

## FRANCHISE DISCLOSURE DOCUMENT



**CHIROWAY FRANCHISE, LLC**  
a Minnesota limited liability company

**650 Commerce Dr. Ste. 155**  
**Woodbury, MN 55125**  
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ChiroWay Franchise, LLC offers franchises to state-licensed chiropractors, and in limited circumstances, to students enrolled in an accredited program to obtain their Doctor of Chiropractic degree, for the operation and/or management of ChiroWay® Centers ("Centers") which offer chiropractic services to individuals and families, using a monthly flat-fee subscription model.

The total investment necessary to begin operation of a Center is between \$102,000 and \$154,500. This includes \$30,000 that must be paid to the franchisor or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Trent Scheidecker, DC, CFE, at 650 Commerce Dr. Ste. 155, Woodbury, MN 55125; 877-442-4476; trent@chiroway.com.

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.

**Issuance Date:** February 27, 2024

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risk(s) to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Minnesota than in your own state.
2. **Mandatory Minimum Payments**. You must make mandatory minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
3. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

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

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### Exhibits

Exhibit A	Franchise Agreement (including Software License Agreement and Guaranty and Assumption of Obligations)
Exhibit B	Financial Statements
Exhibit C	List of State Administrators; Agents for Service of Process
Exhibit D	State-Specific Addenda
Exhibit E	Disclosure Acknowledgment Agreement
Exhibit F	Operations Manual Table of Contents
Exhibit G	Promissory Note
Exhibit H	List of Outlets
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**ITEM 1.**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this disclosure document, “franchisor”, “we”, “us” and “our” means ChiroWay Franchise, LLC, the franchisor. “Franchisee”, “you” or “your” means the person, corporation, partnership or other business entity that buys the franchise. If you are a corporation, partnership or other entity, these terms also include your members, partners, shareholders and owners who must sign a personal guaranty agreeing to comply with all provisions of the Franchise Agreement.

**The Franchisor**

We are a Minnesota limited liability company formed on May 3, 2012. Our principal place of business is 650 Commerce Dr. Ste. 155, Woodbury, Minnesota 55125. We do business only under our company name, “ChiroWay”, and “ChiroWay Chiropractic”. We have offered franchises for Centers since June 2012.

Our agents for service of process are disclosed in Exhibit C.

**Predecessor, Parents and Affiliates**

Our predecessor and affiliate is ChiroWay Of Woodbury, PLLC, a Minnesota professional limited liability company organized in February 2010 (“CWP”). CWP transferred certain intellectual property and other assets to us in June 2012. CWP has the same business address and phone number as us. CWP has operated a ChiroWay Center similar to the franchise being offered at that address, since May 2010. Although our predecessor and affiliate has operated a similar business, we have never operated a business of the type being franchised.

We have another affiliate, ChiroWay Chiropractic, LLC, a Minnesota limited liability company organized on October 26, 2020, and its principal business address is the same as ours. ChiroWay Chiropractic, LLC was formed in order to offer chiropractic consulting services to third parties. ChiroWay Chiropractic, LLC will offer goods and services to franchisees within the ChiroWay Network, including branded apparel, publications, events, and coaching on specialized chiropractic practices and techniques.

Other than as described below, neither we, nor CWP or ChiroWay Chiropractic LLC, has ever offered franchises for any other type of business. We have no other affiliates, parents or predecessors.

**Franchise Offered**

We offer franchises for the establishment and operation of ChiroWay Centers to qualified individuals who have earned a Doctor of Chiropractic (“DC”) degree and are licensed to practice in the state in which they wish to establish a franchise prior to opening a franchise. In limited circumstances, we also offer franchises to manage a Center to students who are enrolled in accredited programs to obtain their DC degrees (“DC Students”); in these instances, until you obtain your DC degree, you will only manage a Center for a licensed person or entity that is authorized to own and operate a chiropractic practice. ChiroWay Centers offer chiropractic care and services under the ChiroWay trademark and logo and other trademarks, trade names, service marks, and commercial symbols we may authorize (the “Marks”) to individuals and families using

monthly subscription and one-time visit payment options that we may specify. We refer to individual care centers operating under the Marks and using the Business Method as “ChiroWay Centers” or “Centers.” We refer to the Center you will either own and operate (if you are a licensed chiropractor) or manage (if you are a DC Student) as “the Center.” If you are DC Student, we may also refer to the franchise you acquire as the “Franchised Business.” We refer to the combined network of franchised and company-owned ChiroWay Centers as the “ChiroWay Network.”

You will receive the right to develop and operate (or manage, if you are not a licensed chiropractor) a Center offering our approved “ChiroWay Services,” using our methods, specifications, standards, formats, designs, operating and marketing procedures, confidential information, our Marks, and our proprietary software (all of which is collectively referred to as the “Business Method”). The “ChiroWay Services” are the standards, specifications and protocols for chiropractic care that we have developed for the ChiroWay Network, which we may modify and further develop over time. You will operate or manage a Center pursuant to a franchise agreement with us in the form attached as Exhibit A (the “Franchise Agreement”). If you are a licensed chiropractor, you are responsible for complying with the chiropractic care standards required to maintain your license in good standing and must utilize your independent professional judgment when operating the Center. If you are not a licensed chiropractor, you may only manage a Center for a licensed chiropractor that is authorized to own and operate a chiropractic practice.

#### *Professional Corporation/Management Company Structure*

Except under limited circumstances in which we may allow a DC Student to become a franchisee, we require franchisees to be qualified individuals who have earned a DC degree and are licensed to practice in the state in which they wish to establish a franchise prior to opening a franchise. Because some states require a Professional Corporation (“P.C.”) (or similar entity, such as a professional limited liability company structure) to own and/or operate a chiropractic Center, if you are a DC Student whom we have permitted to become a franchisee and your state requires a P.C., then you, as the franchisee, will supply management and general business services to the P.C., who in turn will own and operate the chiropractic practice. In these situations, we expect one or more licensed chiropractors will form the P.C. and operate it in accordance with local and state laws.

If you are a DC Student and your state requires a P.C., you will be required to sign the Franchise Agreement with us to operate the Franchised Business and a management agreement (“Management Agreement”) with a P.C. before you begin operating the Franchised Business. A copy of our form Management Agreement is attached as Exhibit I to this Disclosure Document. Under a Management Agreement, a DC Student franchisee will provide the P.C. with management, administrative services, general business support, and other non-medical services in compliance with all applicable laws and regulations. After you obtain your DC degree and are licensed to practice in the state where the Center is located, you must assume ownership and operation of the Center. Our prior written approval of the final Management Agreement is required prior to you executing it. Prior to entering into any agreement with a P.C., you must also submit information about the P.C. and its licensed professionals, and their credentials, for our approval. You must maintain a current, conforming and compliant Management Agreement with a valid and approved P.C. which is in regulatory good standing at all times during the term of the Management Agreement.

If you are a DC Student, we strongly recommend that you hire a local healthcare lawyer to advise you on healthcare laws that will apply to your Franchised Business. You must use our applicable

standard form of Management Agreement. However, you should have this form reviewed by your healthcare lawyer to determine whether any changes are necessary to comply with applicable state or local laws. While we provide you a generic form of Management Agreement, it is your responsibility to ensure that it complies with the laws and regulations of your state. If needed, you may negotiate the monetary terms and certain other discretionary business terms of your relationship as a management company for the P.C. that will own and operate the chiropractic practice and deliver chiropractic services for your Franchised Business. You must obtain a credentialing report on every chiropractor that will provide chiropractic services at the Center to ensure that the chiropractor is properly licensed and in good standing.

The P.C. is responsible to employ and control chiropractors and any other chiropractic professionals and staff of the chiropractic practice who provide actual chiropractic services to be delivered by the chiropractic practice. A franchisee who is not a licensed chiropractor may not provide nor direct the administering of any actual chiropractic services, nor supervise, direct, control or suggest to the P.C. or its licensed chiropractors the manner in which the P.C. or its licensed chiropractors provide or administer actual chiropractic services to patients.

Due to various federal and state laws regarding the practice of chiropractic, and the ownership and operation of chiropractic practices and health care businesses that provide chiropractic services, it is critical that any franchisee who is a DC Student does not engage in practices that are, or may appear to be, the practice of chiropractic.

You must also ensure that your relationship with the P.C. for which you manage the chiropractic practice complies with all laws and regulations. The P.C. who owns the chiropractic practice must comply with all laws and regulations and secure and maintain in force all required licenses, permits and certificates relating to the operation of a chiropractic practice. Franchisees may assist the P.C. in its effort to comply with such laws and regulations, but must do so under the direction of the P.C.

#### *Ownership and Operation of Centers by Unlicensed Persons*

In certain states, it may be permissible under the existing laws for a non-chiropractor to both own and operate a Center, including hiring chiropractic and other professional personnel and providing chiropractic services to patients at the Center. If you are DC Student and you determine that the laws applicable to chiropractic services in your state permit you to both own and operate a chiropractic practice, you may request that we waive certain of the requirements of the Franchise Agreement related to separating the operation of the chiropractic aspects of the Center from the business management aspects of the Franchised Business. In particular, you: (i) may not need to enter into a Management Agreement with a P.C. that would, as a separate entity, own and operate the chiropractic practice and provide all chiropractic services, and (ii) would not be restricted from directly hiring and supervising chiropractic professionals. Any waiver, or any modification of our standards, would be subject to compliance with all applicable laws and regulations.

You are responsible for operating in full compliance with all laws that apply to the Center, and you must make your own determination as to your legal compliance obligations. The laws applicable to the Center may change. If any new or amended law or regulation is enacted in your state that would render your operation of the Center through a single entity (or otherwise) unlawful, you must immediately advise us of such new or amended law or regulation as well as the measures you intend to take to bring the Center into compliance with such new or amended law or regulation, including (if applicable) entering into a Management Agreement with a P.C. Similarly,



if we discover and notify you of any such laws, you must immediately implement any changes that are necessary to comply with the new or amended law or regulation, including (if applicable) entering into a Management Agreement with a P.C.

Regardless of whether you are a DC Student, you, as the franchisee, must not engage in the practice of chiropractic or any other profession that requires specialized training or certification, unless you are properly licensed to do so.

### **Market and Competition**

The market for chiropractic care is well developed. You will face competition from other chiropractic care centers, medical providers, hospitals, clinics and other types of treatment centers. In addition, because ChiroWay's business philosophy focuses on regular chiropractic care for wellness, you may also face competition from other businesses that provide wellness services, such as massage centers, fitness studios, nutritional centers, yoga centers and health clubs if they offer chiropractic care.

### **Laws, Licenses and Permits**

You are responsible for operating in full compliance with all laws that apply to your Franchised Business and any Centers that you own, operate and/or manage. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and the other licenses applicable to Centers. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files and displayed as may be required. You must comply with all state and local laws and regulations regarding the management of any Center.

You must also comply with federal, state and local laws that apply to businesses generally, such as the Americans with Disabilities Act, privacy and data security laws, wage and hour laws, equal employment opportunity laws, tax laws, zoning requirements, business licensing requirements and OSHA regulations. We urge you to become familiar with these specific laws and regulations governing the operation or management of a Center in your state.

You may not provide ChiroWay Services that are reimbursable by Medicare, Medicaid or any other federal or state-sponsored or funded health care programs ("Government Programs"). You may not seek reimbursement from commercial or private third-party payers or insurers for any services performed at the Center under any circumstances. Permissible forms of payment are customer check or credit card.

You must also ensure that your relationship with any P.C. for which you manage a chiropractic practice complies with all laws and regulations, and that the P.C. complies with all laws and regulations and secures and maintains in force all required licenses, permits and certificates relating to the operation of a chiropractic practice. Each state has medical, nursing, physician assistant, cosmetology, naturopathic, chiropractic and other boards that determine rules and regulations regarding their respective members and the scope of services that may legally be offered by their members. The laws and regulations generally include requirements for the medical providers to hold required state licenses and registrations to work as chiropractors and chiropractic assistants in the state where the Center is located, and to hold required certifications by, or registrations in, any applicable professional association or registry. If a state or jurisdiction

has such a law or regulation, these laws and regulations are likely to vary from state to state, and these may change from time to time.

Healthcare services are heavily regulated and requirements that may apply to the Center and/or Franchised Business include federal, state and local laws and regulations relating to the practice of chiropractic, anti-kickback laws, fee-splitting restrictions, self-referral restrictions, regulation of payment systems for medical benefits (including Medicare and Medicaid), client privacy (including Health Insurance Portability and Accountability Act (“HIPAA”) and state privacy laws) antitrust laws, restrictions on the corporate practice of medicine or chiropractic (which limits the ability of non-licensed individuals to own an interest in a chiropractic practice), and prohibitions against submitting false or misleading claims. We urge you to become familiar with these specific laws and regulations governing the operation of a Center and/or Franchised Business in your state. You must comply with all applicable laws as a condition to operating and/or managing your Franchised Business and/or Center.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Trent Scheidecker, DC, CFE, President and Chief Executive Officer**

Trent Scheidecker, DC, CFE, is our founder and has been our President and a member of our Board of Governors since our formation in May 2012, located in Woodbury, Minnesota. Dr. Scheidecker has also been the owner of CWP since CWP’s formation in February 2010, and its head chiropractor since it began business operations in May 2010, located in Woodbury, Minnesota, and has also been the owner of ChiroWay Chiropractic, LLC since its formation in October 2020 and lead instructor for Advanced Muscle Palpation Technique. He serves in his current capacities in the Minneapolis-St. Paul, Minnesota metropolitan area.

### **Natalie Lewis, Executive Manager**

Natalie Lewis has been our Executive Coordinator since February 2024. Natalie was our Marketing and Operations Director from February 2015 to 2020. Natalie was our CWP Manager in Woodbury, Minnesota from January 2014 to 2015.

### **Julia Miller, Franchise Development Manager**

Julia Miller has been our Franchise Development Manager since January 2024. Julia was our Marketing Coordinator from January 2023 to 2024. Prior to joining us, Julia served as a sales associate at Massage Envy in Stillwater, Minnesota from May 2022 to October 2022, as a front desk associate for the University of Wisconsin-Stout from December 2021 to May 2022, as a server at Diablo Blue in Menomonie, Wisconsin from May 2021 to October 2022, and as a housekeeper at The Cleaning Solution in White Bear Lake, Minnesota from May 2020 to May 2021. Prior to that she was a student. She serves in her current capacities in the Minneapolis-St. Paul, Minnesota metropolitan area.

## **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4.  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5.  
INITIAL FEES**

The "Initial Franchise Fee" for a ChiroWay franchise is \$30,000 and is due when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable. The Initial Franchise Fee is uniformly charged except as provided below. In our last fiscal year, our Initial Franchise Fee was uniformly \$15,000, which was our then-current Initial Franchise Fee.

We offer a reduced Initial Franchise Fee of \$15,000 for each additional franchise agreement, each with its own Protected Area, you sign at the same time you sign your initial Franchise Agreement.

We also offer a reduced Initial Franchise Fee if you later open additional ChiroWay Centers either within your Protected Area (an "Additional Center") or outside your Protected Area (an "Additional Area Center"). With our prior approval, if you are in good standing under all agreements with us, including current on all fees, and you desire to open an Additional Center or an Additional Area Center that meets our then-current standards and specifications for new ChiroWay Centers, you must sign our then-current form of franchise agreement for the Additional Center or Additional Area Center (which terms and conditions may be materially different from those under the Franchise Agreement) except that the Initial Franchise Fee due for the Additional Center or Additional Area Center is \$20,000. For each Additional Center, upon signing our then-current form of franchise agreement, you will receive the right to operate or manage 1 Center, from a single location. For each Additional Area Center, upon signing our then-current form of franchise agreement, you will receive (a) the right to operate or manage 1 Center, from a single location, and (b) an additional Protected Area surrounding the location of the Additional Area Center.

A reduced Initial Franchise Fee only applies to a Franchise Agreement you enter into with us during the time we offer the applicable program. We may modify or terminate these programs at any time, but no modification or termination will affect any Franchise Agreement you sign during the time the applicable program is offered.

**ITEM 6.  
OTHER FEES**

<b>Type of Fee</b>	<b>Amount (Note 1)</b>	<b>Due Date</b>	<b>Remarks</b>
Continuing Fee	4% of Gross Revenues; subject to the Minimum Continuing Fee	The 5 <sup>th</sup> day of each month for Gross Revenues from the prior month	The Minimum Continuing Fee is \$650 per month  Notes 2, 3 and 4
Marketing Fee	Currently \$325 per month, but we reserve the right to increase to up to 2.5% of Gross Revenues; subject to the Minimum Marketing Fee	The 5 <sup>th</sup> day of each month for Gross Revenues from the prior month	The Minimum Marketing Fee is \$325 per month  Notes 2, 3 and 5
Local Advertising Expenditure	Up to \$1,000 per month per Licensed Chiropractor offering services at the Center	As incurred (must be spent on a monthly basis)	Note 6
Technology Fee and Software Fee	Currently \$325, but we reserve the right to increase to up to 2.5% of Gross Revenues; subject to the Minimum Technology and Software Fee.	The 5 <sup>th</sup> day of each month for Gross Revenues from the prior month	The Minimum Technology and Software Fee is \$325 per month.  You must license from us our Proprietary Software.  Notes 2 and 3.
Single Line Program	Not currently established; if established, from \$25 to \$50 per month	If established, the 5 <sup>th</sup> day of each month for the prior month	We may establish a system-wide call center and/or a single telephone number for the network, and require you to participate, including payment of our then-current fees that we establish
Interest	Lesser of 1½% per month or the highest rate allowed by law	When incurred	Payable if you do not timely pay any amounts owed to us or our affiliates

Transfer and Assignment Fee	\$5,000	Before you transfer the franchise agreement or the Center	
Renewal Fee	\$5,000	At least 30 days before renewal of the Franchise Agreement	
Relocation Fee	Up to \$2,500	When incurred	Note 7
Additional Operating Assistance	Currently \$100 per hour	Upon Invoice from us	Note 8
Remodeling Expenses	Will vary under circumstances	Upon Invoice from us	If you do not remodel the Center when required, we may remodel it at your expense
Indemnification	Will vary under circumstances	When incurred	You must reimburse us if we are sued or held liable for claims arising from the Center
Costs and Attorneys' Fees	Will vary under circumstances	When incurred	We may recover costs and reasonable attorneys' fees if you lose in a dispute with us and if you indemnify us
Insurance	Will vary under circumstances	Upon demand	If you fail to obtain and maintain required insurance, we may obtain insurance and you must promptly reimburse us, including late charges
Supplemental Training Programs, Meetings and Franchisee Conventions	Will vary under circumstances	When incurred	See Note 9
Late Reports Fee	\$50 per month	When incurred	Due for each required report that is not timely submitted

Audit Fee	Cost of inspection, plus 100% of understated fees and interest, at the rate of 18% per annum or the maximum rate permitted by applicable law; if an understatement of fees is greater than 3%, you also must pay us an additional penalty fee equal to 10% of the total amount of the understated fees	When incurred, due only if an inspection is necessary	If you do not timely pay Continuing Fees or we have other reason and information that require us to conduct an audit of your accounts.
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**Notes**

1. Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed. If your state, or any governmental body in your state, charges a tax on any fee you owe to us or to our affiliates, then you are required to pay an additional amount equal to the amount of this tax. This does not apply to any federal or Minnesota income taxes we or our affiliates have to pay.
2. “Gross Revenues” means the total of all revenue and receipts derived from the operation of the franchise, including all amounts received at or away from the Center, or through the business the Center conducts (such as monthly subscriptions, other fees for chiropractic care, fees for the sale of any service or product, gift card sales, and revenue derived from product sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); all without deduction for expenses, including marketing expenses and taxes. However, the definition of Gross Revenues does not include sales tax that is collected from customers and actually transmitted to the appropriate taxing authorities, or customer refunds or adjustments. For franchisees that operate as the management company for a P.C. and any of its clinics under a Management Agreement, “Gross Revenues” also includes all revenues and receipts of the P.C. and any of its centers, even if those revenues are not recognized on the books of the franchisee.
3. Beginning with the first full calendar month following the Center’s opening, you will be required to pay a Minimum Continuing Fee, a Minimum Marketing Fee, and a Minimum Technology and Software Fee. Accordingly, as of the date of this Disclosure Document: (a) your monthly Continuing Fee will be the greater of (i) 4% of the prior month’s Gross Revenues and (ii) \$650; (b) your monthly Marketing Fee will be \$325; and (c) your monthly Technology and Software Fee will be \$325. We reserve the right to increase both the Marketing Fee and the Technology and Software Fee to up to 2.5% of Gross Revenues.
4. The Continuing Fee is for your use of the Business Method and our Operations Manual.
5. We will deposit the Marketing Fee in the national marketing fund (the “Marketing Fund”), as described in Item 11.

6. The Franchise Agreement gives us the right to require you to spend up to \$1,000 per month per Licensed Chiropractor offering services at the Center, on approved advertising in your Protected Area. As of the date of this Disclosure Document, we have not yet implemented this requirement, but we plan to implement it in 2023 with a required monthly minimum expenditure in the range of \$500 to \$1,000 per Licensed Chiropractor offering services at the Center. If we have established a Designated Marketing Area (a “DMA”) for your geographic market, we may require that you submit this amount to the fund for the DMA.
7. If you relocate the Center within the Protected Area, you must obtain our prior written approval and pay a discretionary fee (\$2,500 maximum) to cover our expenses in considering your request.
8. If you request additional operating assistance for the Center beyond what is provided to all ChiroWay franchisees, we will provide you with such additional assistance at our then-current consulting rate, not less than \$100 per hour. Our current consulting rate is \$100/hour.
9. Under the Franchise Agreement, you are required to attend supplemental training programs that we require and you must also attend (on an annual basis) the minimum number of national and regional industry conferences that we designate. You must pay our current registration fees to cover the cost of that registration. We currently anticipate the registration fee will be less than \$1,000 per person, but this amount will likely increase as food and beverage costs and facility rental fees increase. You must pay all of the costs associated with attending these programs and events, including travel, living expenses, wages and benefits of you and/or your employees.

*[Remainder of page intentionally left blank]*

**ITEM 7.  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount (Note 1)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is To Be Made</b>
Initial Franchise Fee (Note 2)	\$30,000	Lump Sum	When you sign the Franchise Agreement	Us
Leasing Costs/Security Deposit (Note 3)	\$8,000 - \$10,000	Lump Sum	Before you Open	Landlord
Build Out of Premises (Note 3)	\$15,000 - \$30,000	Lump Sum	Before you Open	Contractors
Promotional Materials for Initial Opening	\$1,500 - \$3,500	Lump Sum	Before you Open	Approved Suppliers
Furniture and Fixtures (Note 4)	\$7,500 - \$15,000	Lump Sum	Before you Open	Approved Suppliers
Signage (Note 5)	\$5,000 - \$10,000	Lump Sum	Before you Open	Approved Suppliers
Equipment for Chiropractic Practice (Note 6)	\$3,500 - \$5,500	Lump Sum	Before you Open	Approved Suppliers
Computer Hardware and Software	\$2,500 - \$3,500	Lump Sum	Before you Open	Suppliers/ Vendors
Office Supplies	\$500 - \$1,000	Lump Sum	Before you Open	Suppliers/ Vendors
Business Permits and Licenses and Chiropractic License(s) (Note 7)	\$1,000 - \$2,000	Lump Sum	Before you Open	Government Offices
Grand Opening Initial Advertising (Note 8)	\$2,500 - \$5,500	Lump Sum	As Incurred	Approved Suppliers
Insurance and Legal Related Costs (Note 9)	\$1,000 - \$3,000	Lump Sum	Before you Open	Vendors
Cost to Attend Training (Note 10)	\$1,000 - \$2,000	Lump Sum	As Incurred	Airlines, Hotels, Restaurants



Professional Fees and Services (Note 11)	\$500 - \$1,000	As Incurred	Before you Open	Vendors
Additional Working Capital — 3 months (Note 12)	\$22,500 - \$32,500	As Needed	As Incurred	Employees, Suppliers, Vendors, and Us
<b>TOTAL (Note 13)</b>	<b>\$102,000 - \$154,500</b>			

## Notes

1. Except where otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable.
2. Under certain circumstances, we may permit you to defer payment of up to one-half of the Initial Franchise Fee for a period of up to 3 years by financing with us (see Item 10). The interest rate for the Promissory Note will be an annual rate of 8% if all payments are made on time. You must pay at least one-half of the Initial Franchise Fee when you sign the Franchise Agreement. The estimated monthly payment under the Promissory Note will vary depending upon the amount financed.

We offer reduced Initial Franchise Fees for each additional franchise agreement you sign at the same time you sign your initial Franchise Agreement. We also offer reduced Initial Franchise Fees for Additional Centers you later open within your Protected Area and for Additional Area Centers you later open outside your Protected Area (see Item 5).

3. We have not projected any cost for the purchase of any land or building because we do not recommend you purchase a building for the Center. Instead, we recommend that you lease a site for the Center. The Center will usually be located in a strip center or similar retail area and we assume you will have 1 Licensed Chiropractor working from the Center when you begin operations, a lobby/waiting area, and 2 rooms for consulting with clients and providing ChiroWay services. The space should generally be between 750 and 1,200 square feet. Rental costs are generally between \$1,000 and \$3,000 per month in or near the Minneapolis/St. Paul, Minnesota market area. It will vary in other markets. Our estimate assumes that you will initially pay for 3 months of rent of \$2,000 to \$3,000 per month, plus a security deposit of \$2,000 to \$3,000. Our estimates also assume the location has been prepped with lighting, electricity, and waste removal. You will have additional build-out costs if you receive the premises in any other condition than what we have assumed. We recommend that you interview several contractors and check their references before engaging a contractor.
4. Furniture and fixtures for the Center must be purchased from our approved suppliers and meet our standards.
5. Prior to opening the Center, you must purchase interior and exterior signage that displays the Marks in the manner and according to the content guidelines that we prescribe. Signage must be purchased from a source or sources that we approve or that otherwise meets our standards.

6. In the Operations Manual, we provide you with a list of the chiropractic equipment that you will need to purchase in order to open and begin operations at the Center. This list is subject to change from time to time. As of the date of this Disclosure Document the list of required equipment includes 1 chiropractic table (currently, we designate a Thomas Chiropractic Model Heritage 7, black) for each service room in the Center. The low end of this estimate is to equip 1 service room, while the high end of the estimate assumes that you will equip 2 service rooms.
7. Each Licensed Chiropractor working from the Center is required to maintain a chiropractic license from the state in which the Center is located. This estimate assumes the Center will initially have 1 Licensed Chiropractor.
8. Although we do not require that you spend a particular amount on marketing for the initial opening of the Center, we strongly recommend that you spend this amount or more on grand opening promotional activities, such as direct mail, open houses, a ribbon-cutting ceremony, community listings, and participation in local community events.
9. This amount includes an estimate for prepaid insurance premiums. You must purchase and maintain insurance in the types and amounts we require, as further described in the Franchise Agreement and the Operations Manual. Currently, our requirements include comprehensive general liability insurance with a combined single limit of at least \$1,000,000 for each occurrence and \$3,000,000 in the aggregate; professional liability (malpractice) insurance with coverage of at least \$1,000,000 for each occurrence and \$3,000,000 in the aggregate; cyber liability insurance with coverage of at least \$1,000,000 for each occurrence and \$3,000,000 in the aggregate; and worker's compensation, employer's liability and other insurance to meet statutory requirements in the jurisdiction in which the Center is located.
10. This amount assumes 1 attendee at training and that you are located close enough to drive to our training location in Woodbury, Minnesota. These figures include estimated costs for 1 hotel room for 1-2 night(s), ground transportation, and miscellaneous expenses. These costs may vary widely based on the fluctuation of travel prices, your travel preferences, and the location of the Center.
11. You may incur legal fees, accounting fees and other professional fees to set up a professional entity, obtain necessary licenses, review other agreements relating to the operation of the franchise, perform background checks, and perform other legal and tax filings and compliance functions. If you are a DC Student you will also have legal fees associated with the review of the Management Agreement. The legal fees incurred in connection with obtaining any licenses and complying with applicable laws will significantly vary.
12. This amount estimates the operating expenses you should expect to incur during the first 3 months of Center operations, including payroll (excluding any salary you may take), and monthly Continuing Fees, Technology and Software Fees and Marketing Fees. It does not include any return on investment during the 3-month period. The estimate also includes estimated rent, taxes, supplies, utilities, phone, internet and similar expenses. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as your management skills and experience, local economic conditions, the local market for

ChiroWay Services, the prevailing wage rate, competition, the amount of your initial investment you decide to finance, and the sales level reached during the initial period.

13. These figures are estimates only. We have relied on the experiences of our affiliates in opening company-owned locations in Minnesota to compile these estimates. This is only an estimate of your initial investment and is based on our estimate of costs and market conditions prevailing as of the issuance date of this Disclosure Document. It is possible to significantly exceed costs in any of the areas above. You must bear any deviation or escalation in costs from the estimates that we have given. You should review these figures carefully with a business and a legal advisor before making any decision to purchase a franchise. Many factors that are unique to your market can make a dramatic difference in the estimates provided. The availability and terms of any financing will depend on factors like the availability of financing generally, your credit worthiness, your relationship with local banks, your business experience, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest, or debt service obligations.

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

To ensure a uniform image and uniform quality of products and services throughout the ChiroWay Network, you must maintain and comply with our quality standards.

### **Designated Suppliers**

You must purchase for use or sale at the Center only those services or products we designate. You must purchase these items from us, our designees or from other suppliers we approve. We or our designees may be the designated or sole source of supply for certain services and products, although as of the date of this disclosure document we are not the sole supplier for any service or product except for the Proprietary Software and certain branded apparel. As of the date of this disclosure document, you must obtain certain furniture and equipment for the Center from a mandatory vendor. We may receive rebates from our approved and mandatory vendors. You are not entitled to receive any portion of such rebates. In the year 2023, we received \$1,731.25 in rebates from our approved vendors.

### **Approved Services and Products**

You may only provide the services we approve at your Center, which includes various chiropractic services, as set forth in our Operations Manual (the "Approved Services"). Some of the Approved Services are mandatory and you will receive training on such mandatory Approved Services. We own the rights to a proprietary chiropractic method, the Advanced Muscle Palpation Technique, which you may be required to learn and implement at your Center, in our discretion.

We will provide you with lists of approved manufacturers, suppliers and distributors ("Approved Suppliers List") and approved inventory, products, fixtures, furniture, equipment, signs, supplies and other items or services necessary to operate or manage the Center ("Approved Supplies List"). The Approved Suppliers List may specify the specific manufacturer of a specific product or piece of equipment. We, an affiliate or a third-party vendor or supplier periodically may be the only approved supplier for certain items. The lists specify the suppliers and the products and services that we have approved for use in the Business Method. We may revise these lists and provide you with a copy of approved lists as we deem advisable.

If you want to use any unapproved material, fixture, equipment, furniture or sign, or purchase any items from any supplier that we have not approved, you must first notify us in writing and must submit to us, at our request, sufficient specifications, photographs, drawings or other information or samples for us to determine whether the services, material, fixture, equipment, furniture or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria. We will notify you of our decision within a reasonable period (not exceeding 90 days) following our receipt of all information requested. You or the supplier must pay the reasonable cost of the inspection and evaluation and the actual cost of the test. We may re-inspect the facilities and products of any supplier or approved item and revoke our approval of any item or supplier that fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or supply. As part of the approval process, we may require that a proposed supplier sign a supplier agreement covering such items as insurance, product quality, trademark use, and indemnification. We do not provide material benefits to you based on your use of designated or approved sources.

We apply certain general criteria in approving a proposed supplier, including the supplier's quality and pricing of products, ability to provide products/services that meet our specifications, responsiveness, ability to provide products/services within the parameters required by the Business Method, quickness to market with new items, financial stability, the terms of any credit program for franchisees, freight costs, and the ability to provide support to the entire network of ChiroWay franchised and company-owned Centers (merchandising, field assistance, education and training respecting sales, and use of products and services).

### **Insurance**

You must purchase and maintain insurance in the types and amounts we require, as further described in the Franchise Agreement and the Operations Manual. Currently, our requirements include comprehensive general liability insurance with a combined single limit of at least \$1,000,000 for each occurrence and \$3,000,000 in the aggregate; professional liability (malpractice) insurance with coverage of at least \$1,000,000 for each occurrence and \$3,000,000 in the aggregate; cyber liability insurance with coverage of at least \$1,000,000 for each occurrence and \$3,000,000 in the aggregate; and worker's compensation, employer's liability and other insurance to meet statutory requirements in the jurisdiction in which the Center is located. All insurance policies must insure us, you and any other person that we designate from all liability, damages or injury, and must meet all other requirements that we designate.

### **Miscellaneous**

Our officers own an interest in us. Our President and Chief Executive Officer, Trent Scheidecker, DC, CFE, owns an interest in our affiliate, ChiroWay Chiropractic, LLC, which is a supplier. Neither we nor our affiliates received any revenue as a result of franchisee's required purchases of products and services during the last fiscal year.

We have reserved the right in the Franchise Agreement to receive rebates or other payments from suppliers, based directly or indirectly on sales of services or products, advertising materials and other items to franchisees and centers we own, which payments may range from less than 1% up to 20% or more of the purchase price. During our fiscal year ended December 31, 2022, we did not derive any revenue or other material consideration as a result of required purchases or leases by franchisees.

We may negotiate prices for numerous products for the benefit of the ChiroWay Network, but not for any individual franchisee. We are not aware of any purchasing or distribution cooperative for the ChiroWay Network. We attempt to receive volume discounts for the ChiroWay Network.

We may license third-party suppliers to produce advertising and promotion items that bear the Marks. You may purchase these items for resale or for promotional purposes from approved third-party suppliers.

We estimate that the purchase or lease of equipment (including the Computer System hardware and software), signs, fixtures, furnishings, supplies, products, and advertising and sales promotions materials, including placement, which meet our specifications will represent approximately 21% to 45% of the cost to develop the Center and 16% to 20% of the ongoing cost to operate or manage the Center.

**ITEM 9.  
FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Sections 2.B and 6.A; Exhibit A	Item 11
b. Pre-opening purchases/leases	Section 6	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Section 6, 7.A and 9.F	Item 5, 6, 7 and 11
d. Initial and ongoing training	Section 7	Items 7 and 11
e. Opening	Sections 5.B, 6.E and 7.C	Items 5, 7 and 11
f. Fees	Sections 4, 5.A., 5.C., 7.B and 7.D in the Franchise Agreement, Section 1D of the Software License Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	Sections 7.E and 9	Items 11 and 16
h. Trademarks and proprietary information	Sections 8 and 12	Items 13 and 14
i. Restriction on products/services offered	Section 9	Items 8 and 16
j. Warranty and customer service requirements	Section 9	Item 11

k. Territorial development and sales quotas	Section 2 and Exhibit A	Item 12
l. Ongoing product/service purchases	Sections 9.G and 9.I	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 6.A, 6.B, 9.B, 9.C and 9.I.	Items 6 and 11
n. Insurance	Section 9.N	Items 6, 7 and 8
o. Advertising	Section 5 and 8.C.	Items 6, 7 and 11
p. Indemnification	Sections 8.E, 18.B and 18.C	None
q. Owner’s participation/management/staffing	Sections 7.B, 9.E, 9.F and 9.M	Items 11 and 15
r. Records and reports	Section 10	Item 6
s. Inspections and audits	Section 11	Item 6
t. Transfer	Section 14	Items 6 and 17
u. Renewal	Section 3.B	Items 6 and 17
v. Post-termination obligations	Sections 13.A, 13.C and 17	Item 17
w. Non-competition covenants	Section 13	Item 17
x. Dispute resolution	Section 19	Item 17
y. Other: Guaranty of franchise obligations (Note 1)	Guaranty and Assumption of Obligations (Exhibit C to the Franchise Agreement)	Item 15

**Notes**

- Each individual who owns a 10% or greater interest in the franchisee entity is considered a “Principal Owner” and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement, along with the spouse of any Principal Owner. This guarantee is for all the obligations of the franchisee under the Franchise Agreement, and also includes an agreement to be bound by the confidentiality and noncompete provisions of the Franchise Agreement.

**ITEM 10.  
FINANCING**

Except as described below, we do not offer, either directly or indirectly, any financing to you. We are unable to estimate whether you will be able to obtain financing for any or all of your investment and, if so, the terms of the financing. Neither we nor any affiliate receives payment or other consideration for the placing of financing. We do not guarantee your notes, leases or other obligations.

Under certain circumstances, we may permit you to defer payment of up to 1/2 of the Initial Franchise Fee for a period of up to 3 years. If we agree to finance any portion of your Initial Franchise Fee with us, you must sign an installment promissory note, a copy of which is included as Exhibit G to this Disclosure Document (the “Promissory Note”). The Promissory Note bears interest at an annual rate of 8% if all payments are made on time (Promissory Note, Introductory Paragraph). However, if you miss or are late with a payment, the Promissory Note will bear interest at the lesser of 12% per annum or the highest rate permitted by applicable law (Promissory Note, Paragraph 2). The Promissory Note is payable in equal monthly payments of principal and interest over its term of up to 36 months (Promissory Note, Paragraph 1). You may prepay the Promissory Note in whole or in part without penalty over the term, if you make the prepayments in multiples of \$100 and on dates when installments of principal are due (Promissory Note, Paragraph 3). We may require you to sign a draft authorization form, which allows us to draft your deposit accounts for each installment payment, and any other amounts due under the Promissory Note (Promissory Note, Paragraph 1). If any required installment payment is not made when due, we can at our option call the note and demand immediate payment of the entire outstanding balance (Promissory Note, Paragraph 4 and 5). In addition, if you transfer your interest in the Franchise Agreement or in the Center prior to paying the Promissory Note in full, or if you commit an uncured default under the Franchise Agreement or other agreement with us or our affiliates, the entire balance of principal and interest remaining unpaid under the Promissory Note will become due and payable (Promissory Note, Paragraph 4 and 5). If the Franchisee is a corporation or other entity, the owners of the entity must personally guarantee the note Promissory Note, Paragraph 6). You and each personal guarantor waive presentment for payment, protest rights, and notice of failure to make payment (Promissory Note, Paragraph 7). You are not required to give or pledge any type of security interest to obtain this financing, although failure to pay amounts due under the Promissory Note is a default under the Franchise Agreement and grounds for termination of the franchise (Franchise Agreement, Section 15.A.9.)

It is not our current practice or intent to sell, assign or discount to any third party any note or other financing instrument that franchisees execute. We reserve the right to do so in the future, however. We also may pledge our interest in financing instruments to third parties to secure our various obligations to third parties.

#### **ITEM 11.**

#### **FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

#### **Pre-Opening Assistance**

Before you open the Center, we will:

1. Provide you with specifications for the Center, including those for size, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and décor (Franchise Agreement – Section 6.A – 6.C).
2. Provide you with an initial opening marketing kit (Franchise Agreement – Section 7.C).
3. Provide you with a list of the approved suppliers for certain equipment, supplies, and services for the Center (Franchise Agreement – Section 9.G).
4. Provide the initial training program (Franchise Agreement – Section 7.B).

5. Provide you with access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7.E). As of the issuance date of this Disclosure Document, our Operations Manual contains 470 pages, not including the appendix. A copy of the table of contents of our Operations Manual is attached to this Disclosure Document as Exhibit F.
6. Make available to you the Proprietary Software that we have developed or selected for the Business Method (Franchise Agreement – Section 6.D).
7. Provide your Licensed Chiropractor(s) and you (if you are a DC Student) with an email address (Franchise Agreement – Section 6.D).
8. Provide the Center with a contact listing on our website (Franchise Agreement – Section 9.O).
9. Conduct weekly telephone consultations with you, up to 30 minutes in duration, to assist you in the initial operations of the Center for 3 months following the Center's initial opening (Franchise Agreement – Section 7.C).

### **Ongoing Assistance**

During the operation of the Center, we will:

1. Conduct online training or conference calls, as determined by us, for all ChiroWay franchisees to assist in the ongoing operation or management of franchised ChiroWay Centers (Franchise Agreement – Section 7.D).
2. Provide you with operational assistance as we determine, without charge (Franchise Agreement – Section 7.D).
3. Provide you with additional assistance, at your reasonable request and that we agree to provide, in exchange for a consulting fee (Franchise Agreement – Section 7.D).
4. Periodically provide you with updated and revised materials and updates to the Operations Manual, including any updates and improvements to the ChiroWay Services (Franchise Agreement – Section 7.E).
5. Maintain and administer the ChiroWay Marketing Fund (Franchise Agreement – Section 5.A).
6. Assist you in the marketing and promotion of the Center through establishment and/or approval of promotional materials and programs for the ChiroWay Network (Franchise Agreement – Section 5.B).
7. Establish and maintain a single toll-free number or call center for the ChiroWay Network (Franchise Agreement – Section 5.G).



## Advertising Programs

We operate a National Marketing and Promotional Fund (the "Marketing Fund") to advertise and promote ChiroWay Centers in the ChiroWay Network. You will pay us a monthly Marketing Fee, as described in Item 6. We will deposit all of the Marketing Fees paid to us into the Marketing Fund, which we account for separately from our other revenues. We may use the Marketing Fund to conduct national, regional and local advertising, marketing, promotional and public relations campaigns, website development, online advertising, one-time marketing, infomercial development, production and placement, direct marketing and education, and direct mail. We also will use the Marketing Fund to develop advertising and promotional materials for use in local markets. Although we do not currently do so, the Franchise Agreement gives us the right to develop an in-house advertising staff that assists in developing local advertising and other matters and to pay for that staff (and overhead) using the Marketing Fund. We also may contract with various outside advertising agencies and third-party vendors to produce certain advertising production and promotional materials and to create and implement public relations campaigns. We will determine the use of the Marketing Fund. We may be reimbursed for reasonable administrative costs and overhead incurred in administering the Marketing Fund.

We are not required to spend any particular amount on marketing, advertising or production in the area in which the Center is located. Marketing Fees not spent in any fiscal year will be carried over for future use. We may make loans to the Marketing Fund bearing reasonable interest to cover any deficit of the Marketing Fund and cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. Marketing Fees will not be used for advertising principally directed at the sale of franchises. At your request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Marketing Fund for the most recent fiscal year. In our last fiscal year, expenditures from the Marketing Fund by us were spent as follows:

Advertising and Promotional	1%
Brand Production and Creative	1%
Communications	2%
Events and Engagements	5%
Print and Signage	1%
Programs and Platforms	10%
Administrative Costs	80%

Each new franchised Center must pay the Marketing Fee as described in Item 6. Each Center we or any affiliate of ours owns that is substantially similar to franchised Centers will contribute to the Marketing Fund on the same basis as the majority of franchisees.

We have established a National Advisory Council ("NAC") composed of franchisees who advise us on the franchisee perspective on the management of our franchise operations, which may include, but is not limited to, advertising policies. The NAC operates in an advisory capacity only and has no operational or decision-making power. We have the power to form, change or dissolve the NAC. Members are selected by all franchisees, with each franchise allotted one (1) vote in the election.

We will provide you with advertising material templates. If you wish to develop your own advertising materials, these advertising materials must be developed at your own cost, be factually correct, accurately depict the Marks, communicate the brand position and character that we have established for Centers, and meet any other requirements that we have developed for

such materials. If you develop your own advertisement materials, you must provide a copy of the materials to us for our review and approval (in writing) before you use the advertising materials. You must confirm that any advertising or promotional materials that we develop comply with applicable restrictions under state law, including any restrictions on the manner in which you (or any of your employees) are permitted to market their services. If you do not believe that any advertising or promotional materials conform with state law requirements that apply to you or your employees, you must provide us with copies of applicable law, regulations or other guidance on which you based your determination and we will meet in good faith to resolve the issue.

We have the right to require you and all other ChiroWay Franchisees (on a uniform basis) to spend a minimum amount of up to \$1,000 per month per Licensed Chiropractor offering services at the Center on approved local advertising and promotion of the Center. As of the date of this Disclosure Document, we have not yet implemented this requirement, but we plan to implement it in 2023 with a required minimum monthly expenditure in the range of \$500 to \$1,000. If you do not spend the minimum amount required for local advertising and promotional activities, you must pay us the difference between the required expenditure and your actual expenditure, and we will deposit this shortfall into the Marketing Fund. We also have the right to establish local or regional marketing cooperatives for geographic markets (DMAs) that we define. Marketing cooperatives pool the resources of multiple ChiroWay Centers in a DMA in order to conduct general marketing activities within a common market. If we establish a marketing cooperative for a DMA that includes the Center, we may require you to contribute all or part of your minimum local advertising requirement to the cooperative.

### **Computer System**

You must use in the Center a computer system (“Computer System”) that we have selected for use in Centers. We periodically may update or change the Computer System in response to business, operations, marketing conditions, or changes in technology.

As of the date of this Disclosure Document, the Computer System includes the proprietary software developed for us (the “Proprietary Software”), QuickBooks Online, a Macintosh computer, an iPad, an iPhone, a wireless router and a printer. You may purchase the hardware we designate and any “off-the-shelf” software that we require (such as QuickBooks) from any supplier you choose, provided the supplier can provide hardware and software that meets our requirements. The cost of the Computer System ranges from \$2,500 to \$3,500. We estimate that the cost of any optional or required maintenance, and software and hardware upgrades will range from \$500 to \$1,000 annually. The Proprietary Software is a software system that was developed for us and that we license to you for operation of the Center. You must sign a separate Software License Agreement (Exhibit B to the Franchise Agreement) for the Proprietary Software. The initial licensing fee for the Proprietary Software is included in your Initial Franchise Fee, and a monthly fee equal to the greater of (a) 1.25% of your Gross Revenue and (b) \$300, is charged for your ongoing use of the Proprietary Software. We additionally may charge a reasonable fee for any services or expenses relating to custom updates, modifications, or enhancements to the Proprietary Software made on behalf of a single or small group of franchisees. We will provide basic ongoing maintenance for the Proprietary Software from time to time.

You are required to comply fully with all applicable HIPAA requirements, including, properly securing and backing up all patient and other Center data according to HIPAA standards if applicable to you. You must comply with all reasonable standards for use of the Proprietary Software that we develop. Unless you are a DC Student, you own and must maintain responsibility of all data regarding the Center’s clients and subsequent management and support

costs. Upon termination or expiration of the Franchise Agreement, at our option and subject to applicable law, we may require that you transfer the client data to us.

You must incorporate upgrades and updates to the Computer System as they become available. (Franchise Agreement, Section 6.D.) There are no contractual limitations on the frequency or cost of this obligation should we discontinue offering upgrades and updates free of charge.

We will assign an email address for you (if you are a DC Student) and for each Licensed Chiropractor to use in connection with the Center and this email address must be listed on the business card(s) of the Center and of each Licensed Chiropractor. You must comply with any email usage guidelines outlined in the Operations Manual and obtain written authorization from any Center clients prior to engaging in electronic communications of protected health information.

### **Site Selection**

You must locate the Center at a site that we consent to within the Protected Area stated in your Franchise Agreement. We do not own any locations that we lease to our franchisees. The criteria that we use to consider whether to consent to a proposed site includes the size of the proposed Center, its surrounding demographics, traffic patterns, visibility from surrounding roads or highways, the business mix of nearby establishments, the adequacy of signs and sign locations, and the appearance and other characteristics of the premises. You must submit to us information and materials we require and obtain our approval of the site. While the Franchise Agreement does not impose a time limit on us for approving sites, we generally expect to be able to determine whether or not to approve a site within 2 weeks after we receive all the information we require from you.

### **Development Time**

The typical length of time between our acceptance of the Franchise Agreement and the opening of the Center varies from 1 to 6 months. This period may be longer or shorter, depending on the time of year, availability of financing, how soon you can attend training or other factors. You must complete development and open the Center within the time period agreed upon by you and us, as described in Exhibit A to the Franchise Agreement. Typically, we expect a Center to be open within 6 months after a franchisee signs the Franchise Agreement.

### **Training**

Our initial training program is conducted via electronic media or either at the Center location or our training center in Woodbury, Minnesota, as we may determine in our discretion. We currently plan to offer the initial training program on an as needed basis, as we grant each new franchise, although we may schedule training for up to a month after you sign the Franchise Agreement to accommodate training of multiple franchisees simultaneously.

You may not open the Center unless the Managing Owner and all Licensed Chiropractors successfully complete the relevant sessions of the initial training program to our satisfaction. If we determine during the initial training program that one or more of your Licensed Chiropractors is not qualified to provide the ChiroWay Services, we will notify you and you must select a substitute Licensed Chiropractor. We have the right to terminate the Franchise Agreement if the Managing Owner does not successfully complete the relevant parts of the initial training program to our satisfaction.

## Initial Training Program

The Managing Owner and each Licensed Chiropractor must attend all phases of the initial training program:

<b>Subject</b>	<b>Hours of classroom training</b>	<b>Hours of on-the-job training</b>	<b>Location</b>
Planning	12	6	Electronically, Woodbury, MN or the Center
Marketing	12	6	Electronically, Woodbury, MN or the Center
Sales	12	6	Electronically, Woodbury, MN or the Center
Service	12	6	Electronically, Woodbury, MN or the Center
Culture	12	6	Electronically, Woodbury, MN or the Center
Corporate	12	6	Electronically, Woodbury, MN or the Center
Operations	12	6	Electronically, Woodbury, MN or the Center
<b>TOTAL</b>	<b>84</b>	<b>42</b>	

The instructional materials for all training programs include the Operations Manual and handouts and visual aids. Training will include lectures, classroom discussion and/or observation opportunities. Trent Scheidecker, DC, CFE, oversees all aspects of the initial training program. Dr. Scheidecker is our President and founder. Before founding ChiroWay, Dr. Scheidecker was (and continues to be) the owner, proprietor and head chiropractor for CWP, which began operations in February 2010. He completed his Doctor of Chiropractic degree at Northwestern Health Sciences University in Bloomington, Minnesota, and received his undergraduate degree from the University of Minnesota – Duluth in 2006.

You are responsible for all travel and living expenses that your Managing Owner and Licensed Chiropractor(s) incur while attending the initial training programs and any supplemental training we require. After you open the Center, each new Managing Owner and Licensed Chiropractor must attend and successfully complete the training we require. We may charge you a fee for this additional training. Finally, we may require that your Managing Owner and Licensed Chiropractor attend supplemental and refresher training programs offered by us or our affiliate during the term of the Franchise Agreement. We may determine the time and place of this additional training and we or an affiliate may charge you a reasonable fee for the training.

## **ITEM 12. TERRITORY**

When you sign a Franchise Agreement, you will receive the right to operate or manage 1 Center, from a single location. You will also receive a “Protected Area” surrounding the location of the Center when you sign the Franchise Agreement. The Protected Area may be defined by reference to postal zip codes, geographic boundaries, or as a radius around the initial Center location. In general, the size of the Protected Area will be approximately a 2-mile radius surrounding the Center location if you are located in an urban or suburban area or a 6-mile radius surrounding the Center location for rural areas. However, the exact size will depend upon various factors including natural boundaries like highways and bodies of water, the demographics of the metropolitan area, and the size of the Center. The location of the Center and the Protected Area will be identified in Exhibit A to the Franchise Agreement.

During the term of the Franchise Agreement, if you are complying with the terms of the Franchise Agreement, we will not establish any other franchised or company-owned ChiroWay Center inside the Protected Area, other than at facilities at “Reserved Sites,” as defined below. However, we (for ourselves and our affiliates) reserve the right (without compensation to you) to: (1) directly operate or manage, and to grant other persons the right to operate or manage, ChiroWay Centers at locations outside the Protected Area; (2) sell the services and products authorized for sale at ChiroWay Centers under the Marks or other trademarks and service marks through dissimilar channels of distribution (i.e., other than at a physical, retail ChiroWay Center), including by electronic means such as the internet, in coaching or educational contexts, and through seminars, expos, infomercials and other alternative outlets; (3) advertise the ChiroWay Network on the internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify, or discontinue the use of a website using the Marks; (4) advertise the Center on the internet (or any other existing or future form of electronic commerce), as a ChiroWay Center; and (5) directly operate or manage, and grant other persons the right to operate or manage, ChiroWay Centers at any location within or outside the Protected Area at facilities within Reserved Sites. “Reserved Sites” are hospitals, clinics, health clubs, college and university campuses, schools, airports, existing retail stores, fairs, expos and seminars.

You may relocate the Center only with our written consent, which we will not unreasonably withhold. If we permit you to relocate the Center, you will pay us a \$2,500 relocation fee for services that we provide in evaluating your request to relocate the Center. You will need to build out the Center consistent with our then-current standards for new Centers.

With our prior approval, if you are in good standing under all agreements with us, including current on all fees, you may also open an Additional Center within your Protected Area, provided that the Additional Center meets our current standards and specifications for ChiroWay Centers and you comply with our then-current standards and specifications for new ChiroWay Centers, including signing our then-current franchise agreement for the Additional Center.

You must use your best efforts to direct any of the Center’s advertising or promotional activities to customers located within your Protected Area only, unless you are part of an approved marketing cooperative or otherwise obtain our prior written consent. You may not use other channels of distribution, including the Internet, except as we approve in advance.

We will not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control.

### **ITEM 13. TRADEMARKS**

We grant you the right to operate or manage the Center under the name “ChiroWay”, “ChiroWay Chiropractic”, and other trade names, trademarks, and service marks that we may designate. Those rights are granted under the Franchise Agreement.

The following schedule lists only the principal Marks that you are licensed to use. We have filed all required affidavits and renewal registrations for those Marks listed below.

<b>Principal Trademarks</b>	<b>Registration No.</b>	<b>Registration Date</b>	<b>Register</b>	<b>Status</b>
CHIROWAY	4230103	October 23, 2012	Principal	Registered

We obtained the rights to use the principal Marks and all other marks, logos, commercial symbols, and other intellectual property owned by our founder, and to license others to use these items, under an Intellectual Property License Agreement dated effective June 1, 2012, between us, CWP, and our founder. Under the terms of that Intellectual Property License Agreement, our founder and CWP may continue to operate ChiroWay centers under these Marks, provided they do not do so within any Protected Area granted to any of our franchisees. We are not restricted in any way in which we use these items and the length of the Intellectual Property License Agreement is indefinite. We therefore essentially have all the rights as the owner of the intellectual property to license others to use the intellectual property. If this Intellectual Property License Agreement were terminated you would have to stop using the Marks and all other intellectual property licensed to us under the Intellectual Property License Agreement.

We may change the Marks and require you to adopt new marks as if they were part of the Franchise Agreement at the time you sign it. You must comply with these changes immediately after we notify you that we have discontinued, modified, or changed one or more of the Marks. We will have no liability or obligation because of the discontinuation, modification, or change. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks when the Franchise Agreement expires or terminates. Any use of our Marks must conform to the requirements defined in the Operations Manual. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website, email address, or as a social media account or page without our prior written approval. You must use the designations of ®, TM, and SM in advertising and promotions using the Marks, as we designate. You must not directly or indirectly contest the validity of the Marks or our right to use or license the Marks, trade secrets, confidential information, or business techniques that are part of our Business Methods.

There are currently no effective material determinations by the U.S. Patent and Trademark Office (“USPTO”), the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending

material litigation, involving the Marks. There are currently no agreements in effect that significantly limit our rights to use or license the use of any Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. We are unaware of any infringing uses or superior rights that could materially affect your use of the Marks.

We must indemnify you against infringement or unfair competition claims arising out of your use of the Marks, provided that you used the Marks in the manner we directed. We reserve the right to control any litigation relating to the Marks and we will have the sole right to decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense.

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

There are no patents or copyrights currently registered or pending that are material to the franchise. We do claim copyright ownership and protection for the Operations Manual, advertising and promotional materials, forms and for certain other written materials we provide to assist you in operating the Center, but we have not registered any of these materials with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement.

There are no current material determinations of the USPTO, the United States Copyright Office or any court regarding any patents or copyrights belonging to us. Further, there are no material proceedings pending before the USPTO or any court. There is no agreement that limits the use of any patent application or copyright belonging to us. We are not aware of any patent or copyright infringement that could materially affect you.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights owned by us, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of our patents or copyrights of which you become aware.

We own certain proprietary or confidential information relating to the operation of Centers, including information in the Operations Manual, and our proprietary chiropractic adjustment methods ("Confidential Information"). This Confidential Information includes all trade secrets, knowledge or know-how, information, advertising, marketing, designs, plans, or methods of operation. You may use this Confidential Information, in the manner we approve, in the operation of the Center during the duration of your Franchise Agreement. However, you may not use this Confidential Information in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the

appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost.

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

Each individual who owns a 10% or greater interest in the franchisee entity is considered a “Principal Owner” and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement, along with the spouse of any Principal Owner. These individuals agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17. In addition, all of your employees who have managerial duties at the Center, as well as all corporate officers and directors of a corporate franchisee entity (and all partners in a partnership), may be required to sign a written agreement to maintain the confidentiality of our Confidential Information described in Item 14 and comply with the non-compete covenants described in Item 17. You must ensure that all ownership of the Center complies with any applicable state law restrictions on the corporate practice of medicine or chiropractic.

*Licensed Chiropractors*

The Center must at all times be under the direct supervision of the Managing Owner. The “Managing Owner” is the individual who owns at least 51% of an interest in you or who is appointed by your board to manage you, has the authority and does, in fact, actually operate (or manage) the Center, oversees the day-to-day operations at (or management of) the Center, has successfully completed the training we require, and, unless the franchisee is a DC Student, is a Licensed Chiropractor. The Managing Owner will assume his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility or time commitments, or that otherwise may conflict with his/her obligations unless you obtain our prior written consent. In the event a Managing Owner wishes to open more than one Center, we may permit the Managing Owner to hire Licensed Chiropractors at each Center and manage the Licensed Chiropractors at the locations.

In addition, you also must designate a “Licensed Chiropractor,” that we approve. The Licensed Chiropractor is an individual who will supervise the provision of ChiroWay Services at the Center and who has obtained all necessary licenses under federal, state and local law to deliver chiropractic services. The Licensed Chiropractor must successfully complete all training we require. The Licensed Chiropractor and Managing Owner may be the same individual.

If at any time the Managing Owner does not employ a Licensed Chiropractor meeting our qualifications to manage the Center, we immediately may appoint a manager to manage the Center for you and charge you a reasonable fee for these management services.

*DC Students*

If you are a DC Student, you as the Managing Owner are responsible for supervising all “Management Services” (as that term is defined in the Management Agreement) of the Center. You must sign and maintain during the term of your Franchise Agreement, or until you obtain your DC degree, a Management Agreement with a PC. Our criteria for a PC include requirements that the chiropractors of the PC be duly licensed as required in their respective states. You must use



our applicable standard form of Management Agreement attached hereto as Exhibit I; however, you may negotiate the monetary terms and, with our written consent, certain other terms of the relationship with the PC. You must obtain our written approval of the final Management Agreement prior to signing it with the PC. The PC will employ and control the chiropractors and the other professionals who will provide the chiropractic services required to be delivered at and through the Center. You must ensure that the PC offers all chiropractic services in accordance with the Management Agreement and the Business Method and does not offer any services or products that we have not authorized to be provided in connection with the Center.

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

The Center must offer and sell the ChiroWay Services and no other services or products, subject to applicable law. The Center may not perform any services that are reimbursable by Medicare, Medicaid or other federal or state-sponsored or funded health care programs. The Center may not submit claims for reimbursement for ChiroWay Services or other products and services offered at the Center to any commercial or private third-party payers or insurers.

You must at all times maintain an inventory of approved products and equipment in the quantities and varieties that we direct. We may add new services or products that the Center must offer. Our right to modify the approved list of services and products to be offered at a Center is not limited. You must not use the Center to refer business to other, non-ChiroWay businesses owned by you, without prior written approval by us.

We do not place geographic restrictions or limits on the customers you may serve. However, you must use your best efforts to direct any of the Center's advertising or promotional activities to customers located within your Protected Area only, unless you are part of an approved marketing cooperative or otherwise obtain our prior written consent.

*[Remainder of page intentionally left blank]*

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

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 3.A	5 years commencing on the earlier of (i) the date the Center opens for business, or (ii) the date the Center is required to open for business.
b. Renewal or extension of the term	Section 3.B	Right to renew for 2 additional 5-year terms if you satisfy all renewal requirements.
c. Requirements for you to renew or extend	Section 3.B	You meet certain conditions, including proving notice, comply with the terms of the Franchise Agreement, update the Center premises, maintain licenses, attend training, signing then-current franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement), pay a renewal fee and sign release.
d. Termination by you	Section 16	We violate a material provision of the Franchise Agreement and fail to cure within 60 days of notice from you.
e. Termination by us without cause	Not applicable	Not applicable
f. Termination by us with cause	Section 15	Subject to applicable law, we can terminate the Franchise Agreement only if you are in default and fail to cure your default within the required time period, or if you commit a non-curable default.
g. "Cause" defined – curable defaults	Sections 15.A, 15.B and 15.C	You have 10 days to cure failure to pay any fees owed to us, and 30 days to cure any material breaches of the Franchise Agreement, failure to conform to our standards including Operations Manual specifications, each case subject to any longer period required by applicable law.

h. "Cause" defined – non-curable defaults	Sections 15.B and 15.C	Non-curable defaults include 3 or more defaults in 18-month period, deceptive practices, material misrepresentations, insolvency, abandonment of the business, unauthorized use of the Marks, unauthorized assignment, failure to maintain licensing or certifications, violation of professional conduct or ethical code, treatment of any beneficiary of a Government Program or submission of a claim for a Government Program or Commercial Payor for services rendered at the Center, violations of law and falsification of data, or the nature of the breach makes it incurable, all as further described in the Franchise Agreement.
i. Your obligations on termination/nonrenewal	Section 17	Obligations include pay all amounts due, discontinue use of all Marks and Operations Manual, assign to us all dedicated phone numbers, transfer Client Data (to extent permitted by law), cease use of confidential information, and comply with all non-compete provisions (see Section r).
j. Assignment of contract by us	Section 14.A	No restriction on our right to assign. Assignee must fulfill our obligations under the Franchise Agreement.
k. "Transfer" by you-defined	Section 14.B	Includes any transfer of over 50% of ownership interest in you, or transfer of Franchise Agreement or Center.
l. Our approval of transfer by franchisee	Section 14.B	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 14.B	New franchisee qualifies, transfer fee paid, all amounts owed by prior franchisee paid, required modernization completed, initial training completed, non-compete agreements signed, guarantees and/or new franchise agreements signed (which may contain materially different terms and conditions than your original Franchise Agreement), assignment of lease and terms of transfer does not negatively impact the ability to profit after transfer. You and your owners, if any, must sign a general release of claims against us, except to the extent limited or prohibited by law.
n. Our right of first refusal to acquire your business	Section 14.D	We can match any offer for your business.
o. Our option to purchase your business	Section 17.C	We have the option to purchase any or all of your assets at book value upon termination or nonrenewal of your Franchise Agreement.

p. Your death or disability	Section 14.C	Franchise may appoint competent individual to serve as Managing Owner within 30 days from date of death or disability with Franchisor consent. May assign franchise within 12 months of death or disability, so long as assignment conditions are met (see m. above).
q. Non-competition covenants during the term of the franchise	Sections 13.A and 13.B	Must not directly or indirectly divert any business, account or customer to any competing business; must not have any interest in or connection with related business that offers or sells chiropractic services or any other related business that is competitive with or similar to a ChiroWay Center.
r. Non-competition covenants after the franchise is terminated or expires	Sections 13.A and 13.C	No involvement in a business that offers or sells any chiropractic services or any other related business that is competitive with or similar to a Center for 2 years within either 5 or 10 miles of the Center, depending on population density, or 10 miles of any other ChiroWay Center. To qualify for a 5-mile radius around the Center, the Center must be located in an area with a population density of at least 2,550 people per square mile.
s. Modification of the agreement	Sections 7.E and 20.D	No modifications generally, except as signed in writing by both parties. We may modify Operations Manual at any time.
t. Integration/merger clause	Section 20.J	Only terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of this disclosure document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19.A	Mandatory arbitration in St. Paul, Minnesota.
v. Choice of forum	Sections 19.A and 19.B	Subject to state law, mandatory arbitration in St. Paul, Minnesota. We may bring any claim for injunctive relief in Hennepin County, Minnesota, or a claim for injunctive relief in any court we choose.
w. Choice of law	Section 19.C	Subject to state law, Minnesota law generally applies.

**ITEM 18.  
PUBLIC FIGURES**

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

**ITEM 19.  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

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 our management by contacting Trent Scheidecker, DC, CFE, at 650 Commerce Dr. Ste. 155, Woodbury, MN 55125; 877-442-4476, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20.  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide Outlet Summary  
For Years 2021-2023 (Note 1)**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2021	8	8	0
	2022	8	9	+1
	2023	9	11	+2
<b>Company-Owned (Note 2)</b>	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
<b>Total Outlets</b>	<b>2020</b>	<b>9</b>	<b>9</b>	<b>0</b>
	<b>2021</b>	<b>9</b>	<b>10</b>	<b>+1</b>
	<b>2022</b>	<b>10</b>	<b>12</b>	<b>+2</b>

**Notes**

1. The numbers for each year are as of December 31.

2. This Center is owned and operated by CWP.

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)  
For Years 2021-2023 (Note 1)**

State	Year	Number of Transfers
<b>Total</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

**Notes**

1. The numbers for each year are as of December 31.

**Table No. 3**

**Status of Franchised Outlets  
For Years 2021-2023 (Note 1)**

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
<b>MN</b>	2021	7	0	0	0	0	0	7
	2022	7	1	0	0	0	0	8
	2023	8	2	0	2	0	0	8
<b>TX</b>	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
<b>WI</b>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
<b>Total</b>	<b>2021</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>
	<b>2022</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>
	<b>2023</b>	<b>9</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>11</b>

**Notes**

1. The numbers for each year are as of December 31.

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2021-2023 (Note 1)**

State	Year	Centers at the Start of the Year	Centers Opened	Centers Reacquired From Franchisees	Centers Closed	Centers Sold to Franchisees	Centers at the End of the Year
<b>MN</b>	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
<b>Total</b>	<b>2021</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2022</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2023</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

**Notes**

1. This Center is owned and operated by CWP.

**Table No. 5**  
**Projected Openings**  
**As of December 31, 2023 (Note 1)**

State	Franchise Agreements Signed But Center Not Opened	Projected New Franchised Centers in the Next Fiscal Year	Projected New Company-Owned Centers in the Next Fiscal Year
<b>MN</b>	4	3-6	0
<b>TX</b>	0	1-2	0
<b>WI</b>	0	2-4	0
<b>Total</b>	<b>4</b>	<b>6-12</b>	<b>0</b>

**Notes**

1. We are looking for prospective franchisees throughout the United States, and cannot know in advance where we might find prospects. Therefore, any projection of this nature is very speculative. We will add franchises wherever we find qualified prospects.

Listed on Exhibit H are the names, addresses and telephone numbers of all of our franchisees. The ChiroWay Center owned by our affiliate is also listed on Exhibit H. We did not have any franchisees who have had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily, ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2023, or who had not communicated with us within 10 weeks of the date of this Franchise Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience in the ChiroWay franchise program. You may wish to speak with current and former franchisees, but be aware that not all of such franchisees will be able to communicate with you.

We have not created, sponsored, or endorsed any franchise organization and no independent franchisee organization has asked to be included in this Disclosure Document.

### **ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit B are our audited financial statements for the years ended December 31, 2021 through December 31, 2023.

### **ITEM 22. CONTRACTS**

The following agreements and other required exhibits are attached to this Disclosure Document:

- Exhibit A      Franchise Agreement (including Software License Agreement and Guaranty and Assumption of Obligations)
- Exhibit D      State-Specific Addenda
- Exhibit E      Disclosure Acknowledgment Agreement
- Exhibit G      Promissory Note
- Exhibit I      Management Agreement

### **ITEM 23. RECEIPTS**

Two (2) copies of an acknowledgment of your receipt of this Disclosure Document are included at the end of this Disclosure Document. Please sign both receipt pages and return one (1) to us.



**EXHIBIT A**

**FRANCHISE AGREEMENT**



**FRANCHISE AGREEMENT**

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FRANCHISEE

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DATE OF AGREEMENT

# CHIROWAY® FRANCHISE AGREEMENT

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## CHIROWAY® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between ChiroWay Franchise, LLC, a Minnesota limited liability company, with a principal place of business at 650 Commerce Dr. Ste. 155, Woodbury, Minnesota 55125 (“Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_, or \_\_\_\_\_, an individual, with a principal place of business at \_\_\_\_\_ (“Franchisee”).

### INTRODUCTION

A. Franchisor has developed and owns a system (the “Business Method”) relating to the development and operation of centers offering chiropractic care and services to individuals and families under the CHIROWAY® service mark and other trademarks and service marks (the “Marks”) used in the Business Method, according to Franchisor’s proprietary practice standards and protocols.

B. Franchisor has the exclusive right to license the Proprietary Software, which is an integral component of the Business Method.

C. Franchisor grants qualified individuals who hold a degree as a Doctor of Chiropractic (D.C.), and who are duly licensed by the jurisdiction in which they will practice, the right to develop and operate a chiropractic practice center (a “ChiroWay Center”) at an authorized location within a specified geographic area (“Protected Area”).

D. In limited circumstances, Franchisor also grants qualified individuals who are enrolled in an accredited program to obtain their D.C. degree the right to develop and manage a ChiroWay Center that is owned by a P.C. (as defined below).

E. Franchisee desires to obtain the right to develop and operate or manage a ChiroWay Center using the Business Method at a specific location within the Protected Area identified in Exhibit A to this Agreement.

### AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

#### 1. DEFINITIONS

A. “Brand Standards” means the standards and specifications that Franchisor designates for use of the Marks in operating, advertising and marketing the Center, to promote and maintain the goodwill associated with Marks, as described in Franchisor’s Operations Manual.

B. “Business Methods” means the Franchisor’s system for the operation or management of ChiroWay Centers which includes the offer of ChiroWay Services through a business model that includes flat-fee subscription or individual visit payments. ChiroWay Centers

will provide options for clients that include a monthly flat-fee for a defined number of visits for chiropractic adjustments for vertebral subluxation each month, as well as a per-visit fee if clients do not wish to participate in a flat-fee model or clients who participate in the flat-fee program and have monthly visits in excess of the defined number of monthly visits. The fees do not encompass any other services beyond the aforementioned visits for adjustments. The amount of the monthly fee will not be set at such a rate as to trigger any state law requirements reflecting prepay plans, to the extent such requirements are adopted from time-to-time. The subscription plans will be a month-to-month arrangement and clients will be able to cancel their subscription plans, without penalty, each month. The Center will offer ChiroWay Services under the Marks and the Brand Standards, using certain distinctive types of facilities, equipment, the ChiroWay Software and other required computer hardware and software (as described in Section 6(D) below), and Confidential Information, business techniques, methods and procedures, and sales promotion programs, all as Franchisor periodically may modify and further improve.

C. The “Center” means the ChiroWay Center developed and operated by Franchisee (or managed by Franchisee if Franchisee is providing services under a Management Agreement pursuant to Section 2.D) under this Agreement, which offers chiropractic care to individuals and families according to Franchisor’s proprietary practice standards and protocols and the Brand Standards and Business Methods, as Franchisor designates.

D. “ChiroWay Center” means an individual center offering ChiroWay Services under Franchisor’s Marks.

E. “ChiroWay Services” means the chiropractic care and services provided to individuals and families by ChiroWay Centers according to Franchisor’s standards, specifications and protocols and the Brand Standards and Business Methods, as specified in Franchisor’s Operations Manual.

F. “Client Data” has the meaning described in Section 9(J).

G. “Confidential Information” includes the methods, techniques, practice protocols, formats, marketing and promotional techniques and procedures, specifications, information, trade secrets, systems and knowledge of and experience in the operation, management of, and franchising of Centers that Franchisor communicates to Franchisee or that Franchisee otherwise acquires in operating or managing the Center under the Business Method. Franchisor’s proprietary chiropractic adjustment method, the Advanced Muscle Palpation Technique is confidential information. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by Franchisee.

H. “Franchised Business” means, if Franchisee is not a licensed chiropractor or a P.C., the franchise Franchisee acquires through which it provides non-chiropractic management and administrative services and support under a management agreement to a P.C. that employs and controls the chiropractors and other chiropractic personnel.

I. “Gross Revenues” means the total of all revenue and receipts derived from the operation of the franchise, including all amounts received at or away from the Center, or through the business the Center conducts (such as monthly subscriptions, other fees for chiropractic care, fees for the sale of any service or product, gift card sales, and revenue derived from product sales,

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whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); all without deduction for expenses, including marketing expenses and taxes. However, the definition of Gross Revenues does not include sales tax that is collected from customers and actually transmitted to the appropriate taxing authorities, or customer refunds or adjustments. For franchisees that operate as the management company for a P.C. and any of its clinics under a Management Agreement, "Gross Revenues" also includes all revenues and receipts of the P.C. and any of its centers, even if those revenues are not recognized on the books of the franchisee.

J. "Licensed Chiropractor" means an individual that is licensed to engage in chiropractic practice in the state where the Center is operated and that Franchisor approves to engage in chiropractic practice at the Center, in accordance with Franchisor's Brand Standards. Each Licensed Chiropractor must successfully complete Franchisor's designated training program and meet such continuing education requirements as Franchisor may establish from time to time.

K. "Managing Owner" means a Principal Owner that owns at least fifty-one percent (51%) of Franchisee (if Franchisee is an entity) or who is appointed by Franchisee's board to manage Franchisee and who (i) has the authority to, and does in fact, actively operate or manage the Center; (ii) is a Licensed Chiropractor (unless Franchisee, with Franchisor's approval, is providing services under a Management Agreement pursuant to Section 2.D); (iii) oversees the day-to-day chiropractic operations of the Center (or, if Franchisee is providing services under Management Agreement pursuant to Section 2.D, oversees the day-to-day non-chiropractic management and administrative services and support provided to the P.C.); and (iv) has successfully completed all training Franchisor requires.

L. "Marks" means the CHIROWAY® service mark and other trademarks, service marks, domain names, logos and commercial symbols that Franchisor has designated, or may in the future designate, for use in the Business Method.

M. "P.C." means a professional corporation (or a professional limited liability company or professional association, if permitted in the state in which the Center is located) owned by licensed chiropractors.

N. "Principal Owner" means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in Franchisee. If any corporation or other entity other than a partnership is a Principal Owner, a "Principal Owner" also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a "Principal Owner" also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner.

O. "Protected Area" means the geographic area, identified in Exhibit A, in which Franchisor will not directly operate or franchise anyone else to operate, a ChiroWay Center, subject to the terms of this Agreement.

P. "Reserved Sites" means sites located within hospitals, clinics, health clubs, college and university campuses, schools, airports, existing retail stores, fairs, expos, and seminars.

## 2. GRANT OF FRANCHISE

A. Grant of Franchise, Authorized Location and Protected Area. Subject to the provisions contained in this Agreement, Franchisor grants Franchisee a franchise (the “Franchise”) to develop and operate (or manage) a Center at a site Franchisor approves (the “Authorized Location”) and to use the Marks and the Business Method in operating (or managing) the Center. The Authorized Location of the Center and Franchisee’s Protected Area are identified in Exhibit A.

B. Nature of Franchisee’s Protected Area. During the term of this Agreement and subject to Section 2(C) below, if Franchisee is in compliance with this Agreement, Franchisor will not directly operate or franchise another to operate any other ChiroWay Center within the Protected Area.

The license granted to Franchisee under this Agreement is personal in nature, may not be used at any location other than the Center at the Authorized Location, does not include the right to offer services or sell products identified by the Marks at any location other than at the Center, and does not include the right to offer services or sell products identified by the Marks through any other channels of distribution, including but not limited to the internet (or any other existing or future form of electronic commerce). Except as described in Section 6(G), Franchisee will not open any other ChiroWay Center in the Protected Area. Franchisee will not have the right to subfranchise or sublicense any of Franchisee’s rights under this Agreement. Franchisee will not use the Center for any purposes other than the operation of a ChiroWay Center. Franchisee will use Franchisee’s best efforts to concentrate Franchisee’s advertising and promotion, or otherwise solicit only those potential customers who are either domiciled or who work within Franchisee’s Protected Area. Franchisee’s Protected Area does not include Reserved Sites.

C. Rights Reserved to Franchisor. Franchisor (for itself and its affiliates) retains the right:

1. to directly operate, and to grant other persons the right to operate, ChiroWay Centers at locations outside the Protected Area, or within the Protected Area at Reserved Sites;

2. to sell the services and products authorized for sale at ChiroWay Centers under the Marks or other trademarks and service marks, both within and outside the Protected Area, through dissimilar channels of distribution. “Dissimilar channels of distribution” means any method of distributing services and products (whether associated with the Marks or otherwise) other than the operation of a physical ChiroWay Center at a retail location. Dissimilar channels of distribution may include, but are not limited to, distribution by electronic means such as the internet or other forms of electronic commerce, discussion of ChiroWay Services in coaching or educational contexts, and dissemination of ChiroWay Services through seminars, expos, infomercials and other alternative outlets; and

3. to advertise the Center, the Marks and ChiroWay Services on the internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

D. Management Agreement with Professional Corporation – Non-Licensed Franchisees.

If Franchisee is not a licensed chiropractor or a P.C., prior to commencing operations of the Center, Franchisee must enter into a management agreement (“Management Agreement”) with a duly formed and licensed P.C., whereby Franchisee will provide to the P.C. non-chiropractic directive management and administrative services and support, consistent with the Business Method and the lawful operation of a P.C., all of which shall at all times be in compliance with all applicable laws and regulations as relates to the practice of chiropractic. A form of Management Agreement is included as an Exhibit to Franchisor’s Disclosure Document, which must be reviewed and revised by Franchisee’s local attorney to ensure compliance with all local and state legal specifications. The P.C. shall employ and control the chiropractors and other chiropractic personnel that will provide the actual chiropractic services required to be delivered at and through the Center. Franchisee shall not provide any actual chiropractic services, nor shall Franchisee, direct, control or suggest to the P.C. or its chiropractors or employees the manner in which the P.C. provides or may provide actual chiropractic services to its clients or market to the public that anyone other than the P.C. is the owner/operator of the chiropractic practice to whom Franchisee provides management and business services.

Due to various federal and state laws regarding the practice of chiropractic, and the ownership and operation of chiropractic practices and health care businesses that provide chiropractic services, Franchisee understands and acknowledges that, as a non-chiropractor Franchisee, Franchisee shall not engage in any practice that is, or may appear to be, the practice of chiropractic. Franchisee acknowledges that the P.C. must offer all chiropractic services in accordance with all manner of law and regulation and that the Management Agreement and Franchisee’s relationship with the P.C. shall also be in accordance with all law and regulation and the Business Method. It is Franchisee’s sole responsibility to operate in compliance with all applicable state and federal laws in relation to privacy and security of individually identifiable information.

It is Franchisee’s responsibility to, promptly and timely, source a duly formed and licensed P.C. for Franchisee’s Franchised Business and enter into an approved Management Agreement with that P.C. Failure to do so will result in Franchisee’s inability to open its Franchised Business. Franchisee must submit the duly formed P.C. and the credentials of the chiropractor or other authorized professionals of the licensed P.C. for Franchisor’s review and approval. Franchisee must enter into a Management Agreement with the P.C. for its Franchised Business using Franchisor’s standard form of Management Agreement. While Franchisee must use Franchisor’s standard form of Management Agreement with the P.C., Franchisee may negotiate the monetary terms, and with Franchisor’s written consent, certain other terms of the agreement with the P.C. Franchisor will not unreasonably withhold approval to requested changes in the Management Agreement if such changes are consistent with applicable law and regulation and the Business Method. Franchisee must obtain Franchisor’s written approval of the final Management Agreement prior to Franchisee’s execution. Franchisee shall ensure that the P.C. offers all chiropractic services in accordance with the Management Agreement and the Business Method and is compliant with all manner of law and regulation. Franchisee must have a Management Agreement in effect with a P.C. at all times during the operation of the Center and during the term of this Agreement. Upon Franchisee becoming a licensed chiropractor in the

state in which the Center is located, or, in the case of an entity, qualified to operate as a P.C., Franchisee shall, within thirty (30) days of such licensure or qualification, terminate the Management Agreement in accordance with its terms and, upon the effective date of termination of the Management Agreement, assume all responsibility for operations of the Center, including employing and controlling the chiropractors and other chiropractic personnel providing the chiropractic services required to be delivered at and through the Center.

If Franchisee is a licensed chiropractor or a P.C., Franchisee does not need to execute a Management Agreement. However, Franchisee is still responsible for compliance with all manner of law and regulation applicable to the operation of the Center.

### 3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The term of the Franchise will be for five (5) years commencing on the earlier of (i) the date the Center opens for business, or (ii) the date the Center is required to be open, as set forth on Exhibit A.

B. Renewal. Franchisee will have the right to renew the Franchise for the Center for two (2) additional five (5) year terms under Franchisor's terms and conditions then being offered by Franchisor, provided Franchisee meets, at a minimum, the following conditions:

1. Franchisee has given Franchisor written notice of Franchisee's intention to renew at least one hundred twenty (120) days, but not more than one hundred eighty (180) days, before the end of the term of this Agreement;

2. Franchisee has complied with all of the material provisions of this Agreement, including but not limited to the payment of all monetary obligations Franchisee owes to Franchisor or Franchisor's affiliates, and has fully complied with Franchisor's material operating and quality standards and procedures;

3. Franchisee maintains possession of the Center premises and has at Franchisee's expense made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Center premises and to replace and modernize the supplies, fixtures, signs, and equipment used in Franchisee's franchised business so that the Center reflects the then-current standards for physical appearance of new Centers, or is able to secure a new location within the Protected Area which Franchisor accepts (such acceptance not to be unreasonably withheld) and agrees to construct all required improvements to the Center premises and install all required fixtures and equipment in compliance with Franchisor's then-current standards and specifications for new Centers;

4. the Managing Owner and all Licensed Chiropractors maintain all necessary licenses for the full operation of the Center and complete, to Franchisor's satisfaction, any new training and refresher programs as Franchisor may reasonably require, provided that Franchisee shall be responsible for travel, living and compensation costs of attendees;

5. Franchisee pays to Franchisor at least thirty (30) days before the expiration of this Agreement a renewal fee of Five Thousand Dollars (\$5,000) (the "Renewal Fee");



6. Franchisee signs Franchisor's then-current standard franchise agreement, modified to reflect that Franchisee must pay the Renewal Fee in lieu of the initial franchise fee stated in the then-current franchise agreement and modified to reflect the remaining number of renewal terms to which Franchisee is entitled; and

7. Franchisee and each Principal Owner signs a general release, in a form acceptable to Franchisor, of all claims against Franchisor and Franchisor's affiliates, officers, directors, employees, and agents.

Franchisee acknowledges and agrees that any renewal of the Franchise will be conditioned on Franchisee's agreement to Franchisor's then-standard terms and conditions and that Franchisee must sign Franchisor's then-current form of franchise agreement being offered to all new ChiroWay franchisees, as specified in Franchisor's then-current Franchise Disclosure Document. Franchisee acknowledges that the terms and conditions of Franchisee's renewal franchise agreement may vary, materially and adversely, from the terms and conditions of this Agreement. Specifically, and without limiting the preceding sentence, Franchisor's future form of franchise agreement may contain different provisions regarding the amount of and method for calculating (i.e., percentage royalty versus flat fee), the Continuing Fee, Marketing Fees, the Renewal Fee, local marketing expenditure requirements, and other material agreement provisions.

#### 4. FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. Franchisee shall pay Franchisor the initial franchise fee set forth on Exhibit A. The initial franchise fee is payable when Franchisee executes this Agreement. The initial franchise fee is fully earned by Franchisor when paid and is nonrefundable.

B. Continuing Fee and Minimum Continuing Fee. Franchisee will pay Franchisor a monthly non-refundable Continuing Fee (the "Continuing Fee") equal to the greater of (i) four percent (4%) of Gross Revenues and (ii) the applicable Minimum Continuing Fee. Payment of the Continuing Fee shall be made no later than the fifth (5<sup>th</sup>) day of each month for Gross Revenues from the prior month during the term of the Franchise and will be collected by electronic funds transfer as described in Section 4(D) below.

The "Minimum Continuing Fee" applicable to the Center is an amount of Six Hundred and Fifty Dollars (\$650) per month. The Minimum Continuing Fee will be assessed beginning with the first full calendar month after the Center opens.

The Continuing Fee is in exchange for Franchisee's use of the Marks and the Business Method, including but not limited to access to the Operations Manual, and Franchisor's costs in maintaining the Business Method. Franchisee must pay Franchisor the monthly Continuing Fee regardless of whether a Licensed Chiropractor is employed or otherwise provides services to Franchisee (or the P.C., if applicable) on a full or part time basis.

C. Marketing Fees and Minimum Marketing Fee. During the term of this Agreement, each month Franchisee will pay to Franchisor for deposit in a national marketing fund (the "Marketing Fund") a marketing fee (the "Marketing Fee") equal to \$325. Notwithstanding the foregoing, Franchisor retains the right to increase the Marketing Fee at any time during the term of the Franchise upon notice to Franchisee to two and one-half percent (2.5%) of Gross Revenues. Payment of the Marketing Fee shall be made no later than the fifth (5<sup>th</sup>) day of each

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month for Gross Revenues from the prior month during the term of the Franchise and will be collected by electronic funds transfer as described in Section 4(D) below.

D. Electronic Transfer of Funds. Franchisee must sign an electronic transfer of funds authorization and other documents as Franchisor periodically designate to authorize Franchisee's bank to transfer, either electronically or through some other method of payment Franchisor designate, directly to Franchisor's account and to charge Franchisee's account for all amounts due to Franchisor from Franchisee. Franchisee's authorization will permit Franchisor to designate the amount to be transferred from Franchisee's account. Franchisee will maintain a balance in Franchisee's accounts sufficient to allow Franchisor to collect the amounts owed to Franchisor when due. Franchisee will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein.

E. Interest on Late Payments. All Continuing Fees and Marketing Fees and other amounts which Franchisee owes to Franchisor or Franchisor's affiliates will bear interest after the due date at the lesser of: (1) one-and-one-half percent (1.5%) per month; or (2) the maximum contract rate of interest permitted by law in the state in which the Center is located.

F. Application of Payments. Franchisor has discretion to apply against amounts due to Franchisor or any of Franchisor's affiliates any payments received from Franchisee or any amount Franchisor owe Franchisee.

G. Withholding Payments Prohibited. Franchisee agrees that Franchisee will not withhold payment of any Continuing Fees and Marketing Fees or any other amount due Franchisor, and that the alleged non-performance or breach of any of Franchisor's obligations under the Franchise Agreement or any related agreement does not establish a right at law or in equity to withhold payments due Franchisor for Continuing Fees and Marketing Fees or any other amounts due.

H. Tax Indemnification. Franchisor has the right to require Franchisee to indemnify and reimburse Franchisor and Franchisor's affiliates for all sales and use taxes that the state or other taxing authority in which the Center is located imposes upon Franchisor as a result of Franchisee's operation or management of the Center, Franchisor's providing services under this Agreement or the license of any of Franchisor's intangible property in the jurisdiction in which the Center is located.

I. Regulatory Compliance. The compensation set forth in this Section 4 represents fair market value payment for Franchisee's use of the Marks and the Business Method and is not based on, or intended to take into account, the professional services Franchisee (or the P.C., if Franchisee provides services pursuant to Section 2.D) provides or the volume or value of any referrals or other business otherwise generated, if any, under this Agreement. Franchisee acknowledges and agrees that Franchisor is not a provider of health care services, that Franchisor is not in the position to make referrals of clients and that Franchisor does not otherwise recommend or arrange for the provision of health care services through the efforts Franchisor makes on Franchisee's behalf under this Agreement. Franchisee acknowledges that the Internet website Franchisor maintains will include such disclaimers as are set forth in Section 9(O) of this Agreement in the event Franchisor determines that it will use the website to publicize or otherwise provide information to individuals about Franchisee or the Center.

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## 5. MARKETING

A. National Marketing and Promotional Fund. During the term of this Agreement, Franchisee will pay the Marketing Fee to Franchisor for deposit in the Marketing Fund. Franchisor will place all Marketing Fees Franchisor receives in the Marketing Fund and will manage such funds. Reasonable disbursements from the Marketing Fund will be made to pay expenses Franchisor incurs in connection with the general promotion of the Marks and ChiroWay Services, including but not limited to the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaign; website development, online advertising, advertising placement, direct marketing and education, direct mail, and the reasonable costs of administering the Marketing Fund, including but not limited to the cost of employing advertising, public relations and other third-party agencies to assist Franchisor and providing promotional brochures and advertising materials to Centers, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to Franchisor's employees engaged in administration of the Marketing Fund. The Marketing Fund is not a trust or escrow account, and Franchisor has no fiduciary obligations regarding the Marketing Fund. Franchisor cannot ensure that any individual franchisee will benefit directly or on a pro rata basis from the future placement of any such advertising in its local market. Franchisee acknowledges that certain federal and/or state laws may limit Franchisor's marketing activities in certain states or prevent franchisees in certain states from contributing to or participating in the Marketing Fund. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions of Centers to the Marketing Fund in that year. Franchisor may, through the Marketing Fund, furnish Franchisee with approved local marketing plans and materials on the same general terms and conditions as plans and materials Franchisor furnish to other franchised Centers. Franchisor will determine the methods of advertising, media employed and scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. Franchisee will be responsible for confirming that the advertising and promotional materials that Franchisor prepares, as well as any additional materials that Franchisee prepares and desires to use in marketing or promoting the Center, comply with applicable restrictions under state law pertaining to the manner in which Franchisee's Licensed Chiropractors are permitted to advertise or market their services. Franchisor will provide Franchisee with template advertising materials that Franchisor intends to be used in marketing and promoting the Center and Franchisee will be required to approve such materials in advance of the Center becoming operational. If Franchisee does not believe the advertising materials conform with state law requirements that apply to the Center or the Licensed Chiropractors, Franchisee will be required to provide Franchisor with copies of applicable law, regulation or other guidance on which your determination of noncompliance is based and the Parties we will meet in good faith to resolve the issue. Upon written request, Franchisor will provide Franchisee an annual unaudited statement of the receipts and disbursements of the Marketing Fund for the most recent calendar year.

B. Approved Advertising, Media Plans and Center Promotion Materials. Franchisee will use only approved advertising and promotional materials in promoting the Center. If Franchisee desires to use any advertising or promotional materials in promoting the Center that Franchisor previously has not approved, Franchisee must obtain written approval from Franchisor before using any such materials, which approval will not be unreasonably withheld. Notwithstanding the foregoing, nothing in this Section shall be construed to alter or change Franchisee's responsibility for making sure that the advertising and promotional materials comply with applicable state law requirements that apply to Franchisee's Licensed Chiropractors (as

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discussed in Section 5(A)). Advertising and promotional materials must conform to the Brand Standards.

C. Regional/Local Advertising. Provided that Franchisor does so on a uniform basis for all similarly-situated ChiroWay franchisees, Franchisor has the right to require that Franchisee spend a minimum amount on approved local advertising and promotion of the Center within Franchisee's Protected Area (the "Local Expenditure"). The amount of the Local Expenditure will be determined by Franchisor from time to time, but will not, during the initial term of this Agreement, exceed One Thousand Dollars (\$1,000) per Licensed Chiropractor offering services at the Center, per month. Franchisor also has the right to create or modify a Designated Market Area ("DMA") for the geographic area in which the Center is located. Franchisee must participate in, support and contribute up to one hundred percent (100%) of Franchisee's Local Expenditure to the DMA in which the Center is located, if one has been established. Franchisor will provide Franchisee with not less than thirty (30) days' notice in any change in the amount of Local Expenditure. Franchisor has the right to establish rules governing any DMA, or to dissolve or modify any DMA as Franchisor deems advisable.

D. Participation in Certain Programs and Promotions. Franchisee will use Franchisee's best efforts to promote and advertise the Center and will participate in all advertising and promotional programs Franchisor establishes in the manner Franchisor directs to the extent permissible under applicable law.

E. Advertising in Franchisee's Protected Area. Franchisee will use Franchisee's best efforts to avoid directly soliciting business from outside of Franchisee's Protected Area, unless such area is not the Protected Area of another ChiroWay Center and subject to the prior approval of Franchisor.

F. Pricing and Customer Billing. Franchisor may, from time to time, make suggestions to Franchisee with regard to Franchisee's pricing policies and Franchisor may establish mandatory pricing policies (and policies regarding publication of pricing information), including without limitation, promotional programs, in accordance with then-current prevailing law. Franchisor has the right to establish maximum prices to be charged by Franchisee for sales promotions and otherwise, but any exercise of that right will be specifically set forth in writing. Any list or schedule of prices Franchisor furnishes to Franchisee may, unless otherwise specifically stated as to the maximum price, be treated as a recommendation only and failure to accept or implement any such suggestion will not in any way affect the relationship between Franchisee and Franchisor. Franchisor has the right to establish policies regarding the manner and frequency of customer billing and to specify required service packages that must be offered to the Center's customers. If Franchisee is providing management services under a Management Agreement pursuant to Section 2.D, this provision shall be modified, to the extent legally permissible, and/or legally construed to conform to the laws of the state where the Center is located.

G. Single Line Program. Franchisor shall have the option to establish a system-wide call center and/or a single telephone number (which may be a toll-free number) for the entire network of ChiroWay Centers (collectively, a "Single Line Program"). If Franchisor establishes a Single Line Program, Franchisee shall participate in such program and adhere to Franchisor's guidelines in connection therewith, including without limitation, directing all Center client and new customer calls for the Center to the Single Line Program telephone number, listing the Single Line

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Program telephone number in Franchisee's advertisements, and paying the reasonable fees that Franchisor establishes for the Single Line Program.

## 6. DEVELOPMENT AND OPENING OF THE CENTER

A. Center Premises. The Center must be an independent business operation (not located within another business), may be situated in a stand-alone building or a strip center, and must otherwise meet Franchisor's standards and specifications as described in the Operations Manual or otherwise by Franchisor in writing. Franchisee acknowledges that state law may establish certain minimum requirements that must be met with respect to the way such a business is structured, operated and held out to the public and Franchisee agrees that Franchisee is solely responsible for ensuring compliance with all applicable provisions of state law in that regard. The Center must not be used for any treatments or procedures, or to offer any goods and services of any nature whatsoever, other than ChiroWay Services. Franchisee must, at Franchisee's expense:

1. Construct all required improvements to the Center premises, purchase and install all required interior signs, fixtures and equipment and decorate the premises in compliance with the plans and specifications Franchisor approve;
2. Acquire, consistent with Franchisor's specifications and standards, services or products required for the Center; and
3. Obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses.

B. Exterior Signage. Franchisee shall acquire and have installed such approved exterior signage that meets local code regulations and that meets the specifications set forth by Franchisor in the Operations Manual.

C. Fixtures, Equipment, Furniture and Signs. Franchisee will use in constructing and operating (or managing) the Center only those types of construction and decorating materials, fixtures, equipment (including but not limited to computer hardware and software), furniture, and signs that Franchisor has approved for Centers as meeting Franchisor's specifications and standards for appearance, function and performance. Franchisor will provide Franchisee with a list of those materials, fixtures, equipment, furniture and signs in the Operations Manual. Franchisee may purchase approved types of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier Franchisor approves or designates (which may include Franchisor and/or Franchisor's affiliates). If Franchisee proposes to purchase any material, fixture, equipment, furniture or sign Franchisor has not approved, or any items from any supplier Franchisor has not approved, Franchisee must first notify Franchisor in writing and provide to Franchisor (upon Franchisor's request) sufficient specifications, photographs, drawings and other information or samples for Franchisor to determine whether the material, fixture, equipment, furniture or sign complies with Franchisor's specifications and standards, or the supplier meets Franchisor's approved supplier criteria, which determination Franchisor will make and communicate in writing to Franchisee within a reasonable time.

D. Computer System. Franchisee will use in the Center the computer system, including but not limited to all existing or future communication or data storage systems,  
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components thereof and associated service, which Franchisor has developed and/or selected for the Business Method (the "Computer System"). The Computer System developed for use in Franchisee's franchised business includes one or more proprietary software programs developed by Franchisor for use in ChiroWay Centers (the "Proprietary Software"). The Proprietary Software will remain the confidential property of Franchisor or its affiliate. Franchisee must enter into Franchisor's standard form computer software license agreement attached hereto as Exhibit B (the "Software License Agreement") in connection with Franchisee's use of the Proprietary Software. Franchisor charges Franchisee a monthly technology and software fee and franchisee must execute a Software License Agreement. In addition, if the Proprietary Software requires maintenance or modification unique to the Center, Franchisor or Franchisor's designee, reserves the right to charge Franchisee a reasonable fee, for such maintenance or modification. Franchisor reserves the right to assign Franchisor's rights, title and interest in the Proprietary Software or the Software License Agreement to a third party Franchisor designates or to replace the Proprietary Software. In such event, Franchisee may be required to enter into a separate computer software license agreement specified by the third-party supplier of the Proprietary Software.

Franchisee must maintain a dedicated phone line for the Center. Franchisee will have at the Center, and for the Computer System, internet access with a form of high-speed connection, as Franchisor requires. Franchisee will use an email address and the email system Franchisor designates for communication with Franchisor. The computer hardware components of the Computer System must comply with specifications Franchisor develops. Franchisor has the right to designate a single source from which Franchisee must purchase the Computer System, any software or hardware components thereof or associated service, and Franchisor or Franchisor's affiliates may be that single source. Franchisee will be required to use and, at Franchisor's discretion, pay for all future updates, supplements and modifications to the Computer System.

Franchisor will assign an email address for the Center and for each Licensed Chiropractor offering services at the Center. This email must be listed on the business card(s) of the Center and of each Licensed Chiropractor. Franchisee acknowledges that there is inherent risk in sending emails over the internet and that Franchisee is aware that email communication can be intercepted in transmission or misdirected. Franchisee is encouraged to communicate any sensitive information to patients by telephone, fax, or mail. Franchisee acknowledges that there may be state law requirements that obligate Franchisee to maintain documentation of any health records that are improperly disclosed or misdirected and Franchisee agrees that it is solely responsible for ensuring compliance with state law requirements in that regard. Franchisee agrees that it will obtain informed consent from any clients prior to engaging in any electronic communication with clients about their health information.

E. Center Opening. Franchisee will not open the Center for business without Franchisor's prior written approval. Franchisor will approve the Center opening if:

1. The Center meets Franchisor's standards and specifications;
2. Franchisee has received all required federal, state and local government certifications, permits and licenses to fully operate (or manage) the Center and such certifications, permits and licenses are current;
3. Each of Franchisee's Licensed Chiropractors have successfully completed Franchisor's initial training program and have obtained all necessary certificates and licenses to fully perform the duties at the Center;

4. Franchisee provides Franchisor with certificates of insurance;
5. Franchisee has entered into a Management Agreement with a duly formed and licensed P.C., if Franchisee is providing management services to a P.C. pursuant to Section 2.D; and
6. Franchisee is otherwise in compliance with the terms of this Agreement.

Franchisee agrees to complete the development and open the Center for business within the time period stated in Exhibit A.

F. Additional Center in the Protected Area. With Franchisor's prior written consent, if Franchisee is in good standing under this Agreement and all other agreements with Franchisor, including current on all fees, Franchisee may open an additional ChiroWay Center location within the Protected Area (an "Additional Center") provided that the Additional Center meets Franchisor's current standards and specifications for ChiroWay Centers. If Franchisor agrees to the Additional Center, the Additional Center must comply with Franchisor's then-current standards and specifications for new ChiroWay Centers, and Franchisee must execute Franchisor's then-current form of franchise agreement for such Additional Center (which terms and conditions may be materially different from those under this Agreement) except that the initial franchise fee due for such Additional Center shall be Twenty Thousand Dollars (\$20,000).

Additional Area Center. With Franchisor's prior written consent, if Franchisee is in good standing under this Agreement and all other agreements with Franchisor, including current on all fees, Franchisee may open an additional ChiroWay Center location outside the Protected Area (an "Additional Area Center") provided that the Additional Area Center meets Franchisor's current standards and specifications for ChiroWay Centers. If Franchisor agrees to the Additional Area Center, the Additional Area Center must comply with Franchisor's then-current standards and specifications for new ChiroWay Centers, and Franchisee must execute Franchisor's then-current form of franchise agreement for such Additional Area Center (which terms and conditions may be materially different from those under this Agreement) except that the initial franchise fee due for such Additional Area Center shall be Twenty Thousand Dollars (\$20,000). For each Additional Area Center, upon signing Franchisor's then-current form of franchise agreement, Franchisee will receive an additional protected area surrounding the location of the Additional Area Center.

G. Relocation of Center. Franchisee will not relocate the Center from the Authorized Location without Franchisor's prior written consent. If Franchisee relocates the Center under this Section, the "new" franchised location of the Center to which Franchisor consents (the "new" Authorized Location) must comply with all applicable provisions of this Agreement and with Franchisor's then-current specifications and standards for new Centers. If Franchisee must relocate the Center because the Center was destroyed, condemned or otherwise became untenable by fire, flood or other casualty, Franchisee must reopen the Center at the new Authorized Location in the Protected Area within six (6) months after Franchisee discontinues operations at the existing Authorized Location. If Franchisee relocates the Center for any other reason, Franchisor will not unreasonably withhold Franchisor's consent to the proposed relocation, provided that Franchisee meets the following conditions: (1) Franchisor has received at least ninety (90) days' written notice prior to the closing of the Center at the prior Authorized Location of the Center; (2) Franchisee has obtained a site acceptable to Franchisor; (3) Franchisee agrees to open the new Authorized Location for the Center within five (5) days after

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Franchisee closes the Center at the prior Authorized Location; and (4) Franchisee otherwise complies with any other conditions that Franchisor may require. In addition, Franchisee must pay Franchisor a fee of up to Two Thousand Five Hundred Dollars (\$2,500) for services Franchisor will provide in connection with the relocation of the Center before Franchisor will review a proposed new Authorized Location for the Center. There is no guarantee that an acceptable location will be available for relocation, and if Franchisee is unable to relocate the Center within the Protected Area and reopen the Center within the time periods described in this Section 6(G), this Agreement will terminate immediately. During the period when the original Authorized Location of the Center is not in operation, Franchisor may, at Franchisor's option and without consideration to Franchisee, refer all leads to another Center. Further, if Franchisee's current clients request a referral to another Center, Franchisor may refer those clients to another Center, without consideration to Franchisee.

## 7. TRAINING AND OPERATING ASSISTANCE

A. Development of the Center. Franchisor will provide Franchisee with specifications for a Center, reflecting Franchisor's requirements for dimensions, interior design and layout, image, fixtures, equipment, furniture, signs and decor. Franchisee acknowledges that Franchisor's assistance in site location and acceptance of the premises does not represent a representation or guaranty by Franchisor that the location will be a successful location for the Center.

B. Training. Before the opening of the Center, Franchisor will provide, and Franchisee's Managing Owner and at least one Licensed Chiropractor (if the Managing Owner is not a Licensed Chiropractor) must attend and successfully complete, an initial training program on the operation and/or management of a Center, provided both at a place and time Franchisor designates, and by either electronic media, such as webinar or in person, or both. If, during any training program, Franchisor determines that any of these critical staff members are not qualified to perform their designated role in the operations or management of the Center, Franchisor will notify Franchisee and Franchisee must select and enroll a qualified substitute for such person in the training program.

After the Center opens, Franchisor will provide training (at times Franchisor determines) to any new Licensed Chiropractor, at Franchisee's expense, by either electronic media, such as a webinar, or in person, or both. Franchisor may require that Franchisee's Licensed Chiropractors and management level employees attend all supplemental and refresher training programs that Franchisor designates, at Franchisee's cost. The Managing Owner and all Licensed Chiropractors must attend, at Franchisee's expense, the minimum number of national conferences and regional meetings as Franchisor may periodically require. In addition, if Franchisee fails to meet Franchisor's customer satisfactions standards, Franchisor may require Franchisee to attend additional training. Franchisor will charge Franchisee a reasonable fee for these supplemental and refresher training programs.

In addition, Franchisor may provide on-line training courses that all Licensed Chiropractors and management level employees must take and successfully complete.

Franchisee is solely responsible for the compensation, travel, lodging and living expenses Franchisee's employees (and employees of the P.C., if Franchisee provides management



services to a P.C. under Section 2.D) incur in attending the initial and/or supplemental and refresher training programs.

Initial, supplemental and refresher training programs are intended to assist Franchisee in operating or managing the Center under the Business Method. Mandatory programs are not intended to provide training to any chiropractors or other employees of Franchisee or any P.C. on any chiropractic procedures. Franchisee acknowledges and agrees that all Licensed Chiropractors and all other chiropractic personnel providing services at the Center will be adequately trained, will maintain proper accreditation to perform at the highest level of competency all services at the Center, and Franchisee (or the P.C., if Franchisee provides management services pursuant to Section 2.D) will be solely responsible for such training.

C. Opening Assistance. Franchisor will provide Franchisee with weekly telephone consultations during normal business hours of up to thirty (30) minutes in duration to assist Franchisee in the initial operations or management of the Center for three (3) months following the Center's initial opening. Franchisor will determine the time during which these consultations will take place. Franchisor will also provide Franchisee with an initial opening marketing kit, containing materials for Franchisee's use.

D. Operating and Management Assistance. Franchisor will advise Franchisee on operational (or management) issues and provide assistance in operating (or managing) the Center, as Franchisor deems appropriate and without charge. This assistance may include franchisee conference calls between Franchisor and all ChiroWay franchisees or online training, as determined by the Franchisor, and will include topics such as: (i) the services and products authorized for sale at Centers, (ii) marketing of the Center and ChiroWay Services, (iii) products, materials and supplies, (iv) sales and customer service, and (v) operational, administrative and management processes. Franchisor will provide such guidance, at Franchisor's discretion, through Franchisor's Operations Manual, franchisee bulletins and other written materials, telephone conversations and/or meetings at Franchisor's office or at the Center. Franchisor will, upon request, provide additional assistance reasonably requested by Franchisee and that Franchisor agrees to provide for a reasonable hourly fee, not less than One Hundred Dollars (\$100) per hour.

E. Operations Manual. Franchisor will provide on loan to Franchisee, during the term of this Agreement, electronic (internet) access to an Operations Manual, and other handbooks, manuals and written materials (collectively, the "Operations Manual") for ChiroWay Centers. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that Franchisor develops for ChiroWay Centers and information relating to Franchisee's other obligations. Franchisor may add to, and otherwise modify, the Operations Manual to reflect changes in authorized services and products, and specifications, standards and operating procedures of a Center. The master copy of the Operations Manual that Franchisor maintains at Franchisor's principal office or on Franchisor's website, and makes available to Franchisee by electronic access, will control if there is a dispute involving the contents of the Operations Manual.

F. Franchisee Advisory Council. Franchisor will have the right to form a franchisee advisory council (the "FAC"). Franchisor will determine how the FAC is formed and its composition. The FAC will serve in advisory capacity only and Franchisor will establish the rules under which the FAC will operate. Franchisor may dissolve the FAC in its sole discretion.

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## 8. MARKS

A. Ownership and Goodwill of Marks. Franchisee acknowledges that Franchisee has no interest in or to the Marks and that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that Franchisor requires during the term of the Agreement. Franchisee agrees that Franchisee's use of the Marks and any goodwill established exclusively benefits Franchisor, and that Franchisee receives no interest in any goodwill related to Franchisee's use of the Marks or the Business Method. Franchisee must not, at any time during the term of this Agreement or after its termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Franchisee's Use of Marks. Franchisee must use the Marks as the sole identification of the Center, but Franchisee must identify itself (or the P.C., if Franchisee provides management services pursuant to Section 2.D) as the independent owner of the Center in the manner Franchisor directs. Franchisee must not use any Mark as part of any corporate or trade name or in any modified form, nor may Franchisee use any Mark in connection with the sale of any unauthorized service or product or in any other manner that Franchisor does not expressly authorize in writing. Franchisee agrees to display the Marks prominently and in the manner Franchisor directs on all signs and forms. Subject to Franchisor's rights described in this Agreement, Franchisee agrees to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. Franchisor retains the sole right to advertise ChiroWay Services on the internet and to create, operate, maintain and modify, or discontinue the use of, a website and other social media accounts or pages using the Marks. Except as Franchisor may authorize in writing, Franchisee will not: (1) link or frame Franchisor's website; (2) conduct any business or offer to sell or advertise any products or services on the internet (or any other existing or future form of electronic communication) in connection with the Center; (3) create or register any internet domain name, website, or social media account, username or page in any connection with the Center; or (4) use any email address which Franchisor has not authorized for use in operating or managing the Center. Franchisee will not register, as internet domain names, any of the Marks now or hereafter owned by Franchisor or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Claims of Infringement by Others. Franchisee must notify Franchisor in writing, within forty-eight (48) hours of notice or service, of any apparent or alleged infringement of, or challenge to, Franchisee's use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which Franchisee become aware. Franchisee must provide to Franchisor within three (3) business days, any materials, notices, or communications related to an apparent or alleged infringement of Franchisor's Marks. Franchisee must not communicate with any person other than Franchisor and Franchisor's legal counsel regarding any infringement, challenge or claim. Franchisor may take any action Franchisor deems appropriate and has the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any of the Marks. Franchisee will fully cooperate, sign all documents, provide assistance and take all action as

Franchisor may reasonably request to protect and maintain Franchisor's interests in any litigation or other proceeding or to otherwise protect and maintain Franchisor's interests in the Marks.

E. Litigation. Franchisee will have no obligation to and will not, without Franchisor's prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. Franchisee will, however, notify Franchisor promptly if Franchisee learns of any actual or threatened use of Franchisor's Marks by a third party. Franchisor has the sole authority over whether to commence litigation, when, where, and how such litigation will be conducted, including choice of counsel. Franchisor will pay the cost and expense of all litigation Franchisor incurs, including but not limited to attorneys' fees, specifically relating to the Marks, subject to Franchisor's right of indemnification as described in Section 19(B). Franchisor's legal counsel and Franchisor will have the right to control and conduct any litigation relating to the Marks. Franchisee will fully cooperate, sign all documents, provide assistance and take all action as Franchisor may reasonably request to protect and maintain Franchisor's interests in any litigation or other proceeding or to otherwise protect and maintain Franchisor's interests in the Marks.

F. Changes. Franchisee shall not make any changes or substitutions to the Marks unless Franchisor so directs in writing. Franchisor reserves the right, in Franchisor's sole discretion, to modify or discontinue use of any of the Marks, or to use one or more additional or substitute trademarks or service marks. In such event, Franchisee will, at Franchisee's expense, comply with such modification or substitution within a reasonable time after Franchisor notifies Franchisee.

## 9. CENTER IMAGE AND OPERATING STANDARDS

A. Brand Standards. Franchisor's overarching objective in establishing and enforcing operating standards is the development and protection of Franchisor's Marks. In addition to its therapeutic integrity, Franchisor expects Centers to be associated with the highest level of competent, professional, and caring of the Center's clients. Any behaviors, practices, or actions that detract from this objective will be considered damaging and a violation of Franchisor's Brand Standards and a material breach of this Agreement.

B. Condition and Appearance of Center/Rebuilding of Center. Franchisee agrees to maintain the condition and appearance of the Center and to refurbish and modify its layout, decor and general theme, as Franchisor may require, to maintain the condition, appearance, efficient operation, ambience and overall image of Centers (as Franchisor may periodically modify). Franchisee will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Center and adjacent parking areas, and periodically clean and redecorate the Center. If at any time in Franchisor's reasonable judgment, the general state of repair, appearance or cleanliness of the Center premises (including but not limited to areas shared with the Center, common areas and parking areas) or its fixtures, equipment, furniture or signs does not meet Franchisor's then-current standards, Franchisor will so notify Franchisee, specifying the action Franchisee must take to correct the deficiency. If Franchisee fails, within ten (10) days after receipt of notice, to commence action and continue in good faith and with due diligence, to undertake and complete any required maintenance or refurbishing, Franchisor may (in addition to Franchisor's rights under Section 15 below) enter the Center premises and correct the deficiencies on Franchisee's behalf, and at Franchisee's expense.

Franchisee will, at Franchisee's expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Center premises and to replace and modernize the supplies, fixtures, signs, and equipment used in Franchisee's franchised business so that Franchisee's business reflects the then-current physical appearance of new Centers. Franchisor may require Franchisee to take such action: (i) as a condition to an assignment under Section 14(B); and (ii) as a condition of renewal. Franchisee acknowledges and agrees that the requirements of this Section 9(B) are both reasonable and necessary to ensure continued public acceptance and patronage of Centers and to avoid deterioration or obsolescence in connection with the operation of the Center.

If the Center is damaged or destroyed by fire or any other casualty, Franchisee will, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Center premises to its original condition before the casualty. If, in Franchisor's reasonable judgment, the damage or destruction is of a nature or to an extent that Franchisee can repair or reconstruct the premises of the Center consistent with the then-current decor and specifications of a new Center without incurring substantial additional costs, Franchisor may require Franchisee, by giving written notice, that Franchisee repair or reconstruct the Center premises in compliance with the then-current decor and specifications.

C. Center Alterations. Franchisee shall not alter the premises or appearance of the Center, or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Center without Franchisor's prior written approval. Franchisor may, in Franchisor's discretion and at Franchisee's sole expense, correct any alterations to the Center that Franchisor has not previously approved.

D. Restriction on Use of Premises. Franchisee agrees that it will not, without Franchisor's prior written approval, offer or allow others to offer at the Center any products or services not then authorized by Franchisor for ChiroWay Centers, nor will the Center be used for any purpose other than the operation of a ChiroWay Center in compliance with this Agreement.

E. Franchisee's Hiring and Training of Employees. Unless Franchisee is providing management services pursuant to Section 2.D: (1) Franchisee will hire all employees of the Center, be exclusively responsible for the terms of their employment and compensation, be responsible for supervising, disciplining, and terminating all employees, and implement a training program for Center employees in compliance with Franchisor's requirements, (2) to the extent any employees are engaged in the provision of chiropractic services at the Center, Franchisee is solely responsible for ensuring that such employees are licensed and qualified to practice under applicable provisions of state law and for ensuring that Franchisee has in place the appropriate levels of supervision of such employees in their delivery of services, as is required under applicable provisions of state law, and (3) Franchisee will maintain at all times a staff of trained employees sufficient to operate the Center in compliance with Franchisor's standards. If Franchisee is providing management services pursuant to Section 2.D: (1) Franchisee will hire all non-chiropractic employees of the Center, be exclusively responsible for the terms of their employment and compensation, be responsible for supervising, disciplining, and terminating such employees, and implement a training program for Center employees in compliance with Franchisor's requirements, (2) to the extent any individuals are engaged in the provision of chiropractic services at the Center, Franchisee is solely responsible for ensuring that such individuals are licensed and qualified to practice under applicable provisions of state law, (3)

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Franchisee will maintain at all times a staff of non-chiropractic employees sufficient to provide management and support services to the P.C. in compliance with Franchisor's standards, and (4) Franchisee will ensure that the P.C. maintains at all times a staff of trained chiropractic personnel sufficient to operate the Center in compliance with Franchisor's standards.

F. Franchisee's Representations and Warranties. Before Franchisee opens its Center for business, Franchisee must qualify as a professional service entity or corporation (unless Franchisee, with Franchisor's approval, is providing services under a Management Agreement pursuant to Section 2.D). Franchisee represents and warrants to Franchisor that as of the date Franchisee opens its Center for business and at all times during the remaining term of this Agreement:

1. Franchisee is an entity or corporation organized and in good standing under the laws of the State in which the Center is located and, unless Franchisee, with Franchisor's approval, is providing services under a Management Agreement pursuant to Section 2.D, will have obtained all licenses and otherwise qualify under all applicable laws and regulations to engage in the practice of chiropractic care and to provide ChiroWay Services and other products and services that Franchisor specifies for sale in connection with the Center;

2. Each of the Licensed Chiropractors that is employed by, contracted by, or engaged to provide services at the Center by Franchisee (or, if Franchisee is providing services under a Management Agreement pursuant to Section 2.D, by the P.C.) is licensed, certified or registered or otherwise qualified under all applicable laws and regulations to provide the professional services for which such professionals have been employed or engaged to perform. Further, Franchisee represents and warrants that none of such Licensed Chiropractors has:

- a. been convicted of a felony or any act involving fraud, dishonesty, or misappropriation of funds and/or materials;
- b. engaged in the habitual use of a controlled substance without a proper prescription;
- c. had his or her license to engage in chiropractic practice (or other category of services for which the Licensed Chiropractor is licensed) revoked, suspended, or restricted in any jurisdiction; or
- d. if applicable, had his or her federal DEA number revoked, suspended, or restricted.

3. Franchisee has reviewed applicable State law requirements that pertain to the categories of licensure maintained by the Licensed Chiropractors employed by, contracted with, or otherwise engaged to provide services by Franchisee (or, if Franchisee is providing services under a Management Agreement pursuant to Section 2.D, by the P.C.); and has determined that their respective licensure status permits them to act as a Licensed Chiropractor and to provide ChiroWay Services in the Center that Franchisee operates or manages;

4. Franchisee will establish and enforce procedures to ensure compliance with applicable laws and rules and regulations of any applicable governmental agency, regarding Client Data; and

5. Franchisee is in compliance with the insurance requirements described in Section 9(N).

6. Franchisee (or the P.C., if Franchisee provides management services pursuant to Section 2.D) will not provide services that are reimbursable by Medicare, Medicaid or any other federal or state-sponsored or funded health care programs (“Government Programs”); and

7. Franchisee (or the P.C., if Franchisee provides management services pursuant to Section 2.D) is not enrolled in, a participating provider of, and does not submit claims to or otherwise seek reimbursement from any commercial or private third-party payers or insurers (“Commercial Payors”) for any services performed at the Center under any circumstances.

G. Services, Products, Supplies and Materials. Franchisee agrees that the Center will only offer the services that Franchisor has approved as being suitable to offer to the public and meeting the standards of quality and uniformity of ChiroWay Services, as described in the Operations Manual and permissible under applicable law. Franchisee agrees that only Licensed Chiropractors shall practice chiropractic care at the Center. Franchisee also agrees that the Center will only offer those related products that Franchisor has approved as being suitable for sale and meeting the standards of quality and uniformity for the Business Method and are purchased from suppliers that Franchisor approves (which may include Franchisor and/or its affiliates). Franchisor periodically may modify the lists of approved services and products, and Franchisee will comply with such modified lists of approved services and products. Subject only to Section 9.Q, Franchisee agrees that it will not, under any circumstances, offer an unapproved service or product in connection with the Center, regardless whether Franchisee or the Center’s Licensed Chiropractors are licensed or otherwise legally permitted to offer such alternative service or product. If Franchisee proposes to offer any products or services that Franchisor has not approved as part of the ChiroWay Services or the Business Method, Franchisee must first notify Franchisor in writing. For any unapproved product, Franchisee must provide sufficient information, specifications and samples (if applicable) concerning the brand and/or supplier to permit Franchisor to determine whether the brand or product complies with Franchisor’s specifications and standards and/or the supplier meets Franchisor’s approved supplier criteria. Franchisor will notify Franchisee within a reasonable time whether or not the proposed brand and/or supplier is approved. Franchisor will have the right to charge each proposed supplier a reasonable fee in reviewing a proposed brand or supplier. Franchisor may impose limits on the number of suppliers and/or brands for any services and products to be used in the Center. Franchisee agrees that certain products, materials, and other items and supplies may only be available from one source, and Franchisor or Franchisor’s affiliates may be that source. FRANCHISOR AND FRANCHISOR’S AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING BUT NOT LIMITED TO ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT FRANCHISOR APPROVE FOR USE IN THE SYSTEM.

H. Standards of Service. Franchisee must at all times give prompt, courteous and efficient service to Franchisee’s customers. Franchisee must, in all dealings with Franchisee’s  
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customers and suppliers and the public, adhere to the highest standards of honesty, integrity and fair dealing. Franchisee must meet Franchisor's customer service standards as described in the Operations Manual. Franchisor uses a variety of methods to measure customer service standards, including but not limited to client surveys, and Franchisor will share those results with Franchisee. If Franchisee fails to meet the customer satisfaction standards that Franchisor requires, Franchisor may require Franchisee to attend additional training and remediate the practice(s), or Franchisor may terminate this Agreement.

I. Specifications, Standards and Procedures. Franchisee acknowledges and agrees that each and every detail of the appearance and operation of the Center is important to Franchisor and other Centers. Franchisee agrees to maintain the highest standards of quality and service in the Center and agrees (to the extent permissible by applicable law) to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to Franchisee) relating to the appearance or operation of a Center, including but not limited to:

1. Type and quality of products or services provided;
2. Scope, quality and uniformity of services at the Center (to the extent permissible under applicable law);
3. Methods, standards, and procedures relating to marketing and customer service;
4. The hours and days during which the Center is open for business;
5. The safety, maintenance, cleanliness, function and appearance of the Center premises and its fixtures, equipment, furniture, décor and signs;
6. Qualifications, dress, general appearance and demeanor of Center employees;
7. The style, make and/or type of equipment and supplies used in operating the Center;
8. Use and illumination of exterior and interior signs, posters, displays, standard formats and similar items; and
9. Adherence to client and prospective client communication protocols as described in the Operations Manual.

J. Client Records and Data. Franchisee must maintain (or if Franchisee provides management services under Section 2.D, must ensure that the P.C. maintains), at all times, complete, accurate and legible client data for all clients of the Center in accordance with all applicable recordkeeping and documentation requirements applicable under state law that apply to Licensed Chiropractors (the "Client Data"). In addition, Franchisee shall ensure compliance with all requirements of applicable state and federal laws relating to the privacy of Client Data. Without limiting the generality of the previous sentence, Franchisee must provide all patient notices, obtain all consents, provide access to, and copies of, records, to clients and maintain health records, all as required by applicable provisions of state law. Franchisee agrees to seek written consent in accordance with applicable provisions of state law from each client of the Center, prior to the provision of services for such client, to release Client Data to Franchisor for use by Franchisor for marketing purposes. Franchisee and Franchisor acknowledge that if Franchisee (or the P.C., if Franchisee provides management services under Section 2.D) was a "Covered Entity", Franchisee would be required to obtain a specific form of "Authorization" (pursuant to 45 C.F.R. § 164.508) prior to any disclosure of Client Data to Franchisor for marketing purposes and that obtaining a state law consent may not be sufficient to constitute proper

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“Authorization” as defined under HIPAA. Franchisee acknowledges and agrees that state law requirements obligate Franchisee to obtain a specific form of consent from client before releasing any Client Data to Franchisor for other purposes (in addition to marketing). All consents shall be in a format acceptable to Franchisor and consistent with the requirements of applicable laws relating to the privacy of health information. Franchisor may further define in the Operations Manual the Client Data that Franchisor will have access to; provided, however, that any such access to additional Client Data will likewise occur in accordance with applicable provisions of federal and state law. Unless Franchisee provides management services pursuant to Section 2.D, Franchisee owns and is responsible for the Client Data that is stored on the Computer System during the term of this Agreement and Franchisee is solely responsible for maintaining Client Data for such periods of time as may be required under applicable provisions of federal or state law. Franchisor periodically will establish policies respecting the use of the Client Data.

K. HIPAA; Business Associate Agreement. Franchisee acknowledges that if it (or the P.C., if Franchisee provides management services under Section 2.D) is a “Covered Entity” as defined at 45 C.F.R. § 160.103, Franchisee would not be permitted to disclose Client Data to Franchisor and that any such disclosure could subject Franchisee to civil and criminal penalties pursuant to HIPAA. In the event that Franchisor reasonably determines that Franchisee’s or the P.C.’s activities will or may result in classification of Franchisee or the P.C. as a “Covered Entity” under HIPAA and the HIPAA Regulations, Franchisee agrees that Franchisee or the P.C. will promptly, upon written request from Franchisor, enter into a Business Associate Agreement with Franchisor, in the form that Franchisor may reasonably require, which among other things shall set forth the respective rights and responsibilities of Franchisor and Franchisee or the P.C. with respect to Client Data, and take such other actions as Franchisor may require. In addition, if Franchisee or the P.C. engages in such activities as to render Franchisee or the P.C. a Covered Entity, Franchisee or the P.C. is required to comply fully with all applicable HIPAA requirements, including, but not limited to, all requirements of the Privacy Rule and Security Rule and Franchisee agrees that its obligation to indemnify Franchisor pursuant to Section 18(B) of this Agreement specifically applies to its commitment to comply with HIPAA. Nothing in this Section 9.K shall be construed as permitting Franchisee to engage in any conduct or offer any services other than the ChiroWay Services specified in the Operations Manual.

L. Compliance with Laws and Good Business Practices. Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation and/or management of the Center and Franchised Business and must operate and/or manage the Center and Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisee must not (and if Franchisee is providing management services pursuant to Section 2.D, Franchisee must ensure that the P.C. does not) employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in Franchisee’s business files. Franchisee must comply (and if Franchisee is providing management services pursuant to Section 2.D, Franchisee must ensure that the P.C. complies) with all state and local laws and regulations regarding the staffing and management of the Center. Without limiting the previous sentence, Franchisee must ensure each employee or contractor of Franchisee (or if Franchisee is providing management services pursuant to Section 2.D, Franchisee must ensure each employee or contractor of the P.C.) has all necessary licenses, and meets all continuing education requirements, and Franchisee must maintain copies of all such licenses. Franchisee must notify Franchisor in writing within five (5) days of the commencement of any action, disciplinary investigation, suit, proceeding or investigation, or of the issuance of any order, injunction, award of decree, by any court, agency, or other

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governmental instrumentality that relates to Franchisee, the Center, the P.C. (where applicable), or any of Franchisee's or P.C.'s Licensed Chiropractors. Franchisee will not conduct any business or advertising practice which injures or threatens to injure Franchisor's business or the goodwill associated with the Marks and other ChiroWay Centers. Franchisee must also ensure that its relationship with any P.C. for which Franchisee manages a chiropractic practice complies with all laws and regulations, and that the P.C. complies with all laws and regulations and secures and maintains in force all required licenses, permits and certificates relating to the operation of a chiropractic practice.

M. Management of the Center/Conflicting Interests. Unless Franchisee is providing management services pursuant to Section 2.D, the Center must at all times be under Franchisee's Managing Owner's direct supervision and Franchisee must have at least one (1) Licensed Chiropractor on staff at all times. If Franchisee is providing management services pursuant to Section 2.D, Franchisee's Managing Owner must directly supervise the non-chiropractic management and administrative support services provided to the P.C. and must ensure that the P.C. has at least one (1) Licensed Chiropractor on staff at all times. Franchisee must at all times faithfully, honestly and diligently perform Franchisee's obligations and continuously use its best efforts to promote and enhance the business of the Center. The Managing Owner must assume his or her responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or that otherwise may conflict with Franchisee's obligations.

N. Insurance. Franchisee agrees to purchase and maintain in force, at Franchisee's expense, the insurance coverage Franchisor requires, as described in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) rated A- or higher by Best's Credit Rating; (2) will name Franchisor and Franchisor's affiliates as an additional insured; (3) contain a waiver of the insurance company's right of subrogation against Franchisor; (4) contain the above-mentioned insurance coverage for each Center that Franchisee operates (or manages); and (5) provide that Franchisor will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as required by the insurance carrier and approved by Franchisor). Franchisor periodically may, with prior written notice to Franchisee, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If Franchisee at any time fails to maintain in effect any insurance coverage Franchisor requires, or to furnish satisfactory evidence thereof, Franchisor, at Franchisor's option, may obtain insurance coverage for Franchisee. Franchisee agrees to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to Franchisor, on demand, any costs and premiums incurred by Franchisor. Franchisee will provide Franchisor with a copy of the certificate of insurance in compliance with these requirements before Franchisee opens the Center. In addition, Franchisee will provide Franchisor with a copy of the certificate of or other evidence of the renewal or extension of each insurance policy. Further, Franchisee will maintain professional liability insurance with such minimum coverage levels as may be required under State law or, if State law does not require minimum coverage amounts, at the amount of at least One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate on behalf of each Licensed Chiropractor that provides services at the Center. Such insurance will be either occurrence or claims made with an extended period reporting option. Franchisee will also maintain general liability insurance of at least One Million Dollars (\$1,000,000) per occurrence, including contractual liability. Franchisee will also maintain

cyber liability insurance with coverage of at least \$1,000,000 for each occurrence and \$3,000,000 in the aggregate.

O. Participation in Website. Franchisee will participate in a website for the network of ChiroWay Centers and in any other social media campaigns, accounts, or pages for the network of ChiroWay centers or other online communications and will participate in any intranet system Franchisor develops. Franchisor will, in its sole discretion, determine the content and use of a Center website, ChiroWay social media, and intranet system and will establish rules under which franchisees may or will participate. Franchisor will retain all rights relating to the Center website, all social media accounts, and intranet system and may alter or terminate the website, social media accounts, or intranet system upon notice to Franchisee. Franchisee's general conduct on the internet and the Center intranet system, and specifically Franchisee's use of the Marks or any advertising on the internet (including but not limited to the domain name and any other Marks Franchisor may develop as a result of participation in the internet), will be subject to the provisions of this Agreement. Franchisee acknowledges that certain information obtained through Franchisee's online participation in the website, social media, or intranet system is considered Confidential Information (as defined in Section 1(F) above), including but not limited to access codes and identification codes. Franchisee's right to participate in the Center website, social media, or intranet system or otherwise use the Marks or the Business Method on the internet will terminate when this Agreement expires or terminates. To the extent that Franchisor's website includes materials directing visitors to that website to Franchisee or the Center, Franchisor will include certain disclaimers on the website describing, in general terms, the following aspects of the arrangement: (1) that Franchisee pays Franchisor to obtain the Franchise from Franchisor under this Agreement; (2) that Franchisor provides contact information from individuals who contact Franchisor on through the website only to parties that pay Franchisor fees under arrangements that are similar to this Agreement; (3) that Franchisor is not engaged in the practice of chiropractic or other health care services, but rather makes available the Marks to Licensed Chiropractors for their use in providing the ChiroWay Services to individuals as those Licensed Chiropractors deem appropriate within their scope of professional practice; and (4) that Franchisor does not opine, review or make referrals or recommendations regarding the risks or benefits of any particular treatments or courses of conduct, but rather only pass along the contact information of individuals who contact Franchisor through the website to Franchisee or other franchisees that are parties to franchise agreements similar to this Agreement.

P. Reciprocity. Franchisor reserves the right to require Franchisee to allow clients of any other ChiroWay Center (whether franchised or by owned by Franchisor or its affiliate), upon proof of a current ChiroWay Center subscription plan, to receive services at the Center at rates at or below the per-visit amount that Franchisor specifies in the Operations Manual for such visits. In the event Franchisor elects to institute this reciprocity requirement, clients of the Center will have similar reciprocal rights with respect to all other ChiroWay Centers.

Q. Professional Judgment. Franchisee (or the P.C., if Franchisee provides management services pursuant to Section 2.D) will at all times be free, in Franchisee's (or the P.C.'s) sole discretion, and solely responsible for, the exercise of professional judgment on behalf of the Center's clients. No provision of this Agreement permits Franchisor to affect or influence the professional judgment of Franchisee (or the P.C.) or the professional judgment of Franchisee's (or the P.C.'s) Licensed Chiropractors or other professional employees. Franchisee (or the P.C.) has complete control over, and sole responsibility for, all aspects of the chiropractic practice at the Center, including training and supervision of any employees or agents involved in

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the delivery of services at the Center. Franchisor acknowledges that compliance with laws and regulations related to chiropractic care and obligations associated with the provision of chiropractic care is subject to interpretation. Franchisor in no way intends to directly or indirectly cause a conflict with Franchisee's (or P.C.'s) professional judgment or obligations associated with the provision of chiropractic care through the implementation of any element of the Business Method. In the event that a perceived or actual conflict arises between the exercise of Franchisee's (or P.C.'s) professional judgment or such associated obligations and the requirements of the Business Method, whether in this Agreement, the Operations Manual, or otherwise, Franchisee must notify Franchisor of the perceived conflict and provide Franchisee's (or P.C.'s) analysis of why a conflict exists, as well as a proposed solution to resolve the perceived conflict. Franchisor will review the perceived conflict and proposed solution. Franchisor may, in its sole discretion, decline to acknowledge a conflict, proceed with Franchisee's solution, or provide an alternative solution, including but not limited to modifications to or the termination of this Agreement if the conflict results in Franchisee's inability to comply with the material requirements of the franchise imposed by this Agreement, the Operations Manual, or as otherwise provided in writing by Franchisor.

R. Services for Beneficiaries of Government Programs Not Reimbursable. The Center shall not provide ChiroWay Services that are reimbursable by Government Programs. Franchisee acknowledges and understands that even if the Center does not participate in Government Programs, in certain circumstances, applicable law may require claims to be submitted by the Center to Government Programs if Franchisee were to provide ChiroWay Services to beneficiaries of Government Programs.

S. No Private Third-Party Payor Reimbursement for ChiroWay Services. The Center shall not seek reimbursement from any Commercial Payors for any ChiroWay Services or other services provided to clients. Franchisee shall inform in writing all potential clients of the Center that the Center shall not seek reimbursement from any Commercial Payors for any ChiroWay Services or other services provided to clients and take all such other appropriate actions prior to accepting such individuals as clients.

T. Client Agreements. Franchisee shall enter into a written agreement with each client of the Center governing the terms and conditions of their subscription plans, which must meet the minimum requirements that Franchisor specifies in the Operations Manual or otherwise, and comply with the definition of the Business Method.

## 10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, Franchisee will, at Franchisee's expense, maintain at the Center premises and retain for a minimum of seven (7) years from the date of their preparation or longer if required under applicable law, complete and accurate books, records and accounts (using such methods and systems of bookkeeping and accounting as Franchisor may require) relating to the Center (the "Records"), in the form and manner Franchisor direct in the Operations Manual or otherwise in writing. The Records will include the following: (1) daily cash reports; (2) cash receipts and disbursements journals; (3) weekly payroll registers; (4) monthly bank statements and daily deposit slips and canceled checks; (5) all tax returns relating to the Center and of each of the Principal Owners; (6) suppliers' invoices (paid and unpaid); (7) semi-annual balance sheets and monthly profit and loss statements; and (8) such other records and information in the form and manner as Franchisor

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periodically may request. Franchisee will be permitted to preserve the Records and submit reports electronically, consistent with Franchisor's requirements. In addition, Franchisee must comply with all federal and state laws that may require that Franchisee maintains certain records respecting Client Data and other information for a longer period of time.

B. Reports and Tax Returns. Franchisee's fiscal year end must be the calendar year end. Franchisee will deliver or provide access to Franchisor the following: (1) within fifteen (15) days after the end of each calendar quarter, quarterly financial statements for the Center for the immediately preceding calendar quarter, including year-to-date figures, which statements shall include a balance sheet (including assets, liabilities and shareholder equity), a profit and loss statement, statements of cash flows, net sales, net income, break even analysis and EBITDA; (2) within ninety (90) days after the end of each calendar year, an annual profit and loss statement and source and use of funds statement for the Center for the year and a balance sheet for the Center as of the end of the year, reviewed by an independent certified public accountant; (3) at Franchisor's request, all tax returns relating to the Center and of each of the Principal Owners; and (4) such other reports as Franchisor may reasonably require in the Operations Manual. If Franchisee does not supply Franchisor with the reports required by this Section when due, Franchisor may charge a late reports fee of \$50 per month, for each month such reports are delinquent.

## 11. INSPECTION AND AUDITS

A. Franchisor's Right to Inspect the Center. To determine whether Franchisee is complying with this Agreement, Franchisor may, at any time during business hours and without prior notice to Franchisee, inspect the Center, its records, the Proprietary Software, and any ancillary equipment, hardware, or software relating to the Center. Franchisee will fully cooperate with Franchisor's representatives making any inspection. Franchisor shall have the right to take photographs and videos of the Center and associated signage and premises and to use such photographs and videos in any advertising or promotional material, in any form or medium now existing or later developed. Franchisor may use the foregoing without providing notice to Franchisee or receiving Franchisee's consent, and Franchisor shall not be obligated to make attribution or to compensate Franchisee for use of the foregoing. Upon the request of Franchisor, Franchisee shall cooperate with Franchisor in taking and arranging for such photographs and videos and for obtaining the necessary consents of or assignments from individuals depicted in or involved in such photographs or videos. Franchisee irrevocably assigns to Franchisor all of its right, title, and interest, if any, in and to all such photographs and videos, together with all related intellectual property rights.

B. Franchisor's Right to Examine Books and Records. Franchisor may, at all reasonable times and without prior notice to Franchisee, examine, audit, or request copies of the Records, including but not limited to the books, records and state and/or federal income tax records and returns of any Principal Owner. Franchisee must maintain all Records and supporting documents at all times at the Center premises. Franchisee will make financial and other information available at a location Franchisor reasonably request, and will allow Franchisor (and Franchisor's agents) full and free access to any such information at the Center. Franchisee otherwise will fully cooperate with Franchisor's representative and independent accountants hired to conduct any examination or audit. If any audit reveals underpayment of sums owed by Franchisee to Franchisor, Franchisee be required to pay for the cost of the audit, plus 100% of

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understated fees and interest, at the rate of 18% per annum or the maximum rate permitted by applicable law. If the understatement of fees is greater than 3%, Franchisee must also must pay Franchisor an additional penalty fee equal to 10% of the total amount of the understated fees.

## 12. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. Franchisee acknowledges and agrees that Franchisee does not acquire any interest in the Confidential Information, other than the right to use it in developing and operating (or managing) the Center pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. Franchisee acknowledges and agrees that the Confidential Information is proprietary and is a trade secret of Franchisor's and is disclosed to Franchisee solely on the condition that Franchisee agrees that Franchisee: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures Franchisor directs to prevent unauthorized use or disclosure of the Confidential Information, including but not limited to restrictions on disclosure to Center employees; and (5) will sign a Confidentiality Agreement and will require all Licensed Chiropractors and all other employees and agents with access to Confidential Information to sign such an agreement in a form Franchisor direct or approve.

The restrictions on Franchisee's disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent Franchisee is legally compelled to disclose this information, if Franchisee uses Franchisee's best efforts to maintain the confidential treatment of the Confidential Information, and provide Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

B. Improvements. Franchisee must fully and promptly disclose to Franchisor all ideas, concepts, methods, techniques, improvements and additions relating to the development and/or operation (or management) of a Center or the Business Method, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation (or management) of the Center, or any advertising or promotion ideas related to the Center (collectively the "Improvements") that Franchisee and/or Franchisee's employees conceive or develop during the term of this Agreement. Franchisee agrees that Franchisor has the perpetual right to use and authorize others to use the Improvements without any obligation to Franchisee for royalties or other fees.

## 13. RESTRICTIVE COVENANTS

A. Non-Solicitation of Customers. Franchisee covenants that, during the term of this Agreement, and for a period of two (2) years thereafter, Franchisee will not, directly or indirectly divert or attempt to divert any business, account or customer of the Center or any other Centers or the Business Method to any competing business.

B. Covenant not to Compete During Term. Franchisee (and each Principal Owner) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner,

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officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, manage, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any business that offers chiropractic services or other, similar services, except: (i) another ChiroWay Center; (ii) with Franchisor's prior written consent; or (iii) through the passive ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

C. Post-Term Covenant not to Compete. Franchisee (and each Principal Owner) will not, for a period of two (2) years after this Agreement expires or is terminated or the date on which Franchisee ceases to conduct the business franchised under this Agreement, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, manage, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any business that either: (i) offers chiropractic services or other, similar services at the former premises of the Center; or (ii) offers chiropractic or other, similar services and utilizes a flat-fee or subscription billing business model, within a five (5) mile radius of the Center if the Center is located in an Urban Area, or a ten (10) mile radius of the Center if the Center is not located in an Urban Area, as well as within a ten (10) mile radius of any other then existing ChiroWay Center; provided, however, that this Section 13(C) will not apply to: (i) other ChiroWay Centers that Franchisee operates under separate ChiroWay Center franchise agreements; or (ii) passive investments of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities. For purposes of this section, an "Urban Area" means an area with a population density in excess of 2,550 people per square mile.

D. Licensed Chiropractor Covenant not to Compete. If any person fulfilling the role of Licensed Chiropractor is not a Principal Owner and is not required to sign a personal guaranty, Franchisee will require the Licensed Chiropractor to sign (or, if Franchisee provides management services pursuant to Section 2.D, Franchisee will ensure the P.C. requires the Licensed Chiropractor to sign) a non-competition agreement in a form Franchisor directs or approves.

E. Injunctive Relief. Franchisee agrees that damages alone cannot adequately compensate Franchisor if there is a violation of any covenant in Section 12 or 13 in that injunctive relief is essential for Franchisor's protection. Franchisee therefore agrees that Franchisor may seek injunctive relief without posting any bond or security, in addition to the remedies that may be available to Franchisor at equity or law, if Franchisee or anyone acting on Franchisee's behalf violates any covenant in Section 12 or 13. The covenants stated in this Section will survive the termination or expiration of this Agreement.

#### 14. ASSIGNMENT

A. By Franchisor. This Agreement is fully assignable by Franchisor and benefits Franchisor's successors and assigns. Any such assignment will require the assignee to fulfill Franchisor's obligations under this Agreement.

B. Franchisee's Assignment or Sale of Substantially All of Franchisee's Assets. Franchisee understands that Franchisor has granted the Franchise under this Agreement in reliance upon Franchisee's individual or collective character, aptitude, attitude, business ability and financial capacity. Franchisee (and Franchisee's Principal Owners) will not transfer (whether

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voluntarily or involuntarily), assign or otherwise dispose of, in one or more transactions, Franchisee's franchised business, the Center, substantially all or all of the assets of Franchisee's franchised business, this Agreement, any material contract relating to the Center, or any controlling interest in Franchisee ("controlling interest" to include a proposed transfer of fifty percent (50%) or more of the common (voting) stock of a corporate entity or of the ownership interest in a limited liability company or partnership) unless Franchisee obtains Franchisor's prior written consent. Franchisor will not unreasonably withhold Franchisor's consent to an assignment, provided Franchisee comply with any or all of the following conditions which Franchisor may, in Franchisor's discretion, deem necessary:

1. All of Franchisee's accrued monetary obligations to Franchisor and Franchisor's affiliates have been satisfied, and Franchisee is otherwise in good standing under this Agreement;

2. The transferee-franchisee (or the Licensed Chiropractor, Managing Owner and other Principal Owners, if applicable) is approved by Franchisor and demonstrates to Franchisor's satisfaction that he/she meets Franchisor's managerial, educational, professional, financial and business standards for new franchisees, possesses a good business reputation and credit rating, maintains all necessary certifications and licenses necessary to perform his/her duties consistent with applicable law, and has the aptitude and ability to conduct the franchised business. Franchisee understands that Franchisor may communicate directly with the transferee-franchisee during the transfer process to respond to inquiries, as well as to ensure that the transferee-franchisee meets Franchisor's qualifications;

3. The transferee-franchisee enters into a written agreement, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations and covenants under this Agreement for the remainder of the term or, at Franchisor's option, signs Franchisor's then-current standard form of franchise agreement (which may contain materially different terms and conditions). In addition, the proposed Managing Owner and Licensed Chiropractor (if the Managing Owner is not a Licensed Chiropractor) must enter into written agreements, in a form satisfactory to Franchisor, agreeing to comply with the various obligations under this Agreement;

4. The transferee-franchisee and the proposed Licensed Chiropractor and Managing Owner (if the Managing Owner is not also the Licensed Chiropractor) successfully complete the initial training program required of new franchisees;

5. If required, the lessor of the Center premises consents to Franchisee's assignment or sublease of the premises to the transferee-franchisee;

6. Franchisee pays Franchisor a transfer and assignment fee equal to Five Thousand Dollars (\$5,000);

7. Franchisee (and each Principal Owner, if applicable) signs a general release, in form and substance satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

8. Franchisor approves the material provisions of the assignment or sale of assets which assignment or sale cannot permit Franchisee to retain a security interest in this Agreement or any other intangible asset;

9. The purchase price and terms of the sales will not, in Franchisor's opinion negatively impact the capability of the Center to profit after the transfer; and

10. Franchisee (and each Principal Owners, if applicable) signs an agreement, in form satisfactory to Franchisor, in which Franchisee and each Principal Owner covenants to observe the post-termination covenant not to compete and all other applicable post-termination obligations.

C. Franchisee's Death or Disability. If the Managing Owner dies or is permanently disabled, the executor, administrator or other personal representative, or the remaining Principal Owners, must appoint a competent individual acceptable to Franchisor within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability, to assume the duties of the Managing Owner. The individual must satisfactorily complete Franchisor's designated training program within a reasonable time as Franchisor determines. If an individual is not appointed within thirty (30) days after Franchisee's death or permanent disability, Franchisor may, but is not required to, immediately appoint an individual to maintain Center operations on Franchisee's behalf until an approved assignee can assume the management and operation of the Center. Franchisor's appointment of an individual does not relieve Franchisee of Franchisee's obligations, and Franchisor will not be liable for any debts, losses, costs or expenses incurred in operating the Center or to any creditor of Franchisee's for any products, materials, supplies or services purchased by the Center while it is managed by Franchisor's appointed individual. Franchisor may charge a reasonable fee for management services and may cease to provide management services at any time.

If the Managing Owner dies or is permanently disabled, Franchisee's executor, administrator, or other personal representative must transfer his interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person Franchisor approves. Such transfers, including but not limited to transfers by devise or inheritance will be subject to conditions contained in Section 14(B) above.

D. Franchisor's Right of First Refusal. If Franchisee or Franchisee's Principal Owners at any time desire to sell or assign for consideration the Franchise, the Center, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in Franchisee or all or substantially all of Franchisee's assets (including but not limited to Franchisee's rights in any material contracts relating to the Center), Franchisee or Franchisee's Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to Franchisor. Franchisor has the right, exercisable by written notice delivered to Franchisee or Franchisee's Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Center or ownership interest in Franchisee for the price and on terms contained in the offer. Franchisor may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If Franchisor does not exercise Franchisor's right of first refusal, Franchisee or Franchisee's Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided Franchisee and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty

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(120) days after delivery of the offer to Franchisor, or if there is a material change in the terms of the sale, Franchisor will again have the right of first refusal.

E. Guaranty. All of Franchisee's Principal Owners and their spouses (if Franchisee is a corporation, partnership or other entity) will sign the Guaranty and Assumption Agreement in the form attached to this Agreement as Exhibit C (the "Personal Guaranty"). Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of Franchisee under the provisions of this Section 14 or otherwise will, as a condition of becoming a Principal Owner, sign the Personal Guaranty (along with their spouse). Franchisee will furnish to Franchisor at any time upon reasonable request a certified copy of the Articles of Incorporation or Articles of Organization and a list, in a form Franchisor reasonably requires, of all shareholders or members of record and all persons having a beneficial interest in any corporation or other entity that is or becomes Franchisee.

## 15. FRANCHISOR'S TERMINATION RIGHTS

A. Termination of Franchise Agreement - Grounds. Franchisee will be in default, and Franchisor may, at Franchisor's option and without consideration to Franchisee, terminate this Agreement, as provided herein, if: (1) the Managing Owner fails to satisfactorily complete the initial training program, inclusive of all training requirements, or fails to open and commence operations of the Center at such time as provided in this Agreement; (2) Franchisee violates any material provision or obligation of this Agreement, any other agreement with Franchisor or its affiliates, or any Management Agreement; (3) Franchisee or any of Franchisee's managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for the franchise; (4) Franchisee or any of Franchisee's managers, directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes will injure the Marks or the goodwill associated therewith, or if Franchisor has good reason to believe that Franchisee has committed such a felony, crime or offense; (5) Franchisee or any of Franchisee's managers, directors, officers or any Principal Owner is accused of any violation(s) of professional conduct or ethics codes that Franchisor believes will injure the Marks or the goodwill associated therewith, regardless of whether such accusations are true; (6) Franchisee fails to conform to the material requirements of the Business Method or the material standards of uniformity and quality for the services and products as described in the Operations Manual or as Franchisor has established in connection with the Business Method; (7) Franchisee or a P.C. offers or performs services at the Center other than the ChiroWay Services described in the Operations Manual, performs any services that are determined to fail to meet applicable professional standards; (8) Franchisee or a P.C. fails to enter into written client agreements with clients of the Center in Section 9(S); (9) Franchisee fails to timely pay Continuing Fees, Marketing Fees or any other obligations or liabilities due and owing to Franchisor or Franchisor's affiliates, other franchised Centers or suppliers Franchisor approves as a source for required items; (10) Franchisee's current liabilities exceed Franchisee's current assets for ninety (90) days or more or Franchisee is insolvent within the meaning of any applicable state or federal law, whether or not creditors have forced insolvency; (11) Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of Franchisee's assets for the benefit of creditors; (12) Franchisee voluntarily or otherwise "abandons" (as defined below) the Center or does not relocate the Center as described in Section 6(G); (13) Franchisee is involved in any act or conduct which is an unauthorized use of the Marks or materially impairs or otherwise is prejudicial to the goodwill associated with the name "ChiroWay" or any of the Marks or the Business Method; (14) Franchisee or a Principal Owner makes an unauthorized assignment or

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transfer of this Agreement, the Center or an ownership interest in Franchisee; (15) Franchisee develops or uses an unapproved website in connection with the Center or the ChiroWay Services or otherwise conducts any unauthorized activity on the internet in violation of Section 8(E) above; (16) Franchisee fails to meet Franchisor's client service standards and requirements; (17) Franchisee, any P.C. with which Franchisee has entered into a Management Agreement, or its/their Licensed Chiropractors fails to maintain any required licenses, permits, or certifications required to open, operate, or manage the Center (or otherwise violate any of the representations and warranties contained in Section 9(F) of this Agreement), or Franchisee (or any P.C. with which Franchisee has entered into a Management Agreement) fails to comply with any federal, state, or local law or regulation, or Franchisee operates (or manages) the Center in an unsafe manner, and Franchisee does not cure or commence to cure this failure within five (5) days after Franchisee receives notice; (18) Franchisee or its employees, any Licensed Chiropractors, or any employees of a P.C. with which Franchisee has entered into a Management Agreement, fail to meet the state and local certifications or other requirements for operation and/or employment in the Center and Franchisee fails to cure this default within ten (10) days after Franchisee receives notice or fails to prohibit any of its employees from working at the Center until the requirements are met; (19) the result of an inspection shows unauthorized tampering, modifications or other changes to the Proprietary Software that may impact the data reported to Franchisor; (20) Franchisee fails to maintain the insurance required in Section 9(N) above; (21) Franchisee fails to comply with Section 9(A); (22) Franchisee willfully and materially falsifies any report, statement, or other written data furnished to Franchisor either during the franchise application process or after Franchisee is awarded a franchise; (23) Franchisee or any P.C. with which Franchisee has entered into a Management Agreement provides ChiroWay Services that are reimbursable by a Government Program; or (24) Franchisee or any P.C. with which Franchisee has entered into a Management Agreement submits claims for from a Commercial Payor for services rendered at the Center. The term "abandon" means Franchisee's failure to operate (or manage) the Center, as demonstrated by a failure to conduct client consultations or schedule and deliver services during regular business hours for a period of five (5) consecutive days without Franchisor's prior written consent, which Franchisor will not unreasonably withhold. Regular business hours require the Center and its Licensed Chiropractors to be available for the scheduling of customer appointments for a minimum of 25 hours per week or the number of hours specified by Franchisor in the Operations Manual, except as may authorized by Franchisor in writing on a case-by-case basis.

B. Procedure. Except as described below, Franchisee will have thirty (30) days, or such longer period as applicable law may require, after Franchisee's receipt from Franchisor of a written notice of termination within which to remedy any default hereunder, and to provide evidence thereof to Franchisor. If Franchisee fails to correct the alleged default within that time and provide Franchisor with satisfactory evidence of such correction, this Agreement will terminate without further notice to Franchisee effective immediately when the thirty (30) day period, or such longer period as applicable law may require, expires. Franchisee will have ten (10) days after Franchisee's receipt from Franchisor of a written notice of termination, or such longer period as applicable law may require, to remedy any default under item (8) in Section 15(B) above. If Franchisee fails to correct the alleged default within that time, this Agreement will terminate without further notice to Franchisee, effective immediately when the ten (10) day period expires, or such longer period as applicable law may require. Franchisor may terminate this Agreement immediately upon delivery of written notice to Franchisee, with no opportunity to cure, if the termination results from any of the following: (1) Franchisee fails to comply with one or more material requirements of this Agreement on three (3) separate occasions within any eighteen (18)

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month period, regardless if Franchisee cured such defaults; (2) the nature of Franchisee's breach makes it not curable; (3) Franchisee willfully and repeatedly deceives customers relative to the source, nature or quality of goods or services sold; and (4) any default under items (3), (4), (5), (10), (11), (12), (13), (14), (17), (18), (22), (23) or (24) in Section 15(A) above.

C. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

D. Fundamental Regulatory Change. The parties acknowledge that the federal and/or state environment in which the Center is operated may change (collectively, a "Fundamental Regulatory Change") resulting in one more provisions of this Agreement to violate then-current federal and/or state laws, rules, regulations, judicial precedent or reimbursement policies. In the event of a Fundamental Regulatory Change causing such a violation, either party may give notice of intent to amend this Agreement to compensate for the prohibition, restriction, limitation or change. If the parties do not or cannot mutually agree to amend this Agreement in writing within fifteen (15) days after such notice is given, then either party may elect to terminate this Agreement immediately upon written notice to the other party without further liability (except for any post-termination obligations under this Agreement, including Sections 13 and 17, and any provisions that survive the termination or expiration of this Agreement, including Sections 12 and 19(B)), provided however, that if the implementation of any such law, rule, regulation, standard or interpretation is stayed on account of any administrative appeal or any suit filed in a court of competent jurisdiction, the right to amend or terminate as set forth above will also be stayed during the period of such stay. The determination that a Fundamental Regulatory Change has occurred shall be made by (i) Franchisor's counsel with the concurrence of Franchisee's counsel, (ii) Franchisee's counsel with the concurrence of Franchisor's counsel, or (iii) if Franchisee's counsel and Franchisor's counsel cannot concur, by a nationally recognized law firm with expertise in health care law that Franchisor and Franchisee jointly select. Notwithstanding the foregoing, if there is a Fundamental Regulatory Change and there are more than ten (10) franchised ChiroWay Centers in operation, Franchisee agrees that Franchisor has the option to negotiate amendments to all ChiroWay Center's franchise agreements in response to the Fundamental Regulatory Change with the FAC, and Franchisee acknowledges and agrees that Franchisee will be bound by whatever amendments Franchisor and the FAC reach. Franchisor may unilaterally alter the terms of this Agreement in response to the Fundamental Regulatory Change for up to ninety (90) days during the time in which Franchisor is negotiating with the FAC.

## 16. FRANCHISEE'S TERMINATION RIGHTS

Franchisee may terminate this Agreement if Franchisor violates any material obligation of Franchisor to Franchisee and fails to cure such violation within sixty (60) days after Franchisor's receipt of written notice from Franchisee; provided, however, that Franchisee is itself in substantial compliance with the Agreement at the time of giving such notice of termination. Franchisee's written notice will identify the violation and demand that it be cured.

## 17. FRANCHISEE'S OBLIGATION UPON TERMINATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason, Franchisee shall:

1. Within fifteen (15) days after termination, pay all amounts due and owing to Franchisor or Franchisor's affiliates, including but not limited to all Continuing Fees and Marketing Fees and accrued interest due under this Agreement. If Franchisee disputes any amounts Franchisor believes Franchisee owes Franchisor, Franchisee must place those amounts in escrow until Franchisee and Franchisor resolve such dispute;

2. Discontinue using, and return to Franchisor by first class prepaid United States mail any hard copies of, the Operations Manuals and any other manuals, advertising materials, and all other printed materials relating to the operation of the Franchise;

3. Assign to Franchisor or, at Franchisor's discretion, disconnect the telephone number for the Center (Franchisee acknowledges that Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and Franchisee authorizes Franchisor, and appoints Franchisor as its attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to Franchisor);

4. Remove from the Center premises all signs, posters, fixtures, decals, wall coverings and other materials that are distinctive of a Center or bear the name "ChiroWay" or any other Marks;

5. Comply with all post-termination obligations under the Software License Agreement, including but not limited to the return of all materials relating to the Proprietary Software;

6. Take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any of the Marks;

7. Immediately cease using Confidential Information and return to Franchisor all documents in Franchisee's possession that contain Confidential Information; which includes Franchisor's proprietary chiropractic methodology, the Advanced Muscle Palpation Technique and any other proprietary documentation included in the System;

8. Comply with all other applicable provisions of this Agreement, including but not limited to the non-compete provisions; and

9. At Franchisor's option, transfer to Franchisor Franchisee's rights under those contracts relating to the Center that Franchisor identifies.

Upon termination of this Franchise Agreement for any reason, Franchisee's right to use the name "ChiroWay" and the other Marks, and the Business Method will immediately terminate and Franchisee (and the Principal Owners) will not in any way hold itself out as being associated with Franchisor. If Franchisee fails to remove all signs and other materials bearing the Marks within two (2) weeks of termination or expiration, Franchisor may do so at Franchisee's expense.

B. De-Identification. If this Agreement is terminated for any reason, and Franchisee either remains in possession of the premises of the former Center to operate a separate business not in violation of Section 13 above or enters into an agreement with a third party to allow such

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third party to directly operate a business at the premises of the former Center, Franchisee will, at Franchisee's expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Centers. At a minimum, such changes and modifications to the premises will include: (1) removing all signs and other materials bearing the name "ChiroWay" and any other Marks; (2) removing from the premises all fixtures which are indicative of Centers; (3) discontinuing use of all Confidential Information regarding the operation or management of the Center; and (4) taking such other action, at Franchisee's expense, as Franchisor may reasonably require. If Franchisee fails to immediately initiate modifications to the premises of the former Center or complete such modifications with any period of time Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the premises of the former Center to make such modifications, at Franchisee's risk and expense, without responsibility for any actual or consequential damages to Franchisee's property or others, and without liability for trespass or other tort or criminal act. Franchisee agrees that Franchisor or Franchisor's designated agents may enter the premises during normal business hours not less than once each week following termination and remain within the premises for a sufficient time to gain access to all areas accessible by clients to determine that appropriate modifications to the premises have been made. Franchisee further agrees that such visits may continue until appropriate modifications are made.

C. Franchisor's Option to Purchase Center. If this Agreement expires or is terminated for any reason (other than the fault of Franchisor), Franchisor has the option, upon thirty (30) days' written notice from the date of expiration or termination, to purchase from Franchisee any or all of the tangible and intangible assets relating to the Center (excluding any unsalable inventory, items in poor condition, cash, short-term investments and accounts receivable) (collectively, the "Purchased Assets") and to an assignment of Franchisee's lease for any other tangible leased assets used in operating or managing the Center. Franchisor may assign this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.

The purchase price for the Center will be the "Book Value" (as defined below) of the Purchased Assets. "Book Value" means the net book value of the Purchased Assets, as disclosed in the last annual statement of the Center provided to Franchisor under Section 10(B) before termination or expiration, provided, however, that: (1) each depreciable asset will be valued on a "straight-line" basis without provision for salvage value; (2) Franchisor may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (3) Franchisor may exclude from Book Value any provision for goodwill or similar value attributable to intangible property. If Franchisor is not satisfied with the accuracy or fairness of any financial statements, or none has been submitted, Franchisor's regularly employed firm of certified public accountants will determine (by audit) the Book Value. Franchisor and Franchisee will equally bear the cost of the audit. The results of the audit will be final and binding on both parties.

The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur no later than sixty (60) days after Franchisor delivers notice of Franchisor's election to purchase the Center, unless Book Value is determined by audit, in which case the closing will occur within a reasonable time, not to exceed sixty (60) days, after the results of the audit are made available. At the closing, Franchisee will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to Franchisor or Franchisor's designee and such other documents Franchisor may

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reasonably request to permit it to operate the Center without interruption. Franchisor may set off against and reduce the purchase price by all amounts Franchisee owes to Franchisor or any of Franchisor's affiliates. If Franchisor exercises Franchisor's option to purchase the Center, Franchisor may, pending the closing, appoint a manager to maintain Center operations.

D. Continuing Obligations. All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

## 18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. Relationship of the Parties. Franchisor and Franchisee are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so, including holding the other party liable under any lease. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. Franchisee must conspicuously identify itself at the premises of the Center and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner (or the manager, if Franchisee provides management services under Section 2.D) of the Center under a franchise agreement from Franchisor, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as Franchisor requires.

B. Franchisee's Indemnification Obligations. Franchisee agrees to indemnify and hold Franchisor and Franchisor's subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse them for, any loss, liability or damages arising out of or relating to (i) Franchisee's ownership, operation, or management of the Center and (ii) the failure or breach of any of Franchisee's representations or obligations under this Agreement, together with all reasonable costs of defending any claim brought against Franchisor or any action in which Franchisor is named as a party (including but not limited to reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to the Franchisor's breach of this Agreement, gross negligence, willful misconduct or Franchisor's intellectual property infringement (provided that Franchisee used Franchisor's intellectual property in the manner Franchisor directed).

C. Franchisor's Indemnification Obligations. Franchisor agrees to indemnify and hold Franchisee and Franchisee's officers, directors and agents harmless against, and to reimburse them for, any loss, liability or damage solely arising from or relating to Franchisor's breach of this Agreement, gross negligence, willful misconduct, or Franchisor's intellectual property infringement (provided that Franchisee used Franchisor's intellectual property in the manner Franchisor directed), and all reasonable costs of defending any claim brought against Franchisee or them or any action in which Franchisee's or them are named as a party (including but not limited to reasonable attorneys' fees).

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

## 19. DISPUTE RESOLUTION

A. Arbitration. Except to the extent Franchisor elects to enforce the provisions of this Agreement by injunction as provided herein, all disputes, claims and controversies between the

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parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) will be settled by arbitration in St. Paul, Minnesota. The arbitrator(s) will have a minimum of five (5) years' experience in the law of franchising and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of The American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision. The decision of the arbitrator(s) will be final and binding on all parties; provided, the arbitrator(s) may not under any circumstances: (a) stay the effectiveness of any pending termination of this Agreement; (b) assess punitive or exemplary damages; or (c) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Franchisor. This Section will survive termination or non-renewal of this Agreement under any circumstances. Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor (and its officers, directors and agents) and Franchisee (or its owners and affiliates) cannot be consolidated with any other arbitration proceeding involving Franchisor. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During any pending arbitration proceedings, Franchisee and Franchisor will fully perform their respective obligations under this Agreement.

B. Injunctive Relief. Franchisee recognizes that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to Franchisor and/or to some or all other franchised Centers. Therefore, if Franchisee breaches or threatens to breach any of the terms of this Agreement, Franchisor will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrator(s). Except for claims involving injunctive relief, any claims brought by Franchisor under this subsection will be brought in the state or federal court of competent jurisdiction in Hennepin County, Minnesota. Franchisor and Franchisee irrevocably consent to the jurisdiction of such courts. Franchisee agrees and consents that such courts have personal jurisdiction over Franchisee and the Center. Any claims for injunctive relief will be brought in any Federal District Court that Franchisor elects.

C. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, this Agreement shall be governed by the laws of the State of Minnesota. The parties agree, however, that if Franchisee is not a resident of Minnesota, or if the Center is not located in Minnesota, then they hereby waive the provisions of the Minnesota franchise law, Minn. Stat. Ch. 80C, and the regulations promulgated thereunder. If the Minnesota franchise law does not apply to the franchise relationship created hereby, but there is a statute in the state in which the Center is situated that specifically governs relationships between franchisees and franchisors and that law would otherwise apply, then that particular law shall apply in lieu of the foregoing.

D. Attorneys' Fees. If Franchisor secures any injunction against Franchisee, or any other relief by arbitration or otherwise against Franchisee, or is successful in defending a claim brought against it by Franchisee in an arbitration or otherwise, Franchisee shall pay Franchisor an amount equal to the aggregate of Franchisor's costs of obtaining such relief and defending

such claim, including reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses.

## 20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction or body, any provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor is invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Franchisor's waiver of any breach by Franchisee, or Franchisor's delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce Franchisor's rights respecting that or any other breach.

C. Rights of Parties are Cumulative. The rights are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both Franchisor and Franchisee. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

E. Survival. All of Franchisor's and Franchisee's obligations which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following the expiration or termination of this Agreement until the obligations are satisfied or by their nature expire.

F. References. If Franchisee consists of two (2) or more individuals, such individuals will be jointly and severally liable, and references to Franchisee in this Agreement will include all such individuals.

G. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Franchisor's Rights. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop and change the Business Method in any manner that is not specifically precluded by the provisions of this Agreement.



2. Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees or is required to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy Franchisor's obligations whenever Franchisor exercises "reasonable business judgment" in making Franchisor's decision or exercising Franchisor's rights. A decision or action by Franchisor will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended to promote or benefit the Business Method generally even if the decision or action also promotes a financial or other individual interest of Franchisor. Examples of items that will promote or benefit the Business Method include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Business Method. Neither Franchisee nor any third party (including but not limited to a trier of fact), will substitute its judgment for Franchisor's reasonable business judgment.

H. Waiver of Punitive Damages. Franchisee, Franchisor and Franchisor's respective affiliates agree to waive, to the fullest extent permitted by law, and except for treble damages, where available, for willful infringement of intellectual property rights, the right to or a claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained by it, plus attorneys' fees, if applicable under this agreement.

I. Notice of Potential Profit. Franchisor advises Franchisee that Franchisor and/or Franchisor's affiliates periodically may make available to Franchisee goods, products and/or services for use in the Center on the sale of which Franchisor and/or Franchisor's affiliates may make a profit. Franchisor further advises Franchisee that Franchisor and Franchisor's affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to Franchisee or in consideration for services provided or rights license to such persons. Franchisee agrees that Franchisor and Franchisor's affiliates will be entitled to such profits and consideration.

J. Entire Agreement. The "Introduction" section, the exhibit(s) to this Agreement, and that certain Disclosure Acknowledgment Agreement signed contemporaneously by Franchisee are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee.

## 21. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand, one (1) business day after sent by a recognized overnight delivery service which requires a written receipt, or three (3) business days after placed in the U.S. Mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party.

## 22. ACKNOWLEDGEMENTS

A. Success of Franchised Business. The success of the business venture Franchisee intends to undertake under this Agreement is speculative and depends, to a large extent, upon Franchisee's (or the Principal Owner's) ability as an independent businessperson, and Franchisee's active participation in the daily affairs of the Center as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture or as to the success of a particular location.

B. Independent Investigation. Franchisee acknowledges that Franchisee has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to gross revenues, volume, potential earnings or profits which Franchisee might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce Franchisee to accept this Franchise and sign this Agreement.

C. Variances. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchise owner based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices, or any other condition which Franchisor deems to be of importance to the successful operation of such franchise owner's business. Franchisee shall not complain on account of any variation from standard specifications and practices granted to any other franchise owner and shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation thereof.

D. Patriot Act Representations. Franchisee represents and warrants that to its actual and constructive knowledge: (1) neither it (including its directors, officers, and managers), nor any of its affiliates, or any funding source for the Center, are identified on the list at the United States Treasury's Office of Foreign Assets Control; (2) neither it nor any of its affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (3) neither it nor any of its affiliates is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (4) neither it nor any of its affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the "Lists"); (5) neither it nor any of its affiliates, during the term of this Agreement, will be on any of the Lists; and (6) during the term of this Agreement, neither it nor any of its affiliates will sell products, goods, or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

E. Receipt of Documents. Except for fill-in-the-blank provisions and changes made as a result of negotiations that Franchisee initiated, Franchisee acknowledges that Franchisee received a copy of the complete Franchise Agreement, and exhibits attached hereto, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee

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further acknowledges that Franchisee received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled “Franchise Disclosure Document” at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee represents that Franchisee has read this Agreement in its entirety and that Franchisee has been given the opportunity to clarify any provision that Franchisee did not understand and to consult with any attorney or other professional advisor. Franchisee further represents that Franchisee understands the provisions of this Agreement and agrees to be bound.

F. Other Franchises. Franchisee acknowledges that other franchisees of Franchisor’s have or will be granted franchises at different times and in different situations, and further acknowledges that the provisions of such franchises may vary substantially from those contained in this Agreement.

The parties have signed this Agreement on the date stated in the first paragraph.

**FRANCHISOR:**

ChiroWay Franchise, LLC

**FRANCHISEE:**

(If Franchisee is a corporation or limited liability company)

\_\_\_\_\_  
Name of corporation or limited liability company

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

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

(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT A  
TO FRANCHISE AGREEMENT**

**CENTER LOCATION AND PROTECTED AREA**

This Exhibit is attached to and is an integral part of the Franchisor Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "Franchise Agreement"), between Franchisor and Franchisee.

1. Center Location. Franchisor and Franchisee agree that the Center will be located at the following premises: \_\_\_\_\_

\_\_\_\_\_. Franchisee acknowledges that Franchisor's acceptance of a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a Center. Franchisee agrees the Center  is  is not located in an Urban Area.

2. Protected Area. Franchisor and Franchisee agree that the Protected Area is the following geographic area:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(or see attached map).

3. Initial Franchise Fee. Franchisee shall pay Franchisor an initial franchise fee of:

Thirty Thousand Dollars (\$30,000)

Fifteen Thousand Dollars (\$15,000) (for an additional franchise agreement signed at the same time as Franchisee's initial franchise agreement)

Twenty Thousand Dollars (\$20,000) (for an Additional Center or Additional Area Center)

4. Center Opening. Franchisee agrees to complete the development and open the Center for business within \_\_\_\_\_ after the date first stated above.

5. Defined Terms. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.

**FRANCHISOR:**

CHIROWAY FRANCHISE, LLC

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

**FRANCHISEE:**

(If Franchisee is a corporation or limited liability company)

\_\_\_\_\_  
Name of corporation or limited liability company

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

(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT B  
TO FRANCHISE AGREEMENT  
SOFTWARE LICENSE AGREEMENT**

## CHIROWAY® AGREEMENT

THIS SOFTWARE LICENSE AGREEMENT (this “Agreement”), between ChiroWay Franchise, LLC (“the Company”), and the ChiroWay® Franchisee listed at the end of this Agreement (“Licensee”), is effective as of \_\_\_\_\_, 20\_\_ (the “Effective Date”).

### BACKGROUND

The Company and Licensee are parties to a Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”) under which Licensee operates (or manages) or will operate (or manage) a ChiroWay® Center franchised business at the location designated in the Franchise Agreement (the “Center”). The Company owns a proprietary software program known as \_\_\_\_\_ (the “Software”), which assists ChiroWay franchisees in operating ChiroWay Centers according to the Company’s designated Business Method. Licensee desires to use the Software in operating the Center.

### AGREEMENT

In consideration of the foregoing and the agreements stated below, the parties agree as follows:

#### 1. ACCESS TO THE SOFTWARE

A. Grant of Access. The Company grants to Licensee a non-transferable (except as set forth in this Agreement), non-sublicenseable, and non-exclusive right to access and use the Software in the manner specified by Company solely in connection with the operation and management of the Center. The Software shall be accessed over the Internet by Licensee, with hosting of the Software provided by the Company or a third party designated by Company.

B. Restrictions on Use. Licensee may use the Software only as permitted under the terms of this Agreement and in connection with the operation or management of the Center under the Franchise Agreement. Licensee may not: (a) permit any unauthorized individuals or entities, partners, parents, subsidiaries, or affiliated entities of Licensee, or third parties to access or use the Software; (b) process or permit to be processed the data of any party other than that of customers of the Center; or (c) copy, alter, modify, disassemble, decompile or reverse engineer the Software, including without limitation its source or object code. Any access or use of the Software by Licensee that is not compliant with all applicable laws and regulations is strictly prohibited. Licensee will also comply with any additional restrictions on the access and use of the Software that may be set forth in the Operations Manual or other policies issued by the Company. Licensee will use its best efforts to protect the Software at all times from any unauthorized access or use.

C. Single Location. This Agreement applies only to one Center location. If Licensee operates or manages more than one Center, Licensee and the Company must enter into a separate Software License Agreement for each Center location.

D. Technology and Software Fee and Minimum Technology/Software Fee. Franchisee shall pay a Technology and Software Fee during the Term of the Agreement, and



must sign a Software License Agreement. During the term of the License Agreement, Licensee will pay Company a monthly fee (the “Technology and Software Fee”) for the maintenance and development of the Software equal to \$325. Notwithstanding the foregoing, Company retains the right to increase the Technology and Software Fee at any time during the term of the Agreement upon notice to Licensee to two and one-half percent (2.5%) of Gross Revenues. Payment of the Technology Software Fee shall be made no later than the fifth (5<sup>th</sup>) day of each month for Gross Revenues from the prior month and will be collected by electronic funds transfer as described in Section 4(D) of the Franchise Agreement.

The “Minimum Technology and Software Fee” applicable to Licensee is an amount of Three Hundred Dollars (\$300) per month. The Minimum Technology and Software Fee will be assessed beginning with the first full calendar month after the Center opens.

## 2. SOFTWARE REQUIREMENTS

A. Connectivity. Licensee must provide high-speed internet connectivity at the Center with sufficient bandwidth to meet Company’s requirements for the Software. Licensee will comply with the Company’s minimum hardware requirements for the use of the Software, as disclosed and periodically updated in the Company’s confidential franchise operations manuals (the “Operations Manual”).

B. Security. The Company will provide Licensee with a login ID and password and limited administrative controls for Licensee’s administration of the Software for its Center. Licensee will assign individual login IDs and passwords for each employee of the Center with access to the Software, change passwords upon the departure of any employee who had been given a password, or promptly disable passwords of terminated employees or in the event of unauthorized use of login credentials. The Company may terminate or suspend a user account, disable the password, and refuse use of the Software by a user without prior notice. Licensee and its employees are responsible for maintaining the confidentiality of login IDs and passwords and ensuring unauthorized individuals do not access or use the Software. Licensee will immediately notify the Company of any known or suspected unauthorized use of a user account, password, or other unauthorized access or use of the Software or the data associated with or stored within the Software.

C. Malicious Code or Activity. Licensee agrees that it will not access or use the Software in such a way that interferes with the Software’s or the Company’s operations or the operations of other users of the Software, or that introduces viruses, worms, or Trojan horses or any other computer code, files, or programs designed to interrupt, destroy, or limit the functionality of the Software or any related computer software, hardware, or telecommunications.

## 3. UPDATES

A. Standard Updates. The Company may, in its sole discretion, periodically release updates, modifications and enhancements respecting the Software. Licensee will install any fixes, updates, modifications or enhancements which the Company designates as mandatory.

B. Custom Developments. The Company may charge a reasonable fee for its services, including any services or expenses relating to updates, modifications, or enhancements to the Software that are not automatically and immediately made available to all other Franchisees

("Custom Developments"). All Custom Developments shall be made by and through a written statement of work agreed to by both the Company and the Licensee that details the Custom Development the Company is to create, the payment terms for the Custom Development work, timeline for the development, and any other material terms required by either party. Licensee is expressly prohibited from making or having made Custom Developments by any person or entity other than Company unless otherwise approved in writing by the Company. All Custom Developments shall be licensed to the Licensee pursuant to the terms of this Agreement unless otherwise set forth in the relevant statement of work.

#### 4. CONFIDENTIAL INFORMATION

The Company and Licensee agree that all provisions in the Franchise Agreement respecting "Confidential Information" (as defined in the Franchise Agreement) will apply to the Software and any Custom Developments, its source and object code, Licensee's use of the Software, and data stored on or collected from the Software.

#### 5. INDEMNIFICATION FOR THIRD PARTY INFRINGEMENT CLAIMS

The Company does not have actual knowledge of any claim that the Software infringes upon a third party's patent, copyright or other proprietary right. If a third party asserts such an infringement claim against Licensee, Licensee will notify the Company in writing within 48 hours of notice of such assertion. The Company will have the right (but not the obligation) to defend or settle any such claim, at the Company's expense and control, and Licensee will cooperate with the Company with respect to such defense. In the event of any such claim, Licensee will, at the Company's direction, immediately discontinue using the Software and the Company shall have the option in its sole discretion and without obligation to modify the Software so as to make it non-infringing or replace the Software with such other non-infringing software as the Company may furnish to Licensee.

#### 6. WARRANTY DISCLAIMER; LIMITATION ON DAMAGES

THE SOFTWARE IS LICENSED "AS IS" WITHOUT WARRANTIES OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, OR NON-INFRINGEMENT. THE COMPANY WILL NOT BE LIABLE TO LICENSEE FOR DIRECT, INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS) RELATED TO THIS AGREEMENT OR RESULTING FROM LICENSEE'S USE OR INABILITY TO USE THE SOFTWARE, THAT ARISE FROM ANY CAUSE OF ACTION, INCLUDING CONTRACT, WARRANTY, STRICT LIABILITY, MALPRACTICE OR NEGLIGENCE, EVEN IF THE COMPANY HAS BEEN NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. THE COMPANY DOES NOT WARRANT THAT ACCESS TO THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. THE COMPANY IS NOT LIABLE FOR ANY UNAUTHORIZED ACCESS TO THE SOFTWARE OR THE DATA ASSOCIATED WITH OR STORED IN RELATION TO THE SOFTWARE, LOST DATA, OR THE INABILITY TO ACCESS OR USE THE SOFTWARE FOR ANY REASON.

7. PROPRIETARY RIGHTS

Other than the license granted under this Agreement, no right, title, or interest in all or any portion of the Software is conveyed or assigned to Licensee, either expressly or by implication, under this Agreement, including without limitation any patents, copyrights, trade secrets, trademarks, trade names, or other intellectual property associated with the Software. All feedback, suggestions, improvements, Custom Developments, or other developments of or created on behalf of the Licensee related to the Software (collectively "Improvements") belong to Company and all right, title, and interest in and to the Improvements, including without limitation any and all patent, trademark, trade name, trade secret, copyright or other intellectual property right related to the Improvement are hereby assigned by Licensee to Company.

8. TERM AND TERMINATION

This Agreement commences on the Effective Date and continues until the current term of the Franchise Agreement terminates or expires, unless this Agreement is earlier terminated under this Section. The Company may terminate this Agreement: (1) immediately upon written notice to Licensee if Licensee violates Sections 1(B), 2(B), 2(C), or 4 above or in accordance with Section 5; (2) if Licensee violates any provision of this Agreement (other than Section 1(B), 2(B), 2(C), or 4 above) and fails to cure such violation within the period of time permitted for violation of a material provision of the Franchise Agreement; (3) immediately if Licensee ceases to have the right to operate or manage the Center under the Franchise Agreement; or (4) upon ninety (90) days' written notice from the Company. In addition to and without limiting other Company rights as set forth in this Agreement, upon termination, the Company has the right to immediately terminate access to the Software. Sections 1(B), 1(C), 2(C), 4, 6, 7, and 9 shall survive the termination of this Agreement.

9. MISCELLANEOUS

A. This Agreement will be governed by the laws of the State of Minnesota without reference to its choice of law provisions. The parties hereby submit themselves to the jurisdiction of Minnesota and agree that all disputes arising from or related to this Agreement shall be venued in the state or federal courts located in Hennepin County, Minnesota.

B. This Agreement, the Franchise Agreement, and the Guaranty and Assumption of Obligations represent the entire agreement between the parties respecting the subject matter of this Agreement and supersedes all prior agreements, representations, negotiations and understandings between the parties. When in conflict, the applicable terms of the Franchise Agreement will control over the terms of this Agreement. Licensee expressly acknowledges that a violation or default of the Franchise Agreement will constitute a default of this Agreement and any default of this Agreement will constitute a default of the Franchise Agreement. If Licensee defaults under the Franchise Agreement, the Company may pursue all remedies available to it under this Agreement or the Franchise Agreement, including the right of termination.

C. All amendments to this Agreement must be in writing and signed by both parties.

D. If any provision of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, then the remaining provisions will remain in full force and effect and a court of competent jurisdiction shall have the right to modify any such illegal and unenforceable

clauses to be legal and enforceable and to comport with the intent of the parties as signified by the wording of this Agreement.

E. The Company may assign this Agreement to any other person or entity. Licensee may assign this Agreement only to its successor in interest under the terms of the Franchise Agreement.

F. Notices will be given to the parties at the addresses listed in the Franchise Agreement and will be deemed given as described in the Franchise Agreement.

The parties have signed this Agreement as of the date first written above.

**THE COMPANY:**

CHIROWAY FRANCHISE, LLC  
a Minnesota limited liability company

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

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

**LICENSEE:**

(If Franchisee is a corporation, professional association or limited liability company)

\_\_\_\_\_  
Name of entity

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

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

(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

**EXHIBIT C  
TO FRANCHISE AGREEMENT  
PERSONAL GUARANTY**

## **GUARANTY AND ASSUMPTION OF OBLIGATIONS**

In consideration of the execution of that certain ChiroWay Franchise Agreement executed concurrently herewith (the "Franchise Agreement") by and between ChiroWay Franchise, LLC (the "Franchisor") and \_\_\_\_\_ (the "Franchisee"), each of the undersigned (each a "Guarantor" and collectively, the "Guarantors") personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that the Franchisee will timely pay and perform each and every undertaking, agreement and covenant stated in the Franchise Agreement and Software License Agreement (collectively, "Agreement"); and the Guarantors agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Further, each of the undersigned, individually and jointly, hereby agrees to be personally bound by each and every condition and term contained in the Agreement, including without limitation the non-compete, non-solicitation and related provisions set forth in Sections 13(A) through 13(E) of the Franchise Agreement, and each agrees that this Guaranty will be construed as though each of the Guarantors executed an agreement containing the identical terms and conditions of the Franchise Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, Franchisee and the other Guarantors of Franchisee;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if Franchisee fails to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of Franchisee or any assignee or successor of Franchisee;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which Franchisor may grant to Franchisee, including but not limited to the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses Franchisor incurs in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

**GUARANTOR(S)**

**PERCENTAGE OWNERSHIP IN  
FRANCHISEE**

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

**EXHIBIT B**  
**FINANCIAL STATEMENTS**



**CHIROWAY FRANCHISE LLC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31 2023, 2022, AND 2021**



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**CHIROWAY FRANCHISE LLC  
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## INDEPENDENT AUDITORS' REPORT

Member  
Chiroway Franchise LLC  
Woodbury, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Chiroway Franchise LLC, which comprise the balance sheet as of December 31, 2023, and the related statements of operations and member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chiroway Franchise LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chiroway Franchise LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Prior Period Financial Statements***

The 2022 and 2021 financial statements were audited by other auditors, and their reports thereon, dated February 8, 2023 and January 20, 2022, expressed an unmodified opinion on those statements.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Member  
Chiroway Franchise LLC

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Milwaukee, Wisconsin  
February 27, 2024

**CHIROWAY FRANCHISE LLC  
BALANCE SHEETS  
DECEMBER 31, 2023, 2022 AND 2021**

	2023	2022	2021
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 14,676	\$ 5,909	\$ 4,941
Accounts Receivable			
Due From Related Party	5,000	5,000	-
Franchise Fees Receivable	60,000	45,000	30,000
Total Current Assets	79,676	55,909	34,941
<b>INTERNALLY DEVELOPED SOFTWARE, NET</b>	12,182	4,967	-
Total Assets	\$ 91,858	\$ 60,876	\$ 34,941
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>			
<b>CURRENT LIABILITIES</b>			
Accrued Expenses	\$ 6,995	\$ 7,151	\$ 1,556
Deferred Franchise Fees	75,000	90,000	30,000
Total Current Liabilities	81,995	97,151	31,556
<b>MEMBER'S EQUITY (DEFICIT)</b>	9,863	(36,275)	3,385
Total Liabilities and Member's Equity (Deficit)	\$ 91,858	\$ 60,876	\$ 34,941

See accompanying Notes to Financial Statements.

**CHIROWAY FRANCHISE LLC**  
**STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY (DEFICIT)**  
**YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>FRANCHISE INCOME</b>			
Continual Fees	\$ 67,545	\$ 61,275	\$ 56,750
Franchise Fees	90,000	-	15,000
Marketing Fees	18,730	12,975	11,175
Software Fees	18,225	12,975	11,175
Other Fees	9,249	-	-
Total Franchise Income	<u>203,749</u>	<u>87,225</u>	<u>94,100</u>
<b>OPERATING EXPENSES</b>			
Marketing and Advertising	40,838	19,418	13,547
General and Administration	120,773	107,467	71,637
Total Operating Expenses	<u>161,611</u>	<u>126,885</u>	<u>85,184</u>
<b>NET INCOME (LOSS)</b>	42,138	(39,660)	8,916
Member's Equity (Deficit) - Beginning of Year	(36,275)	3,385	3,469
Member Contributions	4,000	-	-
Member Distributions	-	-	(9,000)
<b>MEMBER'S EQUITY (DEFICIT) - END OF YEAR</b>	<u>\$ 9,863</u>	<u>\$ (36,275)</u>	<u>\$ 3,385</u>

See accompanying Notes to Financial Statements.

**CHIROWAY FRANCHISE LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income	\$ 42,138	\$ (39,660)	\$ 8,916
Adjustments to Reconciled Net Income (Loss) to Net Cash Provided by Operating Activities:			
Amortization	4,290	-	-
Changes in Assets and Liabilities:			
Franchise Fees Receivable	(15,000)	(15,000)	(30,000)
Other Receivables	-	(5,000)	-
Accrued Expenses	(156)	5,595	2,034
Deferred Franchise Fees	(15,000)	60,000	30,000
Net Cash Provided by Operating Activities	<u>16,272</u>	<u>5,935</u>	<u>10,950</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to Internally Developed Software	(11,505)	(4,967)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Member Contributions	4,000	-	-
Member Distributions	-	-	(9,000)
Net Cash Provided (Used) by Financing Activities	<u>4,000</u>	<u>-</u>	<u>(9,000)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	8,767	968	1,950
Cash and Cash Equivalents - Beginning of Year	<u>5,909</u>	<u>4,941</u>	<u>2,991</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 14,676</u>	<u>\$ 5,909</u>	<u>\$ 4,941</u>

See accompanying Notes to Financial Statements.

**CHIROWAY FRANCHISE LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Chiroway Franchise LLC (the Company) was organized on May 3, 2012. The Company franchises chiropractic practices that market a monthly subscription model and one-time visit payment options to patients and "walk-in" service.

The Company sells franchises pursuant to a five-year franchise agreement (which includes options for two additional terms of five years each) to independent operators. The Company began offering franchises in June 2012.

**Basis of Accounting**

The accompanying financial statements has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Accounting Estimates**

Management uses estimates and assumptions in preparing the financial statement in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Franchise Fees Receivable**

Franchise fees receivables at December 31, 2023, 2022, and 2021 of \$60,000, \$45,000, and \$30,000, respectively, represents the outstanding initial fees related to the sales of three, two, and two franchises during the years then ended. Management believes the receivables are fully collectable thus they are classified as current in these financial statements.

**Deferred Revenue**

Deferred revenue represents franchise fees received that have not been fully earned and will be recognized in future periods.

**Software Development Costs**

The Company accounts for software development costs in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-40 *Internal-Use Software*. The Company capitalizes certain costs while the project is in the application development stage. These costs are amortized over the software's useful life or, if shorter, the period for which the contractual services that utilize the software are rendered. Amortization begins when the software is ready for its intended use. Costs incurred during the preliminary project phase or post-implementation phase are expensed as incurred.

Amortization expense was approximately \$4,290, \$-0-, and \$-0- for the years ended December 31, 2023, 2022, and 2021, respectively.



**CHIROWAY FRANCHISE LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Company elected under the Internal Revenue Code and comparable state laws to become a limited liability company. Accordingly, income is not taxable at the Company level but passes through to the member. Consequently, the Company may declare distributions periodically to the member to enable them to pay income tax liabilities. Primarily due to the limited liability company tax status, the Company does not have any significant tax uncertainties that would require recognition or disclosure. income tax returns for the 2023, 2022, and 2021 tax years are open for examinations upon filing.

**Revenue Recognition**

The FASB issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also added Subtopic 340-40, *Other Assets and Deferred Costs- Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. The Company adopted the requirements of Topic 606 and Subtopic 340-40 for the period ended December 31, 2023, utilizing the modified retrospective method of transition.

The primary impact of ASC 606 on the Company's revenue recognition policies is a change in the accounting for initial franchising fees and related commission expense. Upon the initial sale of a franchise, the Company is obligated to provide franchisees access to certain proprietary programs, written materials, trademarks, tools, and support associated with their franchise business. Under ASC 606, initial franchise fees are recognized as the Company satisfies the performance obligation over the franchise term on a straight-line basis, which is generally ten years. The unrecognized portion of initial franchising fees is recorded as deferred franchise fees. Similarly, commissions are an incremental cost of obtaining a contract under ASC 606, which are capitalized as deferred franchise costs and amortized over the term of the franchise agreement.

**Franchise Fees**

The Company requires the entire nonrefundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of five years. Initial franchise fees are recognized pro rata at the date the franchise agreement is signed or upon opening, depending on franchise agreement terms. The Company's services under the franchise agreement include: training of franchisees and staff, site selection, the right to use trademarks and proprietary information, and ongoing operations support. The Company provides the opportunity for financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

Franchisees have the option to renew the franchise agreement at the end of the initial franchise term. When a franchisee chooses to renew their agreement, a nonrefundable renewal fee is charged to the franchisee similar to the initial franchise fee.

**CHIROWAY FRANCHISE LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Continuing Fees

The Company collects continuing fees (royalties), as stipulated in the franchise agreement, currently equal to 4.5% of gross sales. Continuing fees are calculated as a percentage of sales over the term of the franchise agreement. These franchise agreement fees, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Continuing fees are collected monthly.

Software Fees

The Company collects software fees, as stipulated in the franchise agreement, currently equal to 1.25% of gross sales. Software fees are calculated as a percentage of sales over the term of the franchise agreement. These franchise agreement fees, represent sales-based royalties for use of the system's proprietary software that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee store level sales occur. Software fees are collected monthly.

Marketing Fees

The Company collects marketing fees, as stipulated in the franchise agreement, currently equal to 1.25% of gross sales. Marketing fees are calculated as a percentage of sales over the term of the franchise agreement. These "contributions" are recognized as related advertising expenses are incurred, with amounts collected in excess of expenditures deferred as Restricted Funds Payable on the accompanying financial statements. There are no restricted funds payable as of December 31, 2023 as the Company has expended more than marketing fee receipts, on applicable costs.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expenses were \$40,838, \$22,888, and \$12,377 for the years ended December 31, 2023, 2022, and 2021, respectively.

**Adoption of New Accounting Standards**

The Company has adopted the current expected credit losses (CECL) methodology for estimating credit losses on financial assets, effective January 1, 2023, utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to the Company's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The Company also updated its accounting policies for determining the recoverability of trade receivables, loans, and other financial assets. The adoption of this Standard did not have a material impact on the Company's financial statements but did change how the allowance for credit losses is determined. The Company uses a combination of historical loss experience, current economic conditions, and forward-looking information to estimate credit losses for financial assets. The Company considers various factors such as borrower creditworthiness.

**CHIROWAY FRANCHISE LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 2 CONTRACT ASSETS AND CONTRACT LIABILITIES**

The Company's contract assets and contract liabilities were as follows, at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>CONTRACT ASSETS</b>				
Accounts Receivable	\$ 65,000	\$ 50,000	\$ 30,000	\$ -
<b>CONTRACT LIABILITIES</b>				
Deferred Revenue	75,000	90,000	30,000	-

**NOTE 3 RELATED PARTY**

The Company recognized continual fee revenue of \$13,050 marketing fee revenue of \$2,750 and software fee revenue of \$2,750 from a franchise owned by the member of the Company for the year ended December 31, 2023.

The Company recognized continual fee revenue of \$6,675 marketing fee revenue of \$1,300 and software fee revenue of \$1,300 from a franchise owned by the member of the Company for the year ended December 31, 2022.

The Company recognized continual fee revenue of \$6,500, marketing fee revenue of \$1,300 and software fee revenue of \$1,300 from a franchise owned by the member of the Company for the year ended December 31, 2021.

**NOTE 4 FRANCHISE SALES AND AGREEMENTS**

At December 31, 2023, there were 13 franchise locations in operation and four franchise agreements signed but not yet in operation. At December 31, 2022, there were nine franchise locations in operation and six franchise agreements signed but not yet in operation. At December 31, 2021, there were eight franchise locations in operation and three franchise agreements signed but not yet in operation.

**NOTE 5 MEMBERS' EQUITY**

The Members contributed \$6,100 to the Company in exchange for the issuance of 100% of the Company's membership interest. The membership interest in the Company owned by the members is the only class of membership interest issued and outstanding as of December 31, 2023.

**NOTE 6 RECLASSIFICATION**

Certain balances in the 2022 and 2021 financial statements have been reclassified to conform with the presentation of the 2023 financial statements.

**CHIROWAY FRANCHISE LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 7 SUBSEQUENT EVENTS**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 27, 2024, the date the financial statements were available to be issued.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**EXHIBIT C**

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

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
California	Department of Financial Protection & Innovation 300 South Spring Street, Suite 15513 Los Angeles, CA 90013-1259  Tel: 1-866-275-2677	Commissioner of Financial Protection & Innovation 300 South Spring Street, Suite 15513 Los Angeles, CA 90013-1259
Connecticut	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 Tel: 860-240-8230	
Florida	Florida Department of Agriculture and Consumer Services Division of Consumer Services 400 South Monroe Street Tallahassee, FL 32399 (850) 410-3800	
Georgia	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 Tel: 404-656-3790	
Hawaii	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, HI 96813 Tel: 808-586-2744	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, HI 96813
Illinois	Illinois Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62706 Tel: 217-782-4465	Illinois Attorney General 500 South Second Street Springfield, IL 62706
Indiana	Indiana Secretary of State Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 Tel: 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204

Iowa	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 Tel: 515-281-4441	
Kentucky	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 Tel: 502-696-5389	
Louisiana	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 Tel: 504-342-7013 (gen. info.) Tel: 504-342-7900	
Maine	Department of Business Regulations State House - Station 35 Augusta, ME 04333 Tel: 207-298-3671	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 Tel: 410-576-6360	Office of Attorney General Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Franchise Section G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 W. Ottawa Street Lansing, MI 48913 Tel: 517-335-7567	Michigan Department of Commerce Corporations, Securities & Commercial Licensing Bureau 2407 North Grand River Avenue Lansing, MI 48906
Minnesota	Minnesota Department of Commerce Securities Division 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 Tel: 651-539-1600	Minnesota Commissioner of Commerce Department of Commerce Securities Division 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101
Nebraska	Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, NE 68508 P.O. Box 95006 Lincoln, NE 68509-5006 Tel: 402-471-2171	

New Hampshire	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 Tel: 603-271-3641	
New York	NYS Department of Law 28 Liberty Street, 21st Floor New York, NY 10005  Tel: 212-416-8222	Secretary of State 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231
North Carolina	Department of the Secretary of State Business Opportunities 2 South Salisbury Street Raleigh, NC 27601-2903 P.O. Box 29622 Raleigh, NC 27626-0622 Tel: 919-814-5400	
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 Tel: 701-328-4712 Fax: 701-328-0140	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol – Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Ohio	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 Tel: 614-466-8831 Tel: 800-282-0515	
Oklahoma	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 Tel: 405-521-2451	
Oregon	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 Tel: 503-378-4387	
Rhode Island	Rhode Island Department of Business Regulation Division of Securities John O. Pastore Complex – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 Tel: 401-462-9500	Director of Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex – Bldg. 69-1 Cranston, RI 02920



South Carolina	SC Secretary of State's Office Attn: Business Opportunities 1205 Pendleton Street, Suite 525 Columbia, SC 29201 Tel: 803-734-0367	
South Dakota	Department of Labor and Regulation Division of Securities  124 S. Euclid, 2 <sup>nd</sup> Floor Pierre, SD 57501 Tel: 605-773-3563	Director of South Dakota Division Securities Department of Labor & Regulation 124 S. Euclid, 2 <sup>nd</sup> Floor Pierre, SD 57501
Texas	Secretary of State Statutory Documents Section 1019 Brazos Austin, TX 78711-2887 Tel: 512-475-1769	
Utah	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 Tel: 801-530-6601 Fax: 801-530-6001	
Virginia	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 Tel: 804-371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 Tel: 360-902-8760	Director Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507
Wisconsin	Wisconsin Dept. of Financial Institutions Division of Securities 201 W. Washington Avenue, Suite 300 Madison, WI 53703 Tel: 608-266-1064	Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT D**  
**STATE-SPECIFIC ADDENDA**

**ADDENDUM TO CHIROWAY  
DISCLOSURE DOCUMENT  
FOR THE  
STATE OF MINNESOTA**

Notwithstanding anything to the contrary in the ChiroWay Franchise Disclosure Document, the following provisions shall supersede and apply to all ChiroWay franchises offered and sold to residents of the State of Minnesota or if the Center will be located in Minnesota:

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

Fee Deferral. The following paragraph is added at the end of Item 5 and Item 7 and the Franchise Agreement is amended to state:

The State of Minnesota has required a financial assurance. Therefore, we have agreed to defer all initial fees owed by you to us until we have fulfilled all pre-opening obligations to you and you have commenced doing business pursuant to the Franchise Agreement. The State of Minnesota imposed this deferral requirement due to our financial condition. You may contact the state agency listed in Exhibit C for more information.

Item 13.

We will undertake the defense of any third party claim of infringement involving the ChiroWay® trademark. You must cooperate with the defense in any reasonable manner we prescribe with any direct cost of such cooperation to be borne by us.

Item 17.

1. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (a) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and (b) that consent to the transfer of the franchise will not be unreasonably withheld.

3. The Franchise Agreement contains a provision requiring you to sign a general release of claims as a condition to your transfer of the Franchise Agreement. Neither this release, nor any other release required under the Franchise Agreement, will relieve us, or any other person

from liability under Minnesota Statutes, Chapter 80C, except in connection with the voluntary settlement of disputes.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C, are met independently without reference to this Addendum.

**ADDENDUM TO CHIROWAY  
FRANCHISE AGREEMENT  
FOR THE  
STATE OF MINNESOTA**

Notwithstanding anything to the contrary in the ChiroWay Franchise Agreement, the following provisions shall supersede and apply to all ChiroWay franchises offered and sold to residents of the State of Minnesota or if the Center will be located in Minnesota:

1. Franchisor will undertake the defense of any claim of infringement by third parties involving the ChiroWay® trademark, and Franchisee will cooperate with the defense in any reasonable manner prescribed by Franchisor with any direct cost of such cooperation to be borne by Franchisor.

2. Minnesota law provides franchisees with certain termination and nonrenewal rights. Minnesota Statutes, Section 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, (a) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement; and (b) that consent to the transfer of the franchise will not be unreasonably withheld.

3. Article 14.B of the Franchise Agreement is amended by adding the following sentence to it:

Notwithstanding anything to the contrary contained in this Article 14.B, neither the release required in subsection (7) above, nor any other release required by Franchisor or contained in this Agreement, shall relieve Franchisor or any other person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, except in connection with the voluntary settlement of disputes.

4. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document, Franchise Agreement or related agreement(s) can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

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

Each provision of this Addendum to the Franchise Agreement shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C, are met independently without reference to this Addendum.

Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE

CHIROWAY FRANCHISE, LLC

By \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Its \_\_\_\_\_

**ADDENDUM TO CHIROWAY  
DISCLOSURE DOCUMENT  
FOR THE  
STATE OF WISCONSIN**

1. Item 17 of the Disclosure Document is amended by the addition of the following paragraph:

“For franchisees subject to the Wisconsin Fair Dealership Law, Ch. 135, Wisconsin Stats. 1981-82, provisions in the Fair Dealership Law supersede any inconsistent provisions of the Franchise Agreement or a related contract.”

Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Wisconsin Franchise Law or the Rules and Regulations promulgated thereunder are met independently without reference to this addendum to the Franchise Disclosure Document.

**ADDENDUM TO CHIROWAY  
FRANCHISE AGREEMENT  
FOR THE  
STATE OF WISCONSIN**

Notwithstanding anything to the contrary in the ChiroWay Franchise Agreement, the following provisions shall supersede and apply to all ChiroWay franchises offered and sold to residents of the State of Wisconsin or if the Center will be located in Wisconsin:

1. The following paragraph is added to the end of Sections 3.B and 15.C:

Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law's requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE

CHIROWAY FRANCHISE, LLC

By \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Its \_\_\_\_\_



**EXHIBIT E**  
**DISCLOSURE ACKNOWLEDGMENT AGREEMENT**

## DISCLOSURE ACKNOWLEDGMENT AGREEMENT

As you know, you and we are entering into a Franchise Agreement for the operation of a ChiroWay franchise. The purpose of this Disclosure Acknowledgment Agreement is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

### Acknowledgments and Representations\*

Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_

Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_

Did you receive a copy of the Franchise Agreement at least 7 calendar days prior to the date on which the Franchise Agreement was executed (except for negotiated changes that you initiated with us)? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_

Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? **Check one:** ( ) Yes ( ) No. **If no, please comment:** \_\_\_\_\_

Was any claim or representation made to you which contradicted the information in the Disclosure Document? **Check one:** ( ) Yes ( ) No. **If yes, please comment:** \_\_\_\_\_

Did any employee or other person involved in the franchise sales process make any statement or promise to you that stated, suggested, predicted or projected sales, revenues, financial performance, earnings, income or profit levels at a ChiroWay business? **Check one:** ( ) Yes ( ) No. **If yes, please explain in detail:** \_\_\_\_\_

Did any employee or other person involved in the franchise sales process predict or promise that your ChiroWay will be successful or profitable? **Check one:** ( ) Yes ( ) No. **If yes, please explain in detail:** \_\_\_\_\_

Do you understand that there are risks involved in starting a new business and do you accept those risks? **Check one:** ( ) Yes ( ) No.

**YOUR ANSWERS ARE IMPORTANT TO US AND WE WILL RELY ON THEM. BY SIGNING THIS AGREEMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.**

**NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

**FRANCHISEE:**

**FRANCHISEE:**

By:

By:

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(Signature)

(Signature)

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(Print Name)

(Print Name)

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(Date)

(Date)

**EXHIBIT F**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

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**EXHIBIT G**  
**PROMISSORY NOTE**

## EXHIBIT G

### TO FRANCHISE DISCLOSURE DOCUMENT

#### PROMISSORY NOTE

\$ \_\_\_\_\_

Woodbury, Minnesota

**FOR VALUE RECEIVED**, the Undersigned Maker promises to pay to the order of ChiroWay Franchise, LLC, a Minnesota limited liability company (“**Holder**”), at its offices at 10150 City Walk Drive Suite C1, Woodbury, MN 55125, or at such other place or places as Holder may designate, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), together with interest on the unpaid principal balance at the rate of eight percent (8.00%) per annum (the “**Stated Rate**”), computed on the principal balance of this Promissory Note outstanding from time to time. The principal balance and all accrued interest shall be fully due and payable on the Maturity Date, unless sooner required under the terms of this Promissory Note.

1. **Principal and Interest.** Principal and interest shall be payable in successive monthly installments of [\_\_\_\_\_] and [\_\_\_]/100 Dollars (\$ \_\_\_\_\_), commencing on the date of opening of the franchised business granted pursuant to that certain ChiroWay Franchise Agreement dated \_\_\_\_\_, 20\_\_ by and between the Undersigned Maker and Holder (the “**Franchise Agreement**”) and continuing on that same day of each month thereafter for [\_\_\_\_\_] months until \_\_\_\_\_, 20\_\_ (the “**Maturity Date**”), at which time all principal and interest outstanding shall be due and payable in full. Holder may, in Holder’s sole and absolute discretion, require the Undersigned Maker to, and in such event the Undersigned Maker shall, execute a draft authorization form allowing Holder to automatically withdraw from an account designated by the Undersigned Maker, on the applicable due date, each monthly payment of principal and interest and any other amounts due under this Promissory Note.

2. **Late Payment.** In the event of the failure by the Undersigned Maker to pay amounts due under this Promissory Note when due, the unpaid principal balance shall thereafter bear interest at a rate of twelve percent (12.00%) per annum (computed on the basis of a 365-day year) or the highest rate permitted by applicable law, whichever is lower.

3. **Prepayment.** This Promissory Note may be prepaid, in whole or in part, at any time prior to the **Maturity Date** without penalty, provided that any such prepayments are made (a) in multiples of \$100 and (b) only on those dates when installments of principal are due.

4. **Event of Default.** Each of the following occurrences shall constitute an Event of Default under this Promissory Note (each an “**Event of Default**”):

- a. any payment due under this Promissory Note shall not be paid when due;
- b. the Undersigned Maker assigns or otherwise transfers in any way its interest in the Franchise Agreement or in the Center (as such term is defined in the Franchise Agreement) prior to the full satisfaction of this Promissory Note; or
- c. any default occurs by the Undersigned Maker under the Franchise Agreement, or any other agreement between the Undersigned Maker and Holder or an affiliate of Holder, and such

default is not timely cured if a cure period is provided in such Franchise Agreement or other agreement.

5. Remedies. Upon the occurrence of an Event of Default, at the option of Holder, and without notice, the entire unpaid principal balance, and all accrued interest of this Promissory Note shall be fully due and payable, and Holder may, without further notice, exercise and enforce all rights and remedies available to Holder by agreement or by law. No delay or omission on the part of the Holder in exercising any right hereunder shall operate as a waiver of such right or of any other remedy under this Promissory Note. A waiver on any one occasion shall not be construed as a bar to a waiver of any such right or remedy on a future occasion.

6. Personal Guaranty. In the event the Undersigned Maker is a corporation, limited liability company or other legal entity, this Promissory Note is further secured by the Personal Guaranty given by each of the owners of such Undersigned Maker (each, as "**Guarantor**"), in favor of Holder, dated of even date herewith (each, together with any amendments thereto, a "**Guaranty**").

7. Waiver of Notice. The Undersigned Maker and each Guarantor hereby waives presentment for payment, protest rights, and notice of failure to make payment in relation to this Promissory Note.

8. Governing Law. This Promissory Note shall be governed and construed in accordance with the laws of the State of Minnesota.

9. Successors and Assigns. The terms of this Promissory Note apply to, inure to the benefit of, and bind all parties to this Promissory Note, their heirs, legatees, devisees, administrators, executors, successors, and assigns.

10. Amendment. No amendment, modification or waiver of any provision of this Promissory Note shall be effective unless the same shall be in writing and signed by the Undersigned Maker and the Holder.

IN WITNESS WHEREOF, the Undersigned Maker has executed this Promissory Note on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

[Franchisee Entity]

\_\_\_\_\_

[Franchisee Entity]

By \_\_\_\_\_

Its \_\_\_\_\_

\_\_\_\_\_

Witness

**EXHIBIT H**  
**LIST OF OUTLETS**  
**FRANCHISEES**  
**AS OF DECEMBER 31, 2023**

<b>Franchisee</b>	<b>Center Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>
Chad Beiler	7750 Harkness Ave S Ste. 105	Cottage Grove	MN	55016	877-442-4476 Ext. 126
Danielle Berger, DC	919 W Central Entrance	Duluth	MN	55811	877.442.4476 ext. 106
Bryce Hill, DC	1012 Diffley Rd, Suite 600	Eagan	MN	55123	877-442-4476 Ext. 122
Blake Bredeson, DC	19112 St. NW, Unit E117	Elk River	MN	55330	877.442.4476 ext. 112
Drew Fautsch, DC	12670 Bass Lake Rd	Maple Grove	MN	55369	877.442.4476 ext. 105
Tom Stecker, DC	100 S. 5 <sup>th</sup> St., Ste. 205	Minneapolis	MN	55402	877.442.4476 ext. 109
Austin Murdock, DC	2435 Seppala Blvd	North St. Paul	MN	55109	877.442.4476 ext. 114
Nick Lundbohm, DC	N56 W15560 Silver Spring Dr.	Menomonee Falls	WI	53051	877-442-4476 Ext. 116
Chloe Thorpe	2510 Curve Crest Blvd W Ste. B	Stillwater	MN	55082	877-442-4476 Ext. 125
David Fritsch	5000 Main St	The Colony	TX	75056	877-442-4476 Ext. 123
Gavin Kadlec	123 S Main Street	River Falls	WI	54022	877-442-4476 Ext. 110



**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM AS OF DECEMBER 31, 2023,  
AND FRANCHISEES WHO HAVE NOT COMMUNICATED WITH US WITHIN THE 10-WEEK  
PERIOD BEFORE THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT**

<b>Franchisee</b>	<b>Center Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>
Lance Baumgard, DC	1572 125th Ave NE	Blaine	MN	55449	877.442.4476 ext. 104
Mike Madison, DC	56 East 6th St. #318	St. Paul	MN	55101	877.442.4476 ext. 103

**COMPANY-OWNED OUTLETS  
AS OF DECEMBER 31, 2023**

<b>Name</b>	<b>Center Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>
Trent Scheidecker, DC, CFE	650 Commerce Drive, Suite 155	Woodbury	MN	55125	877.442.4476 ext. 101

**EXHIBIT I**  
**MANAGEMENT AGREEMENT**

## MANAGEMENT AGREEMENT

**THIS MANAGEMENT AGREEMENT** (“Agreement”) is made effective as of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, a [State] [corporation/limited liability company], having its principal place of business at \_\_\_\_\_ (“the Company”), and \_\_\_\_\_, a \_\_\_\_\_ [State] [professional corporation/professional limited liability company/professional association/professional service corporation], having its principal place of business at \_\_\_\_\_ (the “P.C.”). [This defined term may be adapted to correspond to the applicable business form (i.e., P.L.L.C.)]

**WHEREAS** the P.C. has been incorporated under the laws of the State of \_\_\_\_\_ where it will render chiropractic services to patients of the P.C.;

**WHEREAS**, the P.C. desires to establish and operate a chiropractic center and provide chiropractic services (the “Center”) at \_\_\_\_\_ (the “Premises”) and to obtain certain equipment, furnishings, office space and management services for the P.C. from the Company; and

**WHEREAS**, the Company is ready, willing, and able to provide equipment, furnishings, office space and management services to the P.C. in connection with the Center.

**NOW, THEREFORE**, in consideration of the mutual premises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### **1. Representations and Warranties.**

**1.1. Representations and Warranties of the Company.** The Company represents and warrants to the P.C. that at all times during the term of this Agreement, the Company is a [professional corporation/limited liability company] duly organized, validly existing and in good standing under the laws of the State of \_\_\_\_\_.

**1.2. Representations and Warranties of the P.C.** The P.C. hereby represents and warrants to the Company that at all times during the term of this Agreement:

(a) The P.C. is a [professional corporation/professional limited liability company/professional association/professional service corporation] duly organized, validly existing and in good standing under the laws of the State of \_\_\_\_\_ and is duly licensed and qualified under all applicable laws and regulations to engage in the practice of chiropractic medicine in the State of \_\_\_\_\_.

(b) Each of the professionals employed or engaged by the P.C. to render services at the Center is duly licensed, certified, or registered, to render the professional services at the Premises for which he or she has been employed or engaged by the P.C.

(c) The P.C. will establish and enforce procedures to ensure that proper and complete patient records are maintained regarding all patients of the P.C. as required by Section 4.10 below, applicable law and by the rules and regulations of any applicable governmental agency (collectively “Laws”).

## **2. Furnishings and Equipment, Use of Premises, Trade Name.**

**2.1. Title and Maintenance.** During the term of this Agreement, the Company grants to the P.C. the exclusive right to use the equipment and furnishings specified in Exhibit A hereto, and as may be amended from time to time (the “Equipment and Furnishings”), on the terms and conditions hereinafter set forth. The P.C. shall use, and shall cause its Providers (as defined in Section 4.2, below) to use, the Equipment and Furnishings in connection with the Center in a manner that the P.C. determines is in the best interest of its patients. Title to the Equipment and Furnishings, including any improvements thereto, shall be and remain in the Company at all times. The P.C. agrees to take no action that would adversely affect the Company’s title to or interest in the Equipment and Furnishings. During the term of this Agreement, the P.C. shall be responsible for maintaining the Equipment and Furnishings in good condition and repair, reasonable wear and tear from normal use excepted, including, where necessary, the replacement or substitution of parts. All maintenance, repair and replacement, if necessary, of the Equipment and Furnishings shall be performed by the Company on behalf of the P.C., in accordance with Section 3.1 of this Agreement. The P.C. agrees to assume the cost and expense of all supplies used in connection with the Equipment and Furnishings, and the P.C. agrees to make the Equipment and Furnishings available for inspection by the Company or its designee at any reasonable time.

**2.2. Liens, Encumbrances, Etc.** The P.C. shall not directly or indirectly create or suffer to exist any mortgage, security interest, attachment, writ or other lien or encumbrance on the Furnishings or Equipment, and will promptly and at its own expense, discharge any such lien or encumbrance which shall arise, unless the same shall have been created or approved by the Company.

**2.3. Use of Premises.** The Company will provide as a license to use space, the use of the Premises in which the P.C. shall conduct and provide its chiropractic services at the Center during the term of this Agreement. This Agreement shall not be construed as a lease or sublease of the Premises, and shall not be deemed to create a relationship between a landlord and a tenant. The P.C. shall have no rights as a lessee of or any other possessory or occupancy rights to or any interest in the Premises except for the right to perform professional chiropractic services on the Premises as expressly set forth in this Agreement.

**2.4. Return of Equipment and Furnishings.** Upon the termination or expiration, as applicable, of this Agreement, the Company shall retain all Equipment and Furnishings and the P.C. will relinquish control thereof free and clear of all liens, encumbrances, and right of others as expressly set forth in this Agreement.

**2.5. Assignment.** The P.C. shall not assign any of its rights hereunder to the use of the Equipment and Furnishings or the use of the Premises to any third party, without the prior written consent of the Company.

**2.6. Reporting.** In addition to P.C.’s right to approve the initial Equipment identified in Exhibit A, the P.C. shall advise the Company with respect to the selection of additional and replacement equipment or furnishings for the Center, and with respect to any proposed additions or improvements to the Equipment and Furnishings. The P.C. may refer the patient for consultation or treatment elsewhere, if the P.C. deems such to be in the best interest of its patient(s). The P.C. hereby approves the use of the Equipment and Furnishings identified in Exhibit A hereto. The Equipment and Furnishings in Exhibit A will be furnished by the Company at no additional expense to the P.C. However, if P.C. chooses to use different therapeutic equipment, this will be treated as an additional expense of the P.C. The P.C. will ensure that all Equipment and Furnishings are used in a safe and appropriate manner. The P.C. shall promptly notify the Company of any defective Equipment or Furnishings.

**2.7. Use of Trade Name.** The Company shall provide P.C. with a revocable license to use the name “ChiroWay®” for the Center (the “Name”), and the Name shall be used by the P.C. in conformity with all applicable Laws.

**3. General Responsibilities of the Company.** Except as otherwise provided in this Agreement, the Company shall have responsibility for general management and administration of the day-to-day business operations of the P.C., exclusive of chiropractic, professional and ethical aspects of the P.C.’s chiropractic Center, in all respects be subject to applicable Laws.

**3.1. Maintenance, Repair and Servicing of Equipment and Furnishings.** During the term of this Agreement, the P.C. engages the Company and the Company agrees to perform, or arrange for the performance of, all maintenance, repair, and servicing as may be necessary for the Equipment and Furnishings to be maintained in good working condition, reasonable wear and tear excepted.

**3.2. Administrative and Management Services.**

(a) The Company shall provide, or arrange for the provision of, certain business management and administrative services of a non-clinical nature necessary or appropriate for the proper operation of the P.C. (the “Management Services”), as described below. The Company shall be the exclusive provider to the P.C. of such Management Services. The P.C. shall not obtain any Management Services from any source other than the Company, except with the prior written consent of the Company. Subject to P.C.’s oversight and ultimate authority over all issues, Company is expressly authorized to take such actions that Company, in the exercise of reasonable discretion, deems necessary and/or appropriate to fulfill its obligations under this Agreement and meet the day-to-day requirements of P.C., including the responsibility and commensurate authority to provide full service management services for P.C. as set forth in this Agreement, including supplies, support services, third party contracting, quality assurance, educational activities, risk management, billing and collection services, management, administration, financial record keeping and reporting, and other business services as provided in this Agreement. The Company is authorized to contract with third parties, including one or more of its affiliates, for the provision of services, Equipment and Furnishings and personnel needed to perform its obligations under this Agreement. Any contracts with such affiliates shall be arms’ length agreements on terms reasonably available from reasonably efficient competing vendors. Nothing herein shall be construed to interfere with P.C.’s or its licensed providers’ professional judgment or actions with respect to the diagnosis and treatment of any of their patients.

(b) The Management Services to be provided by the Company for the Center shall include, but not be limited to, the following:

- (i) business planning;
- (ii) financial management, including causing annual financial statements to be prepared for the P.C., providing to the P.C. the data necessary for the P.C. to prepare and file its tax returns, and make any other necessary governmental filings, and paying on behalf of the P.C. the P.C.’s Monthly Obligations (as defined in Section 4.4(d) hereof);
- (iii) bookkeeping, accounting, and data processing services;
- (iv) maintenance of patient records owned and maintained by the P.C. in accordance with procedures established by the P.C. pursuant to Section 1.2(c) above;

(v) materials management, including purchase and stock of office supplies and maintenance of Equipment and Furnishings and facilities, subject to the P.C.'s approval of the selection of chiropractic equipment for the Center;

(vi) administering or causing to be administered any welfare, benefit or insurance plan or arrangement of the P.C.;

(vii) coordinating human resources management, including primary direction of recruitment, training, and management of all non-chiropractic personnel;

(viii) billing to and collection from all payors, on behalf of in and in the name of P.C., accounts receivable and accounts payable processing, all in accordance with the P.C.'s instructions and final approval made in consultation with the Company;

(ix) administering utilization, cost and quality management systems that are established in accordance with Section 4.3;

(x) developing a marketing program which includes the design, procurement, and monitoring of digital and print advertising of the Center, in conformity with the requirements of applicable Laws;

(xi) arrange for the P.C. to obtain and maintain malpractice and other agreed upon insurance coverages;

(xii) providing administrative services in connection with the P.C.'s advertising, marketing and promotional activities of the Center, in accordance with applicable laws;

(xiii) arranging for necessary legal services except with respect to any legal dispute between the P.C. and the Company;

(xiv) performing credentialing support services such as application processing and information verification;

(xv) developing and providing OSHA compliance programs and consulting;

(xvi) developing and providing P.C. with consulting services regarding pricing and membership plan strategies for the Center, subject to the requirements of applicable provisions of Law.

Notwithstanding the foregoing, the parties expressly acknowledge and agree that all policies and decisions relating to pricing, credit, refunds and warranties shall be established in compliance with applicable Laws; and

(xvii) to the extent not included in any of the services listed in Section 3.2(b)(i) – (xvi) providing;

(a) relationship development with  
chiropractic schools;

(b) personnel training and orientation in  
non-chiropractic areas;

- and strategic planning;
- (c) monitoring of industry developments
- (d) payroll processing;
- (e) public relations;
- (f) facilities management;
- (g) coordination and negotiation of center financing efforts;
- (h) center remodels;
- (i) continuing education programs;
- (j) client scheduling software;
- (k) coordinate client service and complaint handling, provided that any clinical complaints shall be directed to the P.C. or its providers;
- (l) center management analysis;
- (m) internal publications development and distribution;
- (n) conference and travel coordination; and
- (o) administration of committees.

(c) The Company shall not provide any of the following services to the Center:

- (i) the assignment of Providers to treat patients, including determining how many patients a chiropractor must see in a given period or how many hours a chiropractor must work;
- (ii) assumption of responsibility for the care of patients including the treatment options available;
- (iii) serving as the party to whom bills and charges are made payable;
- (iv) determining what diagnostic tests are appropriate for a particular condition;
- (v) determining the need for referrals to or consultation with another healthcare provider; and
- (vi) any activity that involves the practice of chiropractic medicine and the provision of chiropractic services or that would cause the Center to be subject to licensure under applicable laws and regulations in \_\_\_\_\_ (State).

**3.3. Administrative Staff.** Subject to P.C.'s oversight and ultimate authority (including ratification of all non-chiropractic personnel who indirectly are involved in patient care), Company may recommend for employment and termination the employment of all non-chiropractic personnel as Company will deem necessary or advisable, and will be responsible for the supervision, direction, training and assigning of duties of all non-chiropractic personnel, with the exception of activities, if any, carried on by non-chiropractic personnel which must be under the direction or supervision of licensed chiropractors in accordance with applicable law and regulations. Unless otherwise specifically agreed in writing, Company shall administer compensation, benefits, and scheduling of all non-chiropractic personnel providing any services for or on behalf of P.C., and such personnel will be employees or independent contractors employed or engaged by Company.

**3.4. Patient Records.** The Company shall preserve the confidentiality of any patient records that it stores on behalf of the P.C., including the restriction of access to such records by its own personnel to only those whose specific job description requires access to such information on a routine basis.

**3.5. Performance Standards.** All Management Services provided hereunder shall be subject to commercially reasonable performance standards agreed to by the parties from time to time.

#### **4. Responsibilities of the P.C.**

**4.1. Professional Services.** During the term of this Agreement, the P.C. shall be solely responsible for all aspects of the diagnostic, therapeutic and related professional services delivered by the Providers at the Center, and for the selection, training, professional direction, supervision, employment or engagement, and termination of all Providers. Company will provide assistance to P.C. in recruiting and evaluating prospective chiropractors and support personnel as employees or independent contractors of P.C. P.C. will make all decisions relating to hiring, training, managing, and termination of Providers. At the request of P.C., Company will administer compensation, benefits, and scheduling of Providers on behalf of the P.C. as directed by P.C., which shall exclusively oversee and direct all clinical and patient care activities. In addition, the P.C. shall be solely responsible for the following determining what diagnostic tests are appropriate for a particular condition; determining the need for referrals to or consultation with another chiropractor/specialist; and the overall care of the patient, including the treatment options available.

**4.2. Time Commitment.** The P.C. shall employ or engage and make available to the Center, sufficient chiropractors and other professionals, authorized to engage to the extent permitted by law in the chiropractic services provided by the Center (collectively referred to as "Providers") in adequate numbers to meet the chiropractic needs of the patients of the Center. The P.C. shall provide such services during normal business hours, as established in consultation with the Company. The P.C. shall ensure that all work and coverage schedules meet the needs of patients of the P.C. in a competent, timely and responsive manner. The P.C. shall determine how many patients a chiropractor must see in a given period of time or how many hours a chiropractor must work.

**4.3. Quality of Service.** The P.C. shall establish and enforce procedures to assure the appropriateness, necessity, consistency, quality, cost effectiveness and efficacy of all chiropractic services provided to patients of the Center. The P.C. shall require each of its Providers to maintain any appropriate license or certification.



#### **4.4. Billing and Collection.**

(a) The Company shall bill and use its best efforts to collect for all services rendered by the P.C. and its Providers hereunder and for all access and membership fees as agent for the P.C. in accordance with P.C.'s instructions and final approval made in consultation with the Company regarding billing procedures for professional services provided by the P.C. All of the payments with respect to such services shall be made by cash or by check, electronic funds transfer, or credit card payable to the P.C. and shall be deposited into a bank account of the P.C. (the "Concentration Account") with a bank mutually agreed to by the Company and the P.C. (the "Account Bank"). The Company shall prepare and make available to the P.C. an accounting of receipts attributable to services provided by the P.C., and receipts attributable to services provided by the Company.

(b) The P.C. shall, and shall cause its Providers to, promptly endorse and deliver to the Company all payments, notes, checks, money orders, remittances and other evidences of indebtedness or payment received by the P.C. or its Providers, with respect to all accounts, contract rights, instruments, documents, or other rights to payment from time to time arising from the rendering of chiropractic services by the P.C. and its Providers, for access or membership fees, or otherwise relating to the business of the P.C., together with any guarantees thereof or securities therefore which are generated during the term of this Agreement. The Company is hereby granted a special power of attorney with respect to the Concentration Account and shall have the power and authority to deposit into, and withdraw funds from, all such accounts as may be required to pay P.C.'s Expenses (as defined in Section 4.13 below). The P.C. shall notify the banking institution of the Concentration Account, and shall cause one or more employees or agents designated by the Company to be listed as a signatory on that account.

(c) With respect to funds deposited in the Concentration Account (the "P.C.'s Revenues"), the Company shall direct the Account Bank to transfer all amounts in the Concentration Account, at the end of each day, to an operating account maintained by and in the name of the Company (the "Operating Account"). The Company shall hold the P.C.'s Revenues in the Operating Account as the P.C.'s agent, and shall administer such revenues on the P.C.'s behalf. The Company shall separately and accurately account for the receipt, use, disposition, and interest gained on the P.C.'s Revenues.

(d) On at least a monthly basis, the Company shall pay, from the P.C.'s Revenues in the Operating Account, all of the current month's P.C. Expenses, as defined in Section 4.13 hereof and the current month's Management Fee as defined in Section 5 hereof (collectively, the "P.C.'s Monthly Obligations"). In the event that the P.C.'s Revenues (including the current month's interest earned on the P.C.'s Revenues) are insufficient to pay fully the P.C.'s Monthly Obligations, the Company may advance to the P.C. an amount equal to the deficit (the "Deficit Advance") by depositing such amount in the Concentration Account or the Operating Account. The amounts of the Deficit Advances shall accrue and the P.C. shall be obligated to pay such amounts upon the termination of this Agreement. In the event that there is a monthly profit that exceeds the P.C.'s Monthly Obligations (the "Monthly Profits"), then the Company shall use such amount to repay any prior Deficit Advances made by the Company (if any) together with interest accrued thereof.

(e) The P.C. acknowledges and agrees that (1) neither it nor the Company will seek reimbursement from any commercial or private third-party payers or insurers for any services provided at the Center, and (2) it will not provide services at the Center that are reimbursable by Medicare, Medicaid or any other federal or state-sponsored or funded health care programs.

**4.5. Licensure.** The P.C. shall ensure that each Provider associated with P.C. maintains, if applicable, any required license or certification. Each Provider shall have a level of

competence, experience and skill comparable to that prevailing in the community where such Provider provides professional services.

**4.6. Continuing Education.** The P.C. shall ensure that each Provider shall obtain the required continuing professional education and shall provide documentation of the same to the Company.

**4.7. Disciplinary Actions.** The P.C. shall, and shall cause each of its Providers to, disclose to the Company during the term of this Agreement: (i) the existence of any proceeding against any Provider instituted by any plaintiff, governmental agency, health care facility, peer review organization or professional society which involves any allegation of substandard care or professional misconduct raised against any Provider, and (ii) any allegation of substandard care or professional misconduct raised against any Provider by any person or agency during the term of this Agreement.

**4.8. Outside Activities.** The P.C. and its Providers shall devote their best efforts to fulfill their obligations hereunder. The P.C. and its Providers shall not engage in any other professional activity, whether or not such business activity is pursued for gain, profit, or other pecuniary advantage, which would interfere with the performance of the P.C.'s duties hereunder, without the prior written consent of the Company, which consent shall not be unreasonably withheld. The P.C. shall assure that each of its Providers shall not provide chiropractic services other than on behalf of the P.C., unless such activity is disclosed in writing to and is expressly authorized in writing by the Company. In the event that any of the P.C.'s Providers shall violate any provision of this Section 4.8, the P.C.'s President shall immediately notify the Company of such activity and the P.C. shall immediately take all necessary and appropriate corrective action to cease such activity.

**4.9. Patient Records.**

(a) The P.C. and its Providers shall maintain, in a timely manner, complete, accurate and legible records for all patients of the Center, and all such patient records shall be property of the P.C. The P.C. and its Providers shall comply with all applicable laws, regulations and ethical principles concerning confidentiality of patient records.

(b) The P.C. shall own and control all patient chiropractic records, including determining the contents thereof. The P.C. shall grant the Company access to the information contained in the patient records owned by the P.C. and completed by the Providers to the extent that access to such information is permitted by applicable Laws and is required in connection with the Company's administrative responsibilities hereunder. The P.C. agrees that, upon the termination of this Management Agreement (as permitted by applicable laws), the P.C. will transfer the original, or at the P.C.'s discretion, complete copies of all of the P.C.'s patient records to a successor P.C. or a licensed chiropractor identified by the Company who will provide chiropractic services at the Premises or ensure that such records are transferred to a successor P.C. that will provide chiropractic services at the Premises. Notwithstanding the foregoing, such successor P.C. or chiropractor shall be obligated to transfer a patient's record in accordance with the patient's request.

(c) As required by the privacy regulations issue under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the parties shall comply with the terms of the Business Associate Addendum attached as Exhibit B of this Agreement.

**4.10. Credentialing.** The P.C. shall participate and cooperate in and comply with any credentialing program established from time to time by the Company.

**4.11. Fees for Professional Services.** The P.C. shall be solely responsible for legal, accounting, and other professional service fees it incurs, except as otherwise provided herein.

**4.12. Standards of Care.** The P.C. and its Providers shall render services to patients hereunder in a competent and professional manner, in compliance with generally accepted and prevailing standards of care and in compliance with applicable statutes, regulations, rules, policies and directives of federal, state and local governmental, regulatory and accrediting agencies.

**4.13. P.C. Expenses.** The following expenses of the P.C. that are related to the Center (“P.C. Expenses”) shall be paid by the Management Company, on behalf of the P.C. and at the direction of the P.C.:

(a) Salaries, wages, benefits, (including health, life, and disability insurance coverage and all contributions under employee benefit plans), vacation and sick pay, employment and payroll taxes; and the cost of payroll administration and administration of benefits, for Providers employed by the P.C.;

(b) Cost of all new chiropractic and non-chiropractic Equipment and Furnishings and supplies obtained for use in the operation of the Center, and depreciation cost of all capital Equipment and Furnishings and items obtained for use in the operation of the Center in accordance with federal tax depreciation schedules for such equipment and items;

(c) Expenses of comprehensive professional liability insurance, professional liability insurance for each Provider of the P.C. to the extent the P.C. is required to pay for such insurance pursuant to the terms of the Provider’s employment agreement, comprehensive general liability insurance and property insurance coverage for the P.C.’s facility and operations, and worker’s compensation and unemployment insurance coverage for all P.C. employees;

(d) Interest expense on indebtedness (including capitalized leases) incurred with respect to debt obligations to fund the operation of, or the acquisition of capital assets for, the P.C.;

(e) State and local business license taxes, professional licensure and board certification fees, sales and use taxes, income, franchise and excise taxes and other similar taxes, fees and charges assessed against the P.C. or the Providers;

(f) Expenses incurred in the course of recruiting chiropractors, chiropractic receptionists and other professional staff to work for and/or join the P.C.; and

(g) Any federal income taxes, including the cost of preparation of the annual income tax returns of the P.C. and its Providers.

The P.C. shall promptly notify the Company of all P.C. Expenses incurred, and shall provide the Company with all invoices, bills, statements and other documents evidencing such P.C. Expenses.

## **5. Management Fee.**

(a) In consideration of the Company (i) licensing to the P.C. the use of Equipment and Furnishings and the Name; (ii) permitting the P.C. to operate the Center and perform professional chiropractic services at the Premises; (iii) granting to the P.C. the right to use the personal property and leasehold improvement at the Premises; and (iv) providing all other services described in this Agreement,

the P.C. hereby agrees to pay to the Company a monthly Management Fee that shall be comprised of the following components:

- A monthly management fee that shall be equal to \$[\_\_\_].
- An amount equal to [\_\_\_]% of the P.C.'s Revenues, less actual cash refunds, returns, discounts, dishonored checks, contractual adjustments and allowances, all as determined in accordance with generally accepted accounting principles applied consistently throughout the period measured.

(b) The Management Fee may be adjusted annually by the parties to reflect changes in the scope and/or nature of the Management Services and the fair market value thereof. Any such adjustment in the Management Fee shall be confirmed by written agreement of both parties. The Management Fee shall be paid in accordance with Section 4.4(d). In the event that in any month the P.C.'s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the monthly Management Fee, the unpaid amount of the Management Fee shall accrue each month, and the P.C. shall be obligated to pay such amount until fully paid in accordance with Section 4.4(d). The parties agree that the Management Fee represents the fair market value of the items and services provided under this Agreement. Further, the parties acknowledge that the Management Fee is not based upon, or in no way take into account, the volume or value of referrals to the Center or is intended to constitute remuneration for referrals, or the influencing of such referrals, to the Center.

(c) The portion of the Management Fee (i) allocable to the P.C.'s use of the Equipment, Furnishings and Name has been determined by the parties to equal the fair market value of the use of the Equipment and Furnishings and Name, respectively, and (ii) allocable to the provisions of all other services hereunder has been determined by the parties to equal the fair market value of such other services without taking into account the volume or value of any referrals of business from the Company (or its affiliates) to the P.C. or the Providers, or from the P.C. or the Providers to the Company (or its affiliates).

(d) The Management Fee paid by the P.C. to the Company hereunder has been determined by the parties through good-faith and arm's length bargaining. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of, or recommending referral of, patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C. In addition, the Management Fee charged hereunder does not include any discount, rebate, kickback, or other reduction in charge, and the Management Fee charged hereunder is not intended to be, nor shall it be construed to be, an inducement or payment for referral, or recommendation of referral, of patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C.

## **6. Regulatory Matters.**

(a) The P.C.'s Providers shall at all times be free, in their sole discretion, to exercise their professional judgment on behalf of patients of the P.C. No provision of this Agreement is intended, nor shall it be construed, to permit the Company to affect or influence the professional judgment of any member of the P.C.'s Providers. To the extent that any act or service required or permitted of the Company by any provision of this Agreement may be construed or deemed to constitute the practice of chiropractic, the ownership or control of a chiropractic practice, or the operation of a center, said provision of this Agreement shall be void ab initio and the performance of said act or service by the Company shall be deemed waived by the P.C.

(b) The parties agree to cooperate with one another in the fulfillment of their respective obligations under this Agreement, and to comply with the requirements of applicable Laws and with all ordinances, statutes, regulations, directives, orders, or other lawful enactments or pronouncements of any federal, state, municipal, local or other lawful authority applicable to the Center, and of any insurance company insuring the Center or the parties against liability for accident or injury in or upon the premises of the Center.

## **7. Insurance.**

**7.1. General Comprehensive Liability Insurance.** During the term of this Agreement, the Company shall obtain and maintain, at the P.C.'s expense, a comprehensive general liability insurance policy and such other insurances as may be required, in such amounts, with such coverages and with such companies as the Company may reasonably determine to be necessary and appropriate, as required by law or as are usual and customary. These insurance policies must name ChiroWay Franchise, LLC, the Company, and any of their respective affiliates that the Company or ChiroWay Franchise, LLC designates as additional named insureds, and provide for third (30) days' prior written notice to the Company and ChiroWay Franchise, LLC and of a policy's material modification, cancellation or expiration.

**7.2. Equipment Insurance.** The Company shall cause to be carried and maintained, at its own expense, insurance against all risks of physical loss or damage to the Equipment in an amount not less than the original purchase price or the replacement cost with like kind and quality at the time of loss, with such companies and as the Company shall reasonably determine, to the extent such coverage is not already provided under the general liability insurance policy required under Section 7.1. These insurance policies must name ChiroWay Franchise, LLC, the Company, and any of their respective affiliates that the Company or ChiroWay Franchise, LLC designates as additional named insureds, and provided for thirty (30) days' prior written notice to the Company and ChiroWay Franchise, LLC and of a policy's material modification, cancellation or expiration.

**7.3. Malpractice Insurance.** During the term of this Agreement, the Company shall arrange for the P.C. to obtain and maintain, at the P.C.'s expense, professional liability insurance covering the P.C. and its Providers, as an occurrence-based policy with limits of not less than one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) in the aggregate, which the parties hereby agree are adequate amounts of coverage, or such other amount as required by law. In the event the P.C. has no other option but to obtain a "claims made" form of insurance in effect at any time during the term of this Agreement, the Company shall obtain, at P.C.'s expense, full "tail" coverage to cover any event that may have occurred during the term of this Agreement. The P.C. shall provide to the Company any information with respect to the P.C. or the Providers necessary for the Company to secure such professional liability insurance. These insurance policies must name ChiroWay Franchise, LLC, the Company, and any of their respective affiliates that the Company or ChiroWay Franchise, LLC designates as additional name insureds, and provide for thirty (30) days' prior written notice to the Company and ChiroWay Franchise, LLC and of a policy's material modification, cancellation or expiration.

**8. Indemnification by the P.C.** The P.C. hereby agrees to indemnify, defend, and hold harmless the Company, and each of the Company's officers, directors, shareholders, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part out of any breach by the P.C. of this Agreement or any acts or omissions by the P.C. or its Providers in their performance of this Agreement, including, but not limited to, negligence of the P.C. or its Providers arising from or related to any of their professional acts or omissions to the extent that such is not paid

or covered by the proceeds of insurance. The P.C. shall immediately notify the Company of any lawsuits or actions, or any threat thereof, against P.C. or any Provider, or the Company, which may become known to the P.C.

**9. Indemnification by the Company.** The Company hereby agrees to indemnify, defend, and hold harmless the P.C., and each of its officers, managers, members, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part, out of any breach by the Company of this Agreement or any willful or grossly negligent act or omission by the Company in its performance of this Agreement, to the extent that such is not paid or covered by the proceeds of insurance. The company shall immediately notify the P.C. of any lawsuits or actions, or any threat thereof, against the Company, P.C. or any Provider that may become known to the Company.

**10. Security Interest.** As security for P.C.'s obligations set forth in this Agreement, the owner of 100% of P.C.'s shares of common stock ("Shareholder"), hereby pledges, and as inducement to Company to enter into this Agreement, grants a security interest in, assigns, transfers, and delivers to Company (or Company's qualifying designee) P.C.'s shares to Company as collateral security for the performance of P.C.'s obligations hereunder. In the event of a breach by or default of P.C. of this Agreement, or upon termination of this Agreement for any reason, and as further provided below, Shareholder shall cooperate as reasonably requested in the transfer of P.C.'s shares to a chiropractor independently determined to be competent designated by Company. In connection with this grant of a security interest, Shareholder represents and warrants that Shareholder owns the pledged shares free and clear of any material liens, claims, encumbrances, or security interests of any kind or nature whatsoever; that Shareholder is not precluded, by agreement or operation of law or otherwise, from making this pledge, and needs no further authority or authorization for this pledge; and that the pledge of the shares as collateral creates a valid first priority lien on and a first priority perfected security interest and lien in the collateral and proceeds thereof, securing the performance of P.C.'s obligations under this Agreement.

**11. Actions Requiring Company's Consent.** As inducement to Company to enter into this Agreement, P.C. agrees that it shall not take certain governance actions without Company's consent. Therefore, notwithstanding anything in this Agreement to the contrary, P.C. agrees that the following actions by P.C. shall be void unless undertaken with the prior written consent of Company:

(a) The issuance, reclassification, recapitalization, redemption of capital stock of P.C. or of any security convertible into shares of capital stock of P.C., without prior consultation and written consent of Company;

(b) The payment of any dividends on the capital stock of P.C. or other distribution to the shareholders of P.C., without prior consultation and written consent of Company;

(c) Any consolidation, conversion, merger or stock/share exchange of P.C. without prior consultation and written consent of Company;

(d) Any sale, assignment, pledge, lease, exchange, transfer or other disposition (without prior consultation and written consent of Company), excluding salaries, but including without limitation a mortgage or other security device, of assets, including P.C.'s accounts receivable, constituting in the aggregate five percent (5%) or more (in any transaction or series of transactions over any consecutive five

(5) year period) of the total assets of P.C. at the end of its most recent fiscal year ending prior to such disposition; and

(e) The dissolution or liquidation of P.C.

## **12. Non-Solicitation.**

(a) To the extent permitted by applicable Laws, the P.C. shall not, during the term of this Agreement and for a period of one (1) year from the date of termination or expiration of this Agreement, and shall ensure that its Providers shall not, during the term of their employment by the P.C. and for a period of one (1) year thereafter, solicit for employment, verbally or in writing, employ or offer employment to any employee or former employee of the Company or its affiliates, including, but not limited to any personnel provided by the Company to P.C. hereunder, without the prior written consent of the Company.

(b) To the extent permitted by law, during the term of any Provider's employment with the P.C. and for a period of one (1) year after the termination or expiration of any such Provider's employment agreement with the P.C., such Provider shall not, without the express written consent of the P.C., solicit verbally or in writing, any patient or former patient of the P.C., or otherwise interfere with such patient or former patient's relationship with the P.C. in connection with the provisions of chiropractic services. Upon termination of any Provider's employment with the P.C., the P.C. shall promptly notify the Provider's patients of how and where to contact the Provider.

(c) In the event that any of the P.C.'s Providers shall violate any provision of this Section 12, the P.C.'s President shall immediately notify the Company of such activity and the P.C. shall immediately take all necessary and appropriate corrective action.

(d) Company agrees to waive up to Five Thousand Dollars (\$5,000) in outstanding Management Fees owed by the P.C. at termination of this agreement, pursuant to Section 4.4(d), as consideration for the non-solicitation provision set forth in Sections 12(a) and (b) above.

**13. Proprietary Rights.** The P.C. recognizes and acknowledges that all records, files, reports, protocols, policies, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the company (or its affiliates), belong to (or are licensed to) and shall remain the property of (or such license rights shall remain the property of) the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates. Nothing herein is intended to refer to a patient health or treatment records.

## **14. Enforcement.**

(a) The P.C. recognizes and acknowledges that all records, files, reports, protocols, policies, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the Company (or its affiliates), belong to (or are licensed to) and shall remain the property of (or such license rights shall remain the property of) the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates.

(b) All works, discoveries and developments, whether or not copyrightable, relating to the Company's present, past or prospective activities, services and products ("Inventions") which are at any time conceived or reduced to practice by P.C. and/or any of its Providers, acting alone or in conjunction with others, in connection with the Company's management of the P.C. or, during the course of the P.C.'s employment or engagement of Providers (or, if based on or related to any Confidential Information, made by P.C. and/or any Provider during or after such management by the Company or employment or engagement by the P.C.) and all concepts and ideas known to P.C. or any Provider at any time during the Company's management of the P.C. which relate to the Company's present, past or prospective activities, services and products ("Concepts and Ideas") or any modifications thereof held by or known to P.C. and/or any Provider on the date of this Agreement or acquired by P.C. and/or any Provider during the term of this Agreement shall be the property of the Company, free of any reserved or other rights of any kind on P.C. and/or any Provider's part in respect thereof, and P.C. and/or any such Provider hereby assign all rights therein to the Company.

(c) P.C. and/or its Providers shall promptly make full disclosure of any such Inventions, Concepts and Ideas or modifications thereof to the Company. Further, P.C. and/or its Providers shall, at the Company's cost and expense, promptly execute formal applications for copyrights and also do all other acts and things (including, among others, executing and delivering instruments of further assurance or confirmation) deemed by the Company to be necessary or desirable at any time or times in order to effect the full assignment to the Company of P.C. and/or its Providers' rights and title to such Inventions, Concepts and Ideas or modifications, without payment therefor and without further compensation. In order to confirm the Company's rights, P.C. and/or its Providers will also assign to the Company any and all copyrights and reproduction rights to any written material prepared by P.C. and/or its Providers in connection with the Company's management of the P.C. or the Providers' employment or engagement by the P.C. P.C. and/or its Providers further understand that the absence of a request by the Company for information, or for the making of an oath, or for the execution of any document, shall in no way be construed to constitute a waiver of the rights of the Company under this Agreement. This Agreement shall not be construed to limit in any way any "shop rights" or other common law or contractual rights of the P.C. or the Company in or to any Inventions, Concepts and Ideas or modifications which the Company has or may have by virtue



of the Company's management activities hereunder or the P.C.'s engagement of its Providers.

(d) The P.C. agrees that the restrictive covenants set forth in Sections 12 and 13 are reasonable in nature, duration and geographical scope. The P.C. further acknowledges that any violation of those restrictive covenants will cause the Company irreparable damage, which a monetary award would be inadequate to remedy, and that a court or arbitrator of competent jurisdiction may, in addition to monetary awards, enjoin any breach of, and enforce, such restrictive covenants by temporary restraining order, and preliminary and permanent injunctive relief without the need for the moving party to post any bond or surety. If a court or arbitrator of competent jurisdiction determines that any of the restrictive covenants set forth in Section 12 or 13 are unreasonable in nature, duration or geographic scope, then the P.C. agrees that such court or arbitrator shall reform such restrictive covenant so that such restrictive covenant is enforceable to the maximum extent permitted by law for a restrictive covenant of that nature, and such court shall enforce the restrictive covenant to that extent. If any court or arbitrator finds that the P.C. and/or any Provider has breached the restrictive covenants set forth in Sections 12 or 13 above, then such restrictive covenants shall be extended for an additional period equal to the period of such breach.

**15. Employment Agreements.** The P.C. agrees that it shall impose by contract on each of its Providers the obligation to abide by the applicable terms and conditions of this Agreement, including the restrictive covenants specified above. The Company and its affiliates are intended to be third-party beneficiaries of such contracts and the Company may, in its sole discretion, be a signatory to such contracts for purposes of enforcing against Providers the terms and conditions of this Agreement. Any liquidated damages paid to the P.C. by Providers pursuant to contracts between the P.C. and such Providers shall be assigned by the P.C. and paid over to the Company.

**16. Term and Termination.**

(a) The term of this Agreement shall be for five (5) years commencing on the date first written above, unless sooner terminated as set forth herein, and shall automatically renew for successive one (1) year terms unless either party gives the other at least ninety (90) days prior written notice of its intention not to renew prior to the expiration of then current term.

(b) Either party may terminate this Agreement immediately upon the occurrence of any of the following events with regard to the other party: (i) the making of a general assignment for the benefit of creditors; (ii) the filing of a voluntary petition or the commencement of any proceeding by either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustments of indebtedness, reorganization, composition or extension; (iii) the filing of any involuntary petition or the commencement of any proceeding by or against either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness, reorganization, composition or extension, which such petition or proceeding is not dismissed within ninety (90) days of the date on which it is filed or commenced; or (iv) suspension of the transaction of the usual business of either party for a period in excess of fourteen (14) days.

(c) The Company may terminate this Agreement immediately upon any of the following events:

- (i) The date of death of **[Name of sole shareholder]**;
- (ii) The date **[Name of sole shareholder]** is determined by a court of competent jurisdiction to be incompetent, or permanently disabled so as to be unable to render any professional services.
- (iii) The date **[Name of sole shareholder]** becomes disqualified under the Bylaws of the P.C. or applicable law to be a shareholder of the P.C.;
- (iv) The date upon which any of the shares of stock in the P.C. held by **[Name of sole shareholder]** are transferred or attempted to be transferred voluntarily, by operation of law or otherwise to any person;
- (v) The date upon which **[Name of sole shareholder]** ceases to provide chiropractic services in connection with the P.C.; or
- (vi) The merger, consolidation, reorganization, sale, liquidation, dissolution, or other disposition of all or substantially all of the stock or assets of the P.C.

(d) The Company may terminate this Agreement if the P.C. fails, within seven (7) days after receiving written notice from the Company, to remove from the Center any Provider who the Company determines has materially disrupted or interfered with the performance of the P.C.'s obligations hereunder. This provision shall not be construed as permitting the Company to control or impair the P.C.'s or the Providers' chiropractic judgment, professional performance or patient of care.

(e) The Company may terminate this Agreement immediately upon written notice to the P.C. in the event of termination for any reason of any of the following agreements: the Company's operating agreement and/or the employment agreement between the P.C. and \_\_\_\_\_ **[Doctor's Name]**.

(f) The Company may terminate this Agreement at any time with or without cause, by giving the P.C. forty-five (45) days' prior written notice.

(g) Either party may terminate this Agreement upon thirty (30) days' prior written notice to the other party in the event of a material breach by the other party of any material term or condition hereof, if such breach is not cured to the reasonable satisfaction of the non-breaching party within thirty (30) days after the non-breaching party has given notice thereof to the other party.

(h) Upon termination or expiration of this agreement by either party, the P.C. shall pay the Company any amounts owed to the Company under paragraph 5 hereof as of the date of termination or expiration.

(i) Upon termination or expiration of this Agreement, the P.C. shall return to the Company any and all property of the Company which may be in the P.C.'s possession or under the P.C.'s control.

(j) If, in the opinion (the "Opinion") of nationally recognized health care counsel selected by the Company, it is determined that it is more likely than not that applicable Laws in effect or to become effective as of a date certain, or if the Company or the P.C. receives notice (the "Notice") of an actual or threatened decision, finding or action by any governmental or private agency or court (collectively referred to herein as "Action"), which Laws or Action, if or when implemented, would have the effect of subjecting either party to civil or criminal prosecution under state and/or federal laws, or other material adverse proceeding on the basis of their participation herein, then the Company or the P.C. shall provide such Opinion or Notice to the other party. The parties shall attempt in good faith to amend this Agreement to the minimum extent necessary in order to comply with such Laws or to avoid the Action, as applicable, and shall utilize mutually agreed upon joint legal counsel to the extent practicable. If, within ninety (90) days of providing written notice of such Opinion or such Notice to the other party, the parties hereto acting in good faith are unable to mutually agree upon and make amendments or alterations to this Agreement to meet the requirements in question, or alternatively, the parties mutually determine in good faith that compliance with such requirements is impossible or unfeasible, then this Agreement shall be terminated without penalty, charge or continuing liability upon the earlier of the following: the date one hundred and eighty (180) days subsequent to the date upon which any party gives written notice to the other party, or the effective date upon which the Law or Action prohibits the relationship of the parties pursuant to this Agreement. In the event of a termination of this Agreement in accordance with this Section 16(j), then the restrictions contained in 10 and 11 of this Agreement shall be waived and shall be of no further effect.

**17. Obligations After Termination.** Except as otherwise provided herein or in any amendment hereto, following the effective date of termination of this Agreement:

(a) The Company shall continue to permit the P.C. or its authorized representatives to conduct financial audits relating to the period this Agreement was in effect;

(b) The P.C. shall cooperate with the Company to assure the appropriate transfer of patient cases and patient records;

(c) Both the Company and the P.C. shall cooperate in connection with the termination or assignment of provider contracts and other contractual arrangements; and

(d) Both the Company and the P.C. shall cooperate in the preparation of final financial statements and the final reconciliation of fees paid hereunder, which shall be calculated by the Company six (6) months after termination of this agreement; provided that in the event of a termination of this Agreement by the Company pursuant to Section 17(b), (c), or (d), the P.C. and any such Provider shall forfeit its (or his/her) rights to any future payment from the

Company under this or any other agreement between the parties, except as may otherwise be agreed to by the Company in its discretion.

**18. Return of Proprietary Property and Confidential Information.** All documents, procedural manuals, guides, specifications, plans, drawings, designs, copyrights, service marks and trademark rights, computer programs, program descriptions and similar materials, lists of present, past or prospective patients, proposals, marketing and public relations materials, invitations to submit proposals, fee schedules and data relating to patients and the pricing of the Company's products and services, records, notebooks and similar repositories of or containing Confidential Information and Inventions (including all copies thereof) that come into P.C. and/or its Providers possession or control, whether prepared by P.C., its Providers, or others: (a) are the property of the Company, (b) will not be used by P.C. or its Providers in any way adverse to the Company or to the benefit of P.C. and/or its Providers, (c) will not be removed from the Company's premises (except as P.C. and/or its Providers' duties hereunder require) and (d) at the termination of this Agreement or engagement of such Providers, will be left with, or forthwith returned and/or restored to the Company, and P.C. and such Providers shall discontinue use of such materials.

**19. Status of Parties.** In the performance of the work duties and obligations under this Agreement, it is mutually understood and agreed that each party is at all times acting and performing as an independent contractor with respect to the other and that no relationship of partnership, joint venture or employment is created by this Agreement.

**20. Force Majeure.** Neither party shall be deemed to be in default of this Agreement if prevented from performing any obligation hereunder for any reason beyond its control, including but not limited to, Acts of God, war, civil commotion, fire, flood or casualty, labor difficulties, shortages of or inability to obtain labor, materials or equipment, governmental regulations or restrictions, unusually severe weather, or plagues, epidemics, pandemics, outbreaks of disease or any other public health crisis, including quarantine or other restrictions, or governmental regulations superimposed after the fact. In any such case, the parties agree to negotiate in good faith with the goal of preserving this Agreement and the respective rights and obligations of the parties hereunder, to the extent reasonably practicable. It is agreed that financial inability shall not be a matter beyond a party's reasonable control.

**21. Notices.** Any notices to be given hereunder by either party to the other shall be deemed to be received by the intended recipient (a) when delivered personally, (b) the first business day following delivery to a nationally recognized overnight courier service with proof of delivery, or (c) three (3) days after mailing by certified mail, postage prepaid with return receipt requested, in each case addressed to the parties at the addresses set forth on page 1 above or at any other address designated by the parties in writing.

**22. Entire Agreement.** This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter of this Agreement. This Agreement may not be changed orally, and may only be amended by an agreement in writing signed by both parties.

**23. No Rights in Third Parties.** Except as provided in Section 15, hereof, this Agreement is not intended to, nor shall it be construed to, create any rights in any third parties, including, without limitation, in any Providers employed or engaged by the P.C. in connection with the Center.

**24. Governing Law.** This Agreement shall be construed and enforced under and in accordance with the laws of the State of \_\_\_\_\_, and venue for the commencement of

any action or proceeding brought in connection with this agreement shall be exclusively in the federal or state court in the State of \_\_\_\_\_, County of \_\_\_\_\_. [**Location of Center**]

**25. Severability.** If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, that provision will be enforced to the maximum extent permissible, and the remaining provisions of this Agreement will remain in full force and effect, unless to do so would result in either party not receiving the benefit of its bargain.

**26. Waiver.** The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to that term or any other term of this Agreement.

**27. Rights Unaffected.** No amendment, supplement or termination of this Agreement shall affect or impair any right or obligations which shall have theretofore matured hereunder.

**28. Interpretation of Syntax.** All references made and pronouns used herein shall be construed in the singular or plural, and in such gender, as the sense and circumstances require.

**29. Successors.** This Agreement shall be binding upon and shall inure to the benefit of the parties, their respective heirs, executors, administrators and assigns.

**30. Further Actions.** Each of the parties agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

**31. Non-Assignment.** The P.C. may not assign this Agreement except with the prior written approval of the Company. The Company may assign this Agreement.

**32. Access of the Government to Records.** To the extent that the provisions of Section 1861(v)(1)(I) of the Social Security Act [42 U.S.C. § 1395x(v)(1)(I)] are applicable to this Agreement, the parties agree to make available, upon the written request of the Secretary of the Department of Health and Human Services or upon the request of the Comptroller General, or any of their duly authorized representatives, this Agreement, and other books, records and documents that are necessary to certify the nature and extent of costs incurred by them for services furnished under this Agreement. The obligations hereunder shall extend for four (4) years after furnishing of such services. The parties shall notify each other of any such request for records.

**IN WITNESS WHEREOF**, and intending to be legally bound, the parties hereto affix their signatures below and execute this Agreement under seal.

[P.C.]

[CHIROWAY FRANCHISEE/ "Company"]

By: \_\_\_\_\_  
Its: President

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

**EXHIBIT A**

**TO MANAGEMENT AGREEMENT**

**EQUIPMENT/FURNISHINGS**

**[Insert “Supply List” for each Center]**

**EXHIBIT B**

**TO MANAGEMENT AGREEMENT**

**BUSINESS ASSOCIATE ADDENDUM**

This Business Associate Addendum (the “Addendum”) to the Management Agreement (the “Agreement”) dated \_\_\_\_\_, by and between the P.C. and the Company (for purposes of this addendum, the “Business Associate”), is entered into for the purpose of complying with the Health Insurance Portability and Accessibility Act of 1996, as amended by the Health Information Technology Act of 2009 (the “HITECH Act”), and the regulations promulgated under HIPAA and the HITECH Act (all of the foregoing collectively referred to as “HIPAA”).

- I. **Definitions.** For purposes of this addendum, the following capitalized terms shall have the meanings ascribed to them below:
- A. “Protected Health Information” shall mean Individually Identifiable Health Information (as defined below) that is (a) transmitted by electronic media; (b) maintained in any electronic medium; or (c) transmitted or maintained in any other form or medium. “Protected Health Information” does not include Individually Identifiable health information in (x) education records covered by the Family Educational Right and Privacy Act, as amended (20 USC §1232(g) or (y) records described in 20 USC §1231g(a)(4)(B)(iv). For purposes of this definition, Individually Identifiable Health Information shall mean health information, including demographic information collected from an individual, that: (aa) is created or received by a health care provider (including the P.C.), health plan, employer or health care clearing house; and (bb) relates to the past, present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual and that (1) identifies the individual or (2) with respect to which there is a reasonable basis to believe the information can be used to identify the individual.
- B. “Required by Law” shall mean a mandate contained in law that compels the use or disclosure of Protected Health Information and that is enforceable in a court of law. “Required by Law” includes, but is not limited to, court orders and court-ordered warrants; subpoenas or summons issued by a court, grand jury, a governmental or tribal inspector general, or an administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions or participation with respect to health care providers participating in the program; and statutes or regulations that require such information if payment is sought under a government program providing public benefits.

Any terms used but not otherwise defined in this Addendum shall have the same meaning as the meaning ascribed to those terms in HIPAA.

- II. **Permitted Uses and Disclosures.** Business Associate may use or disclose Protected Health Information received or created by Business Associate pursuant to the Agreement solely for the following purposes:



- A. Business Associate may use or disclose Protected Health Information as necessary to carry out Business Associate's responsibilities and duties under the Agreement.
  - B. Business Associate may use or disclose Protected Health Information for Business Associate's proper management and administration ore to fulfill any present or future legal responsibilities of Business Associate; provided, however, that if Business Associate discloses Protected Health Information to a third party under this Section II(b), Business Associate shall i) obtain reasonable assurances from the person to whom the Protected Health Information is disclosed that it will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed and (ii) obligate such person to notify Business Associate of any instances of which it is aware in which the confidentiality of the Protected Health Information has been breached.
  - C. Business Associate may use or disclose protected Information as Required by Law.
  - D. Any use or disclosure of Protected Health Information permitted hereunder shall be limited to the minimum amount necessary to accomplish the intended purpose of the use, disclosure or request and shall otherwise be accordance with HIPAA.
- III. Disclosure to Agent. In the event Business Associate disclosed to any agent, including a subcontractor, Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C., Business Associate shall obligate each such agent to agree to the same restrictions and conditions regarding the use and disclosure of Protected Health Information as are applicable to Business Associate under this Addendum.
- IV. Safeguards. Business Associate shall employ appropriate administrative, technical and physical safeguards, consistent with the size and complexity of Business Associate's operations, to prevent the use or disclosure of Protected Health Information in any manner inconsistent with the terms of this Addendum. Business Associate shall maintain a written security program describing such safeguards, a copy of which shall be available to the P.C. upon request.
- V. Reporting of Improper Disclosures. Business Associate shall report to the P.C. any unauthorized or improper use or disclosure of Protected Health Information within one (1) business day of the date on which Business Associate becomes aware of such use or disclosure.
- VI. Reporting of Disclosures of Security Incidents. Business Associate shall report to the P.C. any Security Incident of which it becomes aware. For purposes of this Addendum, "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system; provided, however, that Business Associate shall not have any obligation to notify P.C. of any unsuccessful attempts to (i) obtain unauthorized access to P.C.'s information in Business Associate's possession, or (ii) interfere with Business Associate's system operations in an information system, where such unsuccessful attempts are extremely numerous and common to all users of electronic information systems (e.g., attempted unauthorized access to information systems, attempted modification or destruction of data files and software, attempted transmission of a computer virus).

- VII. Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Addendum.
- VIII. Access to protected health information by the P.C.
- A. Within (10) days of a request by the P.C., Business Associate shall provide to the P.C. all Protected Health Information in Business Associate's possession necessary for the P.C. to provide patients or their representatives with access to or copies thereof in accordance with 45 CFR §§ 164.524.
  - B. Within ten (10) days of a request by the P.C., Business Associate shall provide to the P.C. all information and records in Business Associate's possession necessary for the P. C. to provide patients or their representatives with an accounting of disclosures thereof in accordance with 45 C.F.R § 164.528.
  - C. Within ten (10) days of a request by the P.C. Business Associate shall provide to the P.C. all protected Health Information in Business Associate's possession necessary for the P.C. to respond to a request by a patient to amend such Protected Health Information in accordance with 45 C.F.R. § 164.526. At the P.C.'s direction, Business Associate shall incorporate any amendments to a patient's Protected Health Information made by the P.C. into the copies of such information maintained by Business Associate.
- IX. Access of HHS. Business Associate shall make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from the P.C., or created or received by Business Associate on behalf of the P.C., to HHS in accordance with HIPAA and the regulations promulgated thereunder.
- X. Return of Protected Health Information Upon Termination. Upon termination of the Agreement, Business Associate shall: (a) if feasible, return or destroy all Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C. that Business Associate still maintains in any form, and Business Associate shall retain no copies of such information; or (b) if Business Associate reasonably determines that such return or destruction is not feasible, extend the protections of this Addendum to such information and limit further uses and disclosures to those purposes that make the return or destruction of the Protected Health Information infeasible.
- XI. Obligations of P.C.
- A. Upon request of Business Associate, P.C. shall provide Business Associate with the notice of privacy practices that P.C. produces in accordance with 45 CFR §164.520.
  - B. P.C. shall provide Business Associate with any changes in, or revocation of, permission by an individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses and disclosures.
  - C. P.C. shall notify Business Associate of any restriction on the use or disclosure of Protected Health Information to which P.C. has agreed in accordance with 45 CFR §164.522 to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

- XII. Amendment. If any of the regulations promulgated under HIPAA are amended or interpreted in a manner that renders this Addendum inconsistent therewith, the P.C. may, on thirty (30) days written notice to Business Associate, amend this Addendum to the extent necessary to comply with such amendments or interpretations.
- XIII. Indemnification. Each of the parties shall indemnify, defend and hold harmless the other and its directors, officers, employees and agents from and against any and all third party liabilities, costs, claims and losses including, without limitation, the imposition of civil penalties by HHS under HIPAA, arising from or relating to the breach by either party or any of its directors, officers, employees or agents (including subcontractors) of the terms of this Addendum.
- XIV. Conflicting Terms. In the event of any terms of this Addendum conflict with any terms of the Agreement, the terms of this Addendum shall govern and control.

**EXHIBIT J**  
**STATE EFFECTIVE DATES AND RECEIPTS**

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
Michigan	Pending
Minnesota	Pending
Nebraska	Pending
North Dakota	Pending
South Dakota	Pending
Wisconsin	Pending

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

**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 ChiroWay Franchise, LLC (“ChiroWay”) offers you a franchise, ChiroWay must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, ChiroWay or its affiliate in connection with the proposed franchise sale. Iowa requires that ChiroWay give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. If ChiroWay does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit C.

The franchisor is ChiroWay Franchise, LLC, d/b/a ChiroWay Centers, located at 650 Commerce Dr. Ste. 155, Woodbury, MN 55125. ChiroWay’s telephone number is 877-442-4476.

**Issuance Date:** February 27, 2024.

ChiroWay’s franchise seller involved in offering and selling the franchise to you is \_\_\_\_ Trent Scheidecker, DC,CFE, at 650 Commerce Dr. Ste. 155, Woodbury, MN 55125; 877-442-4476; or is listed below (with address and telephone number):

\_\_\_\_\_  
\_\_\_\_\_

ChiroWay authorizes the respective state agencies identified on Exhibit C to receive service of process for ChiroWay in the particular state.

I have received a disclosure document with an Issuance Date of February 27, 2024, that included the following Exhibits:

- Exhibit A Franchise Agreement (including Software License Agreement and Guaranty and Assumption of Obligations)
- Exhibit B Financial Statements
- Exhibit C List of State Administrators; Agents for Service of Process
- Exhibit D State-Specific Addenda
- Exhibit E Disclosure Acknowledgment Agreement
- Exhibit F Operations Manual Table of Contents
- Exhibit G Promissory Note
- Exhibit H List of Outlets
- Exhibit I Management Agreement
- Exhibit J State Effective Dates and Receipts

Indicate the date on which you received this Disclosure Document, sign, indicate the date you signed this Receipt, and promptly return one completed copy of the Receipt to ChiroWay Franchise, LLC, at 650 Commerce Dr. Ste. 155, Woodbury, MN 55125 or via email to trent@chiroway.com. Keep the second copy of the Receipt for your records.

\_\_\_\_\_  
Date Disclosure Document Received

\_\_\_\_\_  
Prospective Franchisee’s Signature

\_\_\_\_\_  
Date Receipt Signed

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

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

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Prospective Franchisee’s Signature

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Date Receipt Signed

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

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