to the parties at the following addresses:

If to Sublessor: Cascade Family Dental, LLC.  
246 E 1370 S,  
Payson UT, 84651  
Attn: Dr. Robert M. Baird

If to Sublessee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_  
Telephone: (\_\_\_\_) \_\_\_\_ - \_\_\_\_

21. Miscellaneous.

a. Assigns. Subject to the restrictions in the Master Lease on assignment or subletting, this Sublease shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

b. Governing Law. This Sublease shall be governed by and construed in accordance with the laws of the State of Utah.

c. Entire Agreement. This Sublease is the entire agreement between Sublessor and Sublessee with respect to this Sublease and supersedes any prior agreements relating thereto. No modification hereof or subsequent agreement relative to the subject matter hereof shall be binding on either party unless reduced to writing and signed by both parties to be bound.

d. Counterparts. This Sublease may be executed in any number of counterparts, and each of such counterparts shall, for all purposes, be deemed to be an original, and all such counterparts shall together constitute one in the same instrument.

e. Attorneys' Fees. In the event of litigation concerning the interpretation or enforcement of this Sublease, the prevailing party shall be entitled to recover from the losing party its reasonable attorneys' fees, court costs and expenses, whether at trial or the appellate level.

f. Exhibits. All exhibits referred to in this Sublease are incorporated herein for all purposes.

g. Relation of Parties. It is the intention of Sublessor and Sublessee to hereby create the relationship of landlord and tenant, and no other relationship whatsoever is hereby created. Nothing in this Sublease shall be construed to make Sublessor and Sublessee partners or joint venturers.

h. No Waiver. No waiver of any provision of this Sublease will be implied by any failure of either party to enforce any remedy upon the violation of such provision, even if such violation is continued or repeated subsequently. No express waiver will affect any provision other than the one specified in such waiver, and that only for the time and in the manner specifically stated.

i. Recording; Confidentiality. Sublessee will not record this Sublease, or a short form memorandum, without Sublessor's written consent and any such recording without Sublessor's written consent will be a Default. Sublessee agrees to keep the Sublease terms, provisions and conditions confidential and will not disclose them to any other person without Sublessor's prior written consent.

j. Severability. If any provision of this Sublease is declared void or unenforceable by a final judicial or administrative order, this Sublease will continue in full force and effect, except that the void or unenforceable provision will be deemed deleted and replaced with a provision as similar in terms to such void or unenforceable provision as may be possible and be valid and enforceable.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the day and year first above written.

SUBLESSOR:

CASCADE FAMILY DENTAL, LLC,  
a Utah limited liability company

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

SUBLESSEE:

\_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

### **ACKNOWLEDGMENT AND CONSENT**

The undersigned, Landlord under the Master Lease, hereby consents to the subletting of the Subleased Premises as described herein, on the terms and conditions contained in this Sublease.

LANDLORD:

\_\_\_\_\_

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

Its:\_\_\_\_\_

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

**COPIES OF MASTER LEASE AND ANY AMENDMENTS**

**EXHIBIT A**

**DESCRIPTION OF SUBLEASED PREMISES**

**EXHIBIT B**

## **GUARANTY**

### **EXHIBIT C**

In consideration of, and as an inducement to, the signing of a Sublease Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement") by and between Cascade Family Dental, LLC ("Sublessor") and \_\_\_\_\_ ("Sublessee"), each of the undersigned for themselves, their heirs, legal representatives, successors and assigns (collectively the "Guarantors") do hereby personally, unconditionally, individually, jointly and severally: (1) guarantee to Sublessor and to its successors and assigns, for the term of Agreement and thereafter as provided in the Agreement, that Sublessee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any modification or amendment to the Agreement) including the payment of all rent and all other fees and charges accruing pursuant to the Agreement and that each and every representation of Sublessee made in connection with the Agreement (and any modification or amendment to the Agreement) are true, correct and complete in all respects at and as of the time given; and (2) agree personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any modification or amendment to the Agreement).

Each of the Guarantors further agrees as follows:

1. The Guarantors, individually, jointly and severally, shall be personally bound by each and every condition and term contained in the Agreement as though each of the Guarantors had signed the Agreement containing the identical terms and conditions of the Agreement. This Guaranty shall continue in favor of Sublessor notwithstanding any extension, modification, or alteration of the Agreement, and notwithstanding any assignment of the Agreement, with or without the Sublessor's consent. No extension, modification, alteration or assignment of the Agreement shall in any manner release or discharge the Guarantors, and each of the Guarantors consents to any extension, modification, alteration or assignment.

2. Each Guarantor's liability under this Guaranty is primary and independent of the liability of Sublessee and any other Guarantors. Each Guarantor waives any right to require Sublessor to proceed against any other person or to proceed against or exhaust any security held by Sublessor at any time or to pursue any right of action accruing to Sublessor under the Agreement. Sublessor may proceed against each Guarantor and Sublessee, jointly and severally or may, at its option, proceed against each Guarantor without having commenced any action, or having obtained any judgment, against Sublessee or any other Guarantor. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty. Each Guarantor waives any right that the undersigned may have to require that an action be brought against Sublessee or any other person as a condition of liability. Each Guarantor waives any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

3. The Guarantors unconditionally, individually, jointly and severally agree to pay all attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty.

4. Each Guarantor waives notice of any demand by Sublessor, any notice of default in the payment of any amounts contained or reserved in the Agreement (and any modification or amendment to the Agreement), or any other notice of default or nonperformance of any obligations under the Agreement. Each Guarantor waives protest and notice of default to any party with respect to indebtedness, default or nonperformance of any obligations under the Agreement (and any modification or amendment to the Agreement).

Each Guarantor expressly agrees that the validity of this Guaranty and its obligations shall in no way be terminated, affected or impaired by reason of any waiver by Sublessor, or its successors or assigns, or the failure of Sublessor to enforce any of the terms, covenants or conditions of the Agreement or this Guaranty, or the granting of any indulgence or extension of time to Sublessee, all of which may be given or done without notice to the Guarantors.

5. This Guaranty shall extend, in full force and effect, to any assignee or successor of Sublessor and shall be binding upon the Guarantors and each of their respective successors and assigns.

6. Until all obligations of Sublessee to Sublessor have been paid or satisfied in full, the Guarantors have no remedy or right of subrogation and each Guarantor waives any right to enforce any remedy which Sublessor has or may in the future have against Sublessee and any benefit of, and any right to participate in, any security now or in the future held by Sublessor.

7. All existing and future indebtedness of Sublessee to each Guarantor is hereby subordinated to all indebtedness and other monetary obligations guaranteed in this Guaranty and, without the prior written consent of Sublessor, shall not be paid in whole or in part to any Guarantor, nor will any Guarantor accept any payment of or on account of any indebtedness while this Guaranty is in effect, unless at the time of this payment, all indebtedness and other monetary obligations to Sublessor are current under the terms of the Agreement.

8. Each Guarantor consents and agrees that the undersigned shall render any payment or performance required under this Guaranty and that the liability of each Guarantor shall be joint and several. This liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Sublessor may periodically grant to Sublessee or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until satisfied in full.

9. Each Guarantor waives acceptance and notice of acceptance by Sublessor of the foregoing undertakings. Each Guarantor waives notice of any amendment to the Agreement.

10. This Guaranty will continue to be effective or be reinstated, as the case may be if at any time the performance or payment of any obligation guaranteed hereby is rescinded or must otherwise be voided or returned by Sublessor upon the insolvency, bankruptcy or reorganization of Sublessee or otherwise, all as though such act or payment had not been made.

11. Each Guarantor irrevocably submits to the jurisdiction of the courts of the State of Utah in any suit, action or proceeding, arising out of or relating to this Guaranty or any other dispute between you and us, and you irrevocably agree that all claims in respect of any suit, action or proceeding must be brought and/or defended except with respect to matters that are under the exclusive jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in the Federal District Court sitting in Salt Lake City, Utah. You irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of this suit, action, or proceeding and agree that service of process for purposes of any suit, action, or proceeding need not be personally served or served within the State of Utah, by certified mail or any other means permitted by law addressed to you at the address set forth herein. Nothing contained herein shall affect our rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a State or Federal Court.



IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his/her signature as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**“GUARANTOR(S)”**

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

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

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

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

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

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

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

**EXHIBIT E**

**CONFIRMATION OF TERM COMMENCEMENT DATE**

Reference is hereby made to the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_,  
("Franchise Agreement" or "Agreement") by and between Cascade Family Dental, LLC ("Franchisor") and  
\_\_\_\_\_ ("Franchisee"). Pursuant to Section 2B of the Franchise Agreement, the  
undersigned hereby agree that the Term (as defined in the Agreement) commenced on \_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_.

WITNESS the signing hereof under seal as of the \_\_\_\_\_ day \_\_\_\_\_ of, 20\_\_\_\_.

**FRANCHISOR**

CASCADE FAMILY DENTAL, LLC  
a Utah limited liability company

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

**FRANCHISEE**

\_\_\_\_\_  
(Name of corporation, partnership, limited  
liability company or other legal entity)

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

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

## EXHIBIT F

### PERSONAL COVENANTS REGARDING CONFIDENTIALITY & NON-COMPETITION

In conjunction with your investment in \_\_\_\_\_ (“Franchisee”) a \_\_\_\_\_ you (“you”), acknowledge and agree as follows:

1. Franchisee owns and operates, or is developing, a Cascade Family Dental Practice or to be located at \_\_\_\_\_ pursuant to a franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (“Franchise Agreement”) with Cascade Family Dental, LLC, a Utah limited liability company (the “Franchisor”) which Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee under certain circumstances to be personally bound by the confidentiality and non-competition covenants contained in the Franchise Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Franchise Agreement.
2. You own or intend to own a legal or beneficial ownership interest in Franchisee and acknowledge and agree that your signing of this Agreement is a condition to this ownership interest and that you have received good and valuable consideration for signing this Agreement. Franchisor may enforce this Agreement directly against you and your Owners (as defined below).
3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you (“Owners”) must also sign this Agreement.
4. You and your Owners, if any, may gain access to parts of Cascade Family Dental’s Confidential Information as a result of investing in Franchisee. The Confidential Information is proprietary and includes Cascade Family Dental’s trade secrets. You and your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Franchisee and thereafter you and they: (a) will not use the Confidential Information in any other business or capacity (such use being an unfair method of competition); (b) will maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or your Owners cease to have an interest in Franchisee, you and your Owners, if any, must deliver to Cascade Family Dental any Confidential Information in your or their possession or control.
5. During the term of the Franchise Agreement and during this time as you and your Owners, if any, have any legal or beneficial ownership interest in Franchisee, you and your Owners, if any, agree that you and they will not, without Cascade Family Dental’s written consent (which consent may be withheld at Cascade Family Dental’s discretion) directly or indirectly (such as through an Affiliate or through your or their Immediate Families) own any legal or beneficial interest in, or render services or give advice in connection with: (a) any Competitive Business located anywhere; or (b) any entity located anywhere which grants franchises, or licenses to others to operate any Competitive Business.
6. For a period of two years, starting on the earlier to occur of the date you or Owners cease to have any legal or beneficial ownership interest in Franchisee and the effective date of termination or expiration (without renewal) of the Franchise Agreement, neither you nor any of your Owners directly or indirectly (such as through an Affiliate or through you or their Immediate Families) shall own a legal or beneficial interest in, or render services or give advice to: (a) any Competitive Business operating within a radius of five miles of any Cascade Family Dental Practice then in operation or under construction; (b) any entity which grants franchises or licenses other interests to others to operate any Competitive Business; or (c) recruit or hire any person who is an employee of yours, ours or of any

Cascade Family Dental Practice operated by us, our Affiliates or any franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason. If you or any of your Owners fail to or refuse to abide by any of the foregoing covenants and Cascade Family Dental obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two years after the date of the order enforcing the covenant.

7. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit these skills in other ways, so that enforcement of the covenants contained in Sections 5 and 6 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforceable to the fullest extent permissible under applicable law and public policy. In addition to relief as may be available at equity or law, Cascade Family Dental may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of your Owners acknowledge that any violation of Sections 4, 5, or 6, or hereof would result in irreparable injury for which no adequate remedy at law may be available. If Cascade Family Dental files a claim to enforce this Agreement and prevails in this proceeding, you must reimburse Cascade Family Dental for all its costs and expenses, including reasonable attorneys' fees.
8. This Confidentiality and Non-Competition Agreement does not supersede nor cancel any prior understandings and agreements you and your Owners had with respect to these matters, including any provision of the Franchise Agreement and previously entered into pertaining to confidentiality. You and your Owners have read this Confidentiality and Non- Competition Agreement thoroughly, understand it, and sign it freely and voluntarily.

*(signature page follows)*

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

If an individual

If a corporation, partnership, limited liability company or other legal entity)

\_\_\_\_\_

(Name of corporation, partnership, limited liability company or other legal entity)

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

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

OWNERS

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

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

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

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

**EXHIBIT G**  
**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS**  
**(DIRECT DEBITS)**

**[Important Instructions for Completing this Form:** Before we can process your Franchise Agreement, you must sign and return this authorization. If, at the time you sign your Franchise Agreement, you do not have your account set up, or if you do not yet know your account information, please show that you agree to the terms of this authorization by signing this form, leaving the account information blank, and returning the signed form with your Franchise Agreement. You can give us your account information when you receive it, but we must have the information before you open your Practice. If you have any questions about what this form means, you should get advice from your lawyer, your accountant or your bank.]

Your Name (or name of legal entity on Franchise Agreement): \_\_\_\_\_  
Your Social Security Number (or legal entity Federal Tax ID Number): \_\_\_\_\_  
Name on Bank Account (if different than above): \_\_\_\_\_

The undersigned ("ACCOUNT HOLDER") hereby authorizes Cascade Family Dental, LLC ("COMPANY") to initiate debit entries and/or credit correction entries to ACCOUNT HOLDER's checking and/or savings account(s) listed below at the bank, credit union or other depository listed below ("BANK") and to debit this account per COMPANY's instructions for any and all amounts due to COMPANY. The ACCOUNT HOLDER understands that all amounts debited from the account below will be credited to COMPANY's account.

INSTEAD OF COMPLETING THE INFORMATION REQUIRED ON THE FOLLOWING FOUR LINES, YOU MAY ATTACH A CANCELLED OR VOIDED CHECK TO THIS AUTHORIZATION, BECAUSE A VOIDED CHECK INCLUDES ALL OF THIS INFORMATION.

NAME OF BANK	Branch	
City	State	Zip Code
Telephone Number of Bank	Contact Person at Bank	
Bank Transit/ABA Number	Account Number	

This authority is to remain in effect until BANK has received joint written notice from COMPANY and ACCOUNT HOLDER of the ACCOUNT HOLDER's termination. Any termination notice must be given in a way as to give BANK a reasonable opportunity to act on it. If a debit entry is initiated to ACCOUNT HOLDER's account in error, ACCOUNT HOLDER shall have the right to have the amount of the error credited to the account by BANK, if (a) within fifteen calendar days following the date on which BANK sent to ACCOUNT HOLDER a statement of account or a written notice regarding this entry or (b) forty-five days after posting, whichever occurs first, ACCOUNT HOLDER shall have sent to BANK a written notice identifying this entry, stating that this entry was in error and requesting BANK to credit the amount thereof to this account. These rights are in addition to any rights ACCOUNT HOLDER may have under

federal and state banking laws.

\_\_\_\_\_  
ACCOUNT HOLDER

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

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

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

**EXHIBIT H**  
**ASSIGNMENT OF TELEPHONE NUMBER(S)**

This Assignment relates to:

Name of Franchisee: \_\_\_\_\_

Address of Practice: \_\_\_\_\_

Telephone Number(s): (\_\_\_\_) \_\_\_\_-\_\_\_\_ ; (\_\_\_\_) \_\_\_\_-\_\_\_\_ ; (\_\_\_\_) - \_\_\_\_-\_\_\_\_

For valuable consideration, the Franchisee identified above ("Franchisee") assigns and transfers to Cascade Family Dental, LLC ("the Company"), all of Franchisee's rights and interests in each and all of the telephone numbers listed above (the "Numbers").

Franchisee authorizes the Company to file this Assignment with the telephone company that issued the Numbers for the purposes of establishing the Company's claim to and right to designate the user of the Numbers.

Franchisee irrevocably constitutes and appoints the Company as Franchisee's agent and attorney-in-fact for the purposes of (i) signing and deliver any Transfer of Service Agreement or comparable document the telephone company requires to transfer the rights in the Numbers from Franchisee to the Company or its designee, and (ii) canceling a revoking any call-forwarding or similar instructions Franchisee has issued to the telephone company with respect to any of the Numbers, with full power to sign Franchisee's name and otherwise to act in Franchisee's name, place, and stead.

Franchisee agrees to reimburse the Company the full amount of any local service and long distance charges the telephone company requires that the Company paid to obtain the Numbers, together with interest as provided in the Franchise Agreement for the Practice.

Franchisee represents and warrants to the Company that Franchisee obtained the Numbers in his or her own name, and that Franchisee is the person of record the telephone company will recognize as registered user or "owner" of the Numbers.

FRANCHISEE:

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

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

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

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

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



**EXHIBIT I**  
**PROTECTED AREA**

**EXHIBIT J**  
**BUY SELL AGREEMENT**

(see attached)

## **EXHIBIT C**

### **CASCADE FAMILY DENTAL OPERATIONS MANUAL TABLE OF CONTENTS**

1. Introduction and use of manual

#### **Patients Section**

2. Cascade Family Dental
  - a. Mission Statement
  - b. Principals and Goals
    - i. Concierge principal
    - ii. Cleanings by Hygienist
    - iii. Dentist quality of work
    - iv. Warrantee/Guarantee of work
    - v. Patient advocate Principal
    - vi. Practice Advocate Principal
    - vii. Doctors=Staff=Patient
  - c. History of Cascade Family Dental
  - d. Cascade Family Dental Management Team
3. Patient Policies and Procedures
  - a. Payment at time of service
  - b. Collection and billing policy
  - c. Late fee and missed appointment fee policy
  - d. EOB policy
4. Patient Amenities

#### **Employee Section**

5. Employee Duties
  - a. Principals
  - b. Assistants
  - c. Hygienist
  - d. Front Desk
6. Dress Code
7. Discounts and Benefits
  - a. Discounts
  - b. Employee Benefits
8. Hours of Operation
9. Vacation and Days Off

#### **Operations Section**

10. Corporate Support Resources
  - a. General Support
  - b. Practice Management Software Support
  - c. Accounting and bookkeeping support
  - d. Technical Support
  - e. Dental Equipment Support and Repair
  - f. General Maintenance
  - g. Tracking of CE for Dentist and Hygienist
11. Office Meetings
  - a. Office Council Meetings
  - b. Office Continuing Education Meetings
12. Practice Management Software
13. Bookkeeping
14. Data security
  - a. Passwords: Computers, Credit card portal, web portal
  - b. Backups
  - c. Network

15. Monthly reports
  - a. Practice Management
  - b. QuickBooks and Financial
16. Training
  - a. New employee
  - b. Ongoing CE
17. Approved Lists
  - a. Suppliers
  - b. Supplies
  - c. Techniques
  - d. Equipment
  - e. How to get items added
18. Compliance
  - a. Employee
  - b. Dental Regulations
  - c. Employee Discipline
  - d. Insurance
  - e. Continuing Educations Tracking for Providers
19. Advertizing
  - a. Social Networking
  - b. Promotions
  - c. Advertizing Fund
  - d. Independent Office Advertising
  - e. Ideas for corporate integration approval process
20. Community Outreach
  - a. Preschool Program
  - b. Mouth Guards for Local Youth Programs
  - c. Adjunctive Dental Services for Cancer Patients
  - d. Corporate Match on Charity Work
  - e. Service Missions
21. Website
  - a. Patient Website
  - b. Office Portal
22. Trademarks, Signs, Branding

#### **Owner Section**

23. Hiring Staff
  - a. Benefits
  - b. Performance Review
  - c. Team Activities
  - d. Discipline
24. Organization
  - a. Owner task divisions
25. Opening Office
  - a. Timeline
  - b. Training
  - c. Initial advertizing
  - d. Resources
26. Profit Distributions
27. Capital Expenditures
28. Disability and Life Insurance
29. Transfer and creation of Ownership

**EXHIBIT D**  
**FINANCIAL STATEMENTS**

(see attached)

5:09 PM  
12/01/10  
Accrual Basis

**Cascade Family Dental**  
**Balance Sheet**  
As of December 1, 2010

	<u>Dec 1, 10</u>
ASSETS	0.00
LIABILITIES & EQUITY	0.00

**EXHIBIT E**

**STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT  
AND FRANCHISE AGREEMENT**

**NOT APPLICABLE FOR UTAH ONLY FRANCHISE.**

## **EXHIBIT F**

### **DEFINITIONS**

The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in the Franchise Agreement in the context in which they arise.

“Affiliate” – Any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

“Competing Business” – Any dental practice. Restrictions in this Agreement on competitive activities do not apply to: (a) the ownership or operation of other Cascade Family Dental Practices that are licensed or franchised by us or any of our Affiliates; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent of that class of securities.

“Confidential Information” – Our proprietary and confidential information relating to the development and operation of Cascade Family Dental Practices, including: (1) Operations Manual; (2) site selection criteria for Cascade Family Dental Practices and plans and specifications for the development of Cascade Family Dental Practices; (3) sales, marketing, and advertising programs and techniques for Cascade Family Dental Practices; (4) identity of suppliers and knowledge of specifications, processes, procedures, and equipment, and pricing of authorized products, materials, supplies, and equipment; (5) knowledge of operating results and financial performance of Cascade Family Dental Practices, other than Cascade Family Dental Practices you own; (6) methods of storage, product handling, training and management relating to Cascade Family Dental Practices; (7) computer systems and software programs used or useful in Cascade Family Dental Practices; and (8) any and all other information that we provide you that is labeled proprietary or confidential.

“Controlling Interest” – An interest, the ownership of which empowers the holder to exercise a controlling influence over the management, policies or personnel of an Entity. Ownership of ten percent or more of the equity or voting securities of a corporation, limited liability company or limited liability partnership or ownership of any general partnership interest in a general or limited partnership will be deemed conclusively to constitute a Controlling Interest in the corporation, limited liability company, or partnership, as the case may be.

“Copyrights” – Works of authorship and other categories of work entitled to copyright protection that we license for use in connection with the operation of Cascade Family Dental Practices and for which we or any of our Affiliates claim copyright protection.

“Entity” – A corporation, general partnership, joint venture, limited partnership, limited liability partnership, limited liability company, trust, estate or other business entity.

“Entity Owner” or “Principal Owner” or “Owner” – With respect to an Entity, any shareholder owning directly or beneficially ten percent or more of any class of securities of the Entity; any general partner or co-venturer in the Entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially ten percent or more of the ownership interests in the limited liability partnership or limited liability company; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, ten percent or more of the interests in

Exhibit F

2010 Cascade Family Dental Franchise Disclosure Document



the trust or estate. If any Entity Owner within the scope of this definition is itself an Entity (including an Entity Owner that is an Entity Owner because of this sentence), the terms “Entity Owner” and “Principal Owner” also include Entity Owners and Principal Owners (as defined in the preceding sentence) in the Entity. It is the intent of this definition to “trace back” and include within the definition of Entity Owner and Principal Owner all natural persons owning the requisite interests to qualify as Entity Owners or Principal Owners.

“Gross Collections” – The aggregate amount of all collections from dental services and related products and merchandise sold and rendered at the Premises or otherwise rendered in connection with your Practice or your use of the Marks, including monies derived from sales at or away from your Practices, whether for cash or credit, but excluding: (1) all federal, state, or municipal sales or service taxes collected from customers and paid to the appropriate taxing authorities; and (2) all customer refunds and adjustments and promotional discounts made by your Practice.

“Intellectual Property” – The Copyrights, Marks, and Patents.

“Internet” – All communications between computers and between computers and television, telephone, facsimile and similar communications devices, including the World Wide Web, proprietary online services, email, news groups, RSS feeds, and electronic bulletin boards.

“MAC” – The Marketing Advisory Council.

“Marks” –The trademarks, trade names, service marks, logos and other commercial symbols which we authorize franchisees to use to identify Cascade Family Dental products and/or services offered by Cascade Family Dental Practices, including the trademarks and service marks CASCADE FAMILY DENTAL™ and the Trade Dress (defined below) and the goodwill associated therewith; provided that we have the right to modify and/or discontinue the use of these trademarks, trade names, service marks, logos and other commercial symbols and the Trade Dress, and establish, in the future, additional or substitute trademarks, trade names, service marks, logos, commercial symbols or Trade Dress.

“MSA” – A metropolitan statistical area, as determined by the U.S. Census Bureau.

“NMF” – Our National Marketing Fund.

“Operations Manual” – All information for the development, establishment and operation of a Cascade Family Dental Practice which contains any mandatory or suggested standards, specifications or operating procedures, whether such information is communicated in writing, electronically (such as in bulletins, updates, guidelines, newsletters, emails, videotapes, audio tapes, compact discs, computer diskettes, CD-ROMs, presentations, limited access intranet sites, portable storage media, and alternative or supplemental means of communicating information by other media), all as supplemented and amended periodically, including information with respect to training, management, quality assurance, health, safety, recruitment, security, site selection, site approval processes, standards, customer services, owner’s manuals, training manuals, approved suppliers, and operating system manuals.

“Owner” – Each person or entity that has a direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited liability company, or other legal entity.

“Patents” – The current and future patents and patent applications, if any, that cover business methods, processes, products, structures, equipment, and designs that we license for use in connection with the operation of Cascade Family Dental Practices.

“Personnel” – All persons employed by you in connection with the development, management, or operation of your Practice, including dental hygienists, assistants, and all other persons who work in or for your Practice.

“Cascade Family Dental Practices” – authorized dental practices operating under our Marks, all as designated by us and developed and operated with our approval and consent, which we, or any of our Affiliates, own, operate or franchise and which use the Marks and the System.

“System” or “System Standards” – The business formats, signs, equipment, methods, procedures, designs, layouts, specifications, and arrangements for developing and operating Cascade Family Dental Practices, which include the Marks, Trade Dress, building design and layouts, equipment, methods for providing services and products, training, methods of inventory control and certain operating and business standards and policies, all of which we may improve, further develop or otherwise modify periodically.

“Trade Dress” means the designs, color schemes, decor and images which we authorize and require our franchisees to use in the development and operation of Cascade Family Dental Practices, which we or our Affiliates have the right to revise and further develop at any time.

“Transfer the Franchise” – or similar words – The voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of this Agreement, of any interest in or right under this Agreement, or any form of ownership interest in you or the assets, revenues or income of your Practice including: (1) any transfer, redemption or issuance of a legal or beneficial ownership interest in the capital stock of, membership of, or a partnership interest in, you or of any interest convertible to or exchangeable for capital stock of, membership of or a partnership interest in, Franchisee; (2) any merger or consolidation between you and another entity, whether or not you are the surviving entity; (3) any transfer in, or as a result of, a divorce, insolvency, corporate, limited liability company or partnership dissolution proceeding or otherwise by operation of law; (4) any transfer upon your death or the death of any of your Principal Owners by will, declaration of or transfer in trust or under the laws of interstate succession; or (5) any foreclosure upon your Practice or the transfer, surrender or loss by you of possession, control or management of your Practice.

“Your Practice” – The Cascade Family Dental Practice operated by you under a Franchise Agreement

**EXHIBIT G**  
**RECEIPTS**

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Cascade Family Dental offers you a franchise, Cascade Family Dental must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, Cascade Family Dental or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

If Cascade Family Dental does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state administrator listed in Exhibit A.

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

Cascade Family Dental, LLC  
246 East 1370 South  
Payson, Utah 84651  
Telephone: (801) 634-1092

Issuance Date: \_\_\_\_\_, 2010

Cascade Family Dental authorizes the agent listed in Exhibit A, if any, to receive service of process for Cascade Family Dental in your state.

I received a Disclosure Document dated December 2, 2010 that included the following Exhibits:

Exhibit A	Schedule of State Administrators and Agents For Service of Process
Exhibit B	Cascade Family Dental Franchise Agreement
Exhibit C	Cascade Family Dental Operations Manual Table of Contents
Exhibit D	Financial Statements
Exhibit E	State Specific Addenda
Exhibit F	Definitions
Exhibit G	Receipts

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

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

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Signature of Prospective Franchisee

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

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

**[OUR COPY]**

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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Cascade Family Dental, LLC  
246 East 1370 South  
Payson, Utah 84651  
Telephone: (801) 634-1092

Issuance Date: \_\_\_\_\_, 2010

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Exhibit E	State Specific Addenda
Exhibit F	Definitions
Exhibit G	Receipts

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

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

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Signature of Prospective Franchisee

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

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

**[YOUR COPY]**