

FRANCHISE DISCLOSURE DOCUMENT

Hydralive

HYDRALIVE FRANCHISING LLC

A Georgia Limited Liability Company
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We offer a franchise to own and operate one Hydralive clinic, featuring hydration therapy and related services and/or products we may designate from time to time including medications and vitamins to replenish depleted fluids in the body and electrolytes for complete hydration and comfort.

The total investment necessary to begin operation of one Hydralive franchise location ranges from Two Hundred Thirty-One Thousand Four Hundred Ninety-Nine Dollars (\$231,499) to Three Hundred Forty-One Thousand Two Hundred Forty-Nine Dollars and Ninety-Eight Cents (\$341,249.98). This includes Forty-Nine Thousand Five-Hundred Dollars (\$49,500) that must be paid to us or an affiliate (see Item 7).

The total investment to begin operation as an Area Developer for a minimum of 2 locations required to be developed is from One Hundred Fourteen Thousand Dollars (\$114,000) to One Hundred Forty-Six Thousand Five Hundred Dollars (\$146,500). This includes Ninety-One Thousand Five Hundred Dollars (\$91,500) for the initial franchise fees of two Hydralive clinics that must be paid to us (see Items 5 and 7).

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least fourteen (14) calendar days before you sign a binding agreement with, or make any payments to the Franchisor, or an affiliate, in connection with the proposed franchise sale. **Note, however, that no government 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 availability of disclosures in different formats, contact our President and CEO, Brandon Stewart, P.O. Box 59313, Homewood, Alabama 35259, (205) 848-8829.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read your entire 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 (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS:

July 18, 2023 As Amended December 18, 2023

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:

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

What You Need To Know About Franchising *Generally*

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

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

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

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

Competition from franchisor. Even if the franchise agreement grants you 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 F.

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

Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Alabama. 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 Alabama than in your own state.

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

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document uses “we,” “us,” “our” or “Franchisor” to mean Hydralive Franchising LLC, the franchisor, and “you,” “your” or “Franchisee” means the individual, corporation or other entity that buys a Hydralive franchise. “You” also includes the franchise owners, partners or members.

The Franchisor, Any Parents, Predecessors and Affiliates

Hydralive Franchising LLC is a Georgia limited liability company which was organized December 2, 2019. Our principal business address is 3500 Independence Drive, Suite 200, Homewood, Alabama 35209. We conduct business under the name “Hydralive.”

K & B Wellness Group, LLC (“K & B”) an Alabama limited liability company had previously offered “Hyrdalive” franchises since 2017. On the effective date of December 31, 2019, K & B transferred ownership of the Name, Marks, and franchising rights to Hydralive Holdings LLC, whose business address is 422 Ridgemoor Pass, Canton, Georgia, 30115. Thereafter Hydralive Holdings LLC transferred all franchise rights to Hydralive Franchising LLC and licensed the use of its Marks (including United States Patent and Trademark Registration No. 5587312) to Hydralive Franchising, LLC. Hydralive Holdings LLC is now the 100% owner of Hydralive Franchising LLC.

As of the Issuance Date, our parent Hydralive Holdings, LLC operated four similar “Hydralive” locations (one in Tuscaloosa, Alabama, two in Birmingham, Alabama and one location in Athens, Georgia) and licensed the right to operate one location in Milton, Georgia. Hydralive Holdings, LLC will not participate in our franchising program, nor will it provide any management or operational services or financial guarantees for our franchisees, except that use may be made of their locations and personnel for training purposes.

Our affiliate, K & B Industries, LLC, whose address is 3500 Independence Drive, Suite 200, Homewood, Alabama 35209, is an approved supplier for certain proprietary items. We have not previously offered franchises of any type.

Our affiliate Hydralive Leasing, LLC whose address is 422 Ridgemoor Pass, Canton, Georgia, 30115, may in its sole discretion, lease the electric cryotherapy machine and/or clinic furniture directly to you. Hydralive Leasing, LLC does not participate in our franchising program nor does it provide any management or operational services or financial guarantees for our franchisees.

Agents for Service of Process

Our Agents for Service of Process are set forth in Exhibit “F” of the disclosure document.

The Franchises Being Offered

Our franchise is for a clinic providing hydration therapy and related services and/or products we may designate from time to time, with a goal of providing consistent, timely, and professional

services emphasizing security and appreciation for our customers.

We also offer qualified applicants an opportunity to develop and open a specified number of Hydralive clinic franchises within a defined geographical area over a required period of time (see Exhibit “H”). You will pay a development fee, which will depend upon the number of locations to be opened within a defined geographical area over a required period of time. You will also sign the then current form of franchise agreement for each Hydralive clinic location, which may be different than the form of franchise agreement included in this franchise disclosure document and other factors specified in the Area Development Agreement (see Item 5 also).

The Franchise System and Proprietary Marks

Our franchises are characterized by, among other things, distinct standards and specifications for serving the public on and off premises using products, supplies and services, uniform standards, specifications and procedures for operations, training and assistance (the “System”). The System is identified by means of certain trade names, trademarks, service marks, logos, emblems and other indicia of origin, including the Mark “Hydralive” (the “Mark”).

Market and Competition

The market for our customers includes members of the general public who are seeking to improve their overall health and wellbeing through the use of hydration therapy and other products and services we offer. Typical customers include college students, athletes, and persons suffering from the effects of certain illnesses, such as the flu.

The alternative health industry is competitive and continuing to develop. Hydralive Clinics compete with both alternative healthcare providers (such as a naturopathic physicians and medical spas) as well as providers of traditional medicine (such as urgent care facilities, hospitals and doctor’s offices).

Laws and Regulations

You must comply with federal, state and local laws and regulations that apply to the operation of your clinic including obtaining all required licenses, permits and authorizations. Some of these laws apply to businesses generally, such as federal, state, county and municipal building codes and handicap access codes as well as laws restricting smoking in public places, the public posting of notices regarding health hazards, fire safety and general emergency preparedness, rules regarding the proper use, storage and disposal of hazardous waste and materials, and other building, fire and health hazards. In addition, you must operate your clinic in full compliance with all applicable workplace laws, ordinances and regulations, including governmental regulations relating to occupational hazards, health, the Equal Employment Opportunity Commission (EEOC), the Occupational Safety & Health Administration (OSHA), Affordable Care Act and data protection and privacy laws (such as credit card protection under the U.S. Fair and Accurate Credit Transactions Act), discrimination, employment, sexual harassment, worker’s compensation and unemployment insurance and withholding and payment of federal, state and local income taxes, social security taxes and sales and use taxes.

In addition to the laws and regulations listed above that apply to businesses generally, you must also comply with all federal, state and local healthcare laws and regulations that apply to the ownership, management, marketing and operation of a Hydralive Clinic. Below are examples of potential healthcare regulatory issues that you should research before purchasing the franchise in order to determine their applicability to your franchise. It is ultimately your responsibility to

investigate all general and special laws in the jurisdiction of your franchise. We strongly advise you to consult with a licensed healthcare attorney and contact federal, state and local medical boards before signing a Franchise Agreement with us in order to determine how these laws may impact your Business and their potential effect on your revenues and expenses.

Professional Licensing

Under the laws of some states, certain treatments offered at a Hydralive Clinic may be considered medical procedures and/or may need to be administered or supervised by a licensed medical professional. For example, most treatments involving the use of needles (such as intravenous hydration therapy and B-12 injections) constitute the “practice of medicine: and must be administered or supervised by a licensed medical professional. Therefore, you will need to either employ or contract with licensed medical professionals who are authorized under the laws of your state to provide these medical treatments. You must ensure that no person other than a licensed medical professional provides medical treatments or procedures to your clients.

Corporate Practice of Medicine

Some states have corporate practice of medicine laws that prohibit a person who is not a licensed medical professional (or business entity that is not a “professional entity”) from providing medical treatments or employing licensed medical professionals to provide medical treatments. In some states, a professional entity may be owned by a person who is not a licensed medical professional, provided that a certain minimum level of ownership in the franchise (or in the professional entity that is the franchisee) is held by 1 or more licensed medical professionals. In some states, a professional entity must be owned exclusively by licensed medical professionals.

If you are not a licensed medical professional and your state has a corporate practice of medicine law, you may need to enter into a lease, management, services or comparable agreement (in either case, an “MSA”) with a licensed medical professional, or a professional entity owned by licensed medical professionals. The licensed medical professional will provide the medical treatments to your clients under the terms of your MSA. Your inability to employ licensed medical professionals for your Clinic may adversely affect the revenues you receive from your Business. In some states, it is possible that you must be a licensed medical professional in order to acquire the franchise.

Fraud and Abuse

Numerous federal and state “anti-kickback” regulations prohibit the receipt of compensation or fee-splitting in exchange for referring clients to licensed health care providers. Accordingly, you will need to structure your compensation arrangements with your licensed medical professionals carefully to meet the statutory safe harbors or exceptions under these federal and state fraud and abuse laws. Compensation arrangements should be based on the fair market value of the bona fide services that are provided and not based on the volume or value of referrals between you and the licensed medical professional.

Advertising

Some states have laws regulating advertising and how you may advertise clients’ results and products in various media. Some states may also limit the trade names that you may use.

Privacy and Security of Records

Various federal and state laws regulate the privacy and security of healthcare information. For example, under the federal Health Insurance Portability and Accountability Act (HIPAA), as amended by the federal Health Information Technology for Economic and Clinical Health (HITECH) Act, healthcare professionals have certain legal obligations to keep healthcare information confidential, and are also required to disclose that information to the individual and third parties when requests are properly submitted. In addition, you must ensure the privacy and security of healthcare information you share with any “business associate” as defined under the HITECH Act, such as service providers, attorneys, or third-party billing companies. Note that many states also have laws regulating the privacy and security of patient healthcare information and these laws may impose even greater restrictions and obligations on your business regarding the privacy and security of individual healthcare information.

We require that any membership at a clinic must be reciprocal with other franchised clinics. States and local governments may have laws requiring that membership agreements must be approved by the appropriate governmental authority, like the Department of Consumer Protection and may require membership agreements contain approved disclosure provisions and terms in the agreement.

There may be other local, state and/or federal laws or regulations pertaining to your clinic with which you must comply. We strongly suggest that you investigate these laws before buying this franchise. The Franchise Agreement places the responsibility for complying with all applicable laws and regulations upon you, the franchisee.

ITEM 2

BUSINESS EXPERIENCE

Brandon Stewart: President and CEO

Brandon has served as President and Chief Executive Officer of Hydralive Franchising LLC since June 2023. From 2010 until present, he has also served in Birmingham, Alabama as President and Chief Executive Officer of Starboard Investments, a multi-unit Jimmy John’s® restaurant franchisee with 13 units. From January 2021 to present, he has also served as Corporate Advisor for X⁴ Fitness, LLC in Birmingham, Alabama. He has owned and operated Starboard Fitness, LLC (a franchisee of X⁴ Fitness, LLC) in Birmingham, Alabama since April 2022. From December 2022 until April 2023, Brandon was the Operating Partner of Axum Capital (Nashville, Tennessee) where he acted as interim President and CEO with the primary duty of restructuring Tantum Companies, LLC, dba Back Yard Burgers. From 2018 until December 2021, Brandon was President and Chief Operating Officer for Kensington Hill Capital (Dublin, Ohio), a multi-unit Jimmy John’s® Restaurant franchisee with 43 units across three states. Brandon holds a Bachelor of Business Administration *summa cum laude* with highest honors in Finance from the University of Georgia.

Britt Thames: Director of Financial Performance

Britt is the Director of Financial Performance of Hydralive Franchising LLC and has served as the CFO since our formation. He is a graduate of Samford University and been the owner of “The Booth” located in Tuscaloosa, Alabama since 2007. He is also the co-founder of Hydralive Holdings, LLC.

John Mansour, RPh: Principal

From 2008 through 2019 John served as the Chairman of the Board of Directors of Providence Bank in Alpharetta, Georgia. He has also served as a Pharmacist from 2009 until the present, for Kroger Company. From 2016 through 2019 John was the Chief Executive Officer of Gomed, LLC in Peachtree City, Georgia. John is also a member of the Board of Directors of Heritage Southeast Bancorporation, Inc. and Heritage Southeast Bank in Atlanta, Georgia and is a member of Hydralive Holdings, LLC.

Christy Johnson: Marketing Director

Christy acts as our Marketing Director and has acted as Marketing Director since our formation in 2019. Since 2010 Christy has also served as the Director and President of Crash 14 located in Birmingham, Alabama. From 2013-2016 Christy was the social media content and community manager for Protective Life Insurance Company, headquartered in Birmingham, Alabama, where she oversaw the development, implementation and management of social strategy and corporate sponsorships. Since 2016 Christy has also served as Marketing Manager for South Oak Title Closing Services, a boutique real estate title and closing company, headquartered in Birmingham, Alabama. From 2011-2013 she served as a marketing consultant for Apex Meetings and Events in Chantilly, Virginia.

Olivia Graves: General Manager of Franchise Operations

Olivia is our General Manager of Franchise Operations and has severed in that capacity since our formation. She has also acted as the front desk coordinator for Hydralive Holdings, LLC in Birmingham, Alabama, and assisted our affiliate since 2017 in various capacities. Olivia is a 2011 graduate of Emory University and has also served as clinical research consultant for various oncology clinical trials since 2014.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this disclosure document.

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this disclosure document.

ITEM 5

INITIAL FEES

1. Franchise Agreement

The non refundable Initial Franchise Fee for one Hydralive Clinic location is Forty Nine Thousand Five Hundred Dollars (\$49,500) for a territory of 75,000 people as determined by our third party mapping software demographics (GbBis, a division of Intelligent Direct, Inc.), with a minimum annual income between \$60,000 to \$70,000 or a three (3) mile radius surrounding the franchised Clinic, whichever is less; as assigned by franchisor based upon your franchise business address

approved by us.

2. Area Development Agreement

If we consider you to have sufficient business experience and financial qualifications to qualify as an Area Developer, you may be granted the right to enter into an Area Development Agreement with us that will allow you to open additional franchises within a specific geographic area. If you sign an Area Development Agreement you will not pay us an Initial Franchise Fee with the opening of each individual franchise but will instead pay us a Development Fee for the entire package granted to you. The amount of the Development Fee depends upon the number of Hydralive clinics you are authorized to open. The Development Fee for our minimum requirement of two Hydralive clinics to be developed is Ninety-One Thousand Five Hundred (\$91,500). The Development Fee for three Hydralive clinics is One Hundred Twenty-Nine Thousand Five Hundred (\$129,500). The Development Fee for four clinics is One Hundred Sixty-Five Thousand Five Hundred Dollars (\$165,500). The Development Fee for five clinics is One Hundred Ninety-Nine Thousand Five Hundred Dollars (\$199,500). The Development Fee for six clinics is Two Hundred Thirty-One Thousand Five Hundred Dollars (\$231,500). In special circumstances we may consider the sale of further additional Hydralive clinics (up to ten clinics) for an additional fee of Thirty Thousand Dollars (\$30,000) for each franchise to be developed after the 6th clinic. The first clinic must be open within 9 months of the date you enter into your first agreement. Each new Hydralive clinic thereafter must be opened within 12 months of the Opening Date for each preceding Hydralive clinic. You will sign a separate then current Franchise Agreement for each Hydralive clinic to be opened.

All Franchise and Development Fees are payable in a lump sum, are uniform, non-refundable, fully earned upon receipt and will be used for our general operating expenses, including costs of fulfilling our obligations to you. There are no other initial fees you pay to us or any affiliate before you begin operating your business.

3. Veteran Discount. If you are an honorably discharged veteran who meets our qualifications for purchasing a franchise, we will discount the initial franchisee fee by an amount equal to 15% of the initial franchise fee. If you are purchasing an Area Development Agreement and qualify for a Veteran Discount, we will discount your Development Fee by an amount equal to 15% of the Development Fee for the Area Development Agreement. This discount is available only to United States Veterans and the term "Veteran" shall be defined by us in our sole discretion. However, in determining who is included in the term "veteran," we may be guided, in whole or in part, by any definition we think appropriate, including definitions used by the federal government of the United States, in determining who is eligible for federal benefits intended for Veterans.

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ITEM 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Continuing License Fee	Starting ninety days after signing the Franchise Agreement, an amount equal to the greater of \$500 per month or 8% of your weekly Gross Revenue.	A Weekly Report is due on the Tuesday following each prior full week (Sunday to Saturday). The Continuing License Fee is payable on or before the Friday following each prior full week and is calculated by Gross Revenue received from the full prior week and the fee payable is calculated on Gross Revenue generated from the Sunday to Saturday of each prior full week. Your weekly Continuing License Fee will be debited by Electronic Funds Transfer (“EFT”) from your bank account.	(See Note 1 definition of “Gross Revenue” below.) In the absence of a timely semi-monthly report we will debit a minimum fee of \$500 from your bank account and resolve any difference or discrepancy when the report is made. A fee of \$100 per occurrence of insufficient EFT will be charged.
Brand Fund Fee	1% of Gross Revenue per month. It may be increased up to 2% upon a thirty-day written notice.	The Brand Fund Fee will be electronically debited by EFT from your bank account weekly.	Paid to Franchisor (See Note 2).

Type of Fee	Amount	Due Date	Remarks
Local Advertising Services Fee	You must spend at least \$2,000 each month on advertising mediums that are specifically directed and executed by the Local Advertising Services Program. Advertisement cost that are not executed by us or the designated vendor, cannot be used to meet the requirements.	As Incurred.	Paid to Franchisor (See Note 3).
Insurance	Amount paid by us for insurance you fail to obtain, and an administrative fee of 15%.	As incurred if purchased by us on your behalf. Due immediately upon billing.	If you fail to obtain the required insurance coverage, we may, in our sole discretion, obtain the coverage at your expense plus administrative fees of 15% (Franchise Agreement Paragraph 11.13).
Transfer Fee	\$10,000, plus fee up to \$5,000 if we provide training to employees.	Prior to consummation of transfer.	You pay this fee to us if you transfer your business. Transfer fee is for supervision, marketing, selling, administrative, legal, accounting costs and other expenses for the transfer of the franchise. Training fee does not include training employees of the transferee nor our trainers' meals, lodging and mileage cost at your Franchised Clinic.

Type of Fee	Amount	Due Date	Remarks
Audit Fee	Cost of Audit and 1.5% interest per month on understated amount.	Due when billed following any such audit.	You pay this fee only if the audit reflects an understatement of 2% or more for any audited month.
Accounting Services Fee	Estimated at \$500 per month	Due by the 20 th of each subsequent month.	Paid to our preferred franchisee accounting supplier, which currently is Cobb CPA Services.
National Conference Fee	\$75 a month payable on or before the 5 th of each month.	Your monthly National Conference Fee will be debited by Electronic Funds Transfer (“EFT”) from your bank account.	We will begin hosting a National Conference annually when deemed necessary at our company headquarters in Birmingham, AL or at a different location of our choosing. The National Conference will not exceed 5 days in length. Your expenses are paid as incurred by you. We reserve the right to adjust the fee every year.
Additional Training Requested By You	Currently \$500 per day, plus travel and expenses.	Immediately after notice from us.	If, at your request, we send one of our staff members to the Franchised Business to provide further assistance, we will charge you a daily rate for that assistance, plus the travel expenses for our employee.
Intranet Fee	If implemented, our cost.	Invoice or EFT debit from your bank account.	Payable only if it is implemented.

Type of Fee	Amount	Due Date	Remarks
Costs and Attorneys' Fees	Will vary under the circumstances.	Immediately upon notice from us.	You only pay if we succeed in any arbitration or litigation we bring against you, or in defending any claim you bring against us.
Indemnification	Will vary under the circumstances.	As incurred.	You have to reimburse us if we are sued or held liable for claims arising out of your business.
Late Payment Charges	10% of Amount Due plus maximum interest allowed by law, but not to exceed 1.5% per month.	Immediately upon notice from us.	You only pay this fee if late in paying fees you owe us.
Review for Approval of Supplier	Our cost to evaluate the proposed supplier. We currently charge \$40 per hour.	On submission by you of supplier for review.	Payable only if you submit a proposed supplier. Applies to new suppliers you wish to purchase from or products you wish to purchase that we have not previously approved.
Unauthorized Failure to Be Open	\$250 per unauthorized day you are closed without written permission from us.	As it occurs, the fee will be an EFT debit from your bank account.	You pay this fee to us if you are not authorized to be closed.
Advertising Cooperative	When cooperative formed: Up to 2% of Gross Revenue	Established by Cooperative.	We may form an advertising cooperative for your area. Percentage may change up to 2%.

Type of Fee	Amount	Due Date	Remarks
Non Compliance Fee	Up to \$500 per incident.	Upon demand.	Payable if you fail to comply with a mandatory standard or operating procedure and you do not cure the non-compliance within the Franchise Agreement cure period.
Monthly Service Fees for POS, CRM, Digital Forms & Marketing Software	\$850	Monthly.	Paid to Us. We reserve the right to adjust this amount every year.
Medical Director(s) Fees	Direct Supervision - \$500 monthly or 1% of monthly gross revenue, whichever is greater.	Monthly.	Medical Director(s) (See Note 4).
Medical Director(s) Fees	Indirect Supervision \$250 monthly	Monthly.	Medical Director(s) (See Note 4).

All fees that are imposed by and payable to us are uniform, subject to change, and nonrefundable.

Notes to Above Chart:

(1) “Gross Revenue” means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business, whether for check, cash, credit, barter or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by franchisee for or on behalf of and paid to any governmental taxing authority, and (c) any rebate received by franchisee from a manufacturer or supplier.

(2) Brand Fund Fee. The purpose of this fee is to support the creative development and production by us (or agents selected by us) of all electronic, digital and other marketing and advertising programs we may execute from time to time; and also perform research, develop and provide updates and modifications in accordance with these efforts; including but not limited to website design, educational seminars and courses, photography and talent acquisition. We reserve the right to decide the amount and nature of these expenditures and how, when and where all expenditures are made (See Item 11). Proceeds from the Marketing and Advertising Fund will not be utilized for the direct personal benefit of any specific, individual Franchisee or on any pro rata basis whatsoever, but will be utilized generally for local, regional or national marketing and advertising programs to support the Hydralive Therapy system as a whole. Any specific business or benefits that may accrue to you from the general operations of the fund, such as business that may be generated

for your franchise and other benefits derived from our website, will be suspended immediately upon your failure to pay the required monthly fee in a timely manner and will be reinstated only when payments and penalties are brought current.

(3) Local Advertising Services Fee. You must participate in the Local Advertising Services Program that we offer to our franchisees and pay the associated fee of \$2,000 each month. Services provided under this Program are described in Paragraph 12.2 of the Franchise Agreement and in the Local Advertising Services Agreement attached as Exhibit “G- Five” to the Franchise Agreement. It is essential to the ongoing operation of the franchised business that you develop new clients, as well as service those existing or potential clients that we refer to you or develop through the Program.

(4) Medical Director Fees. Fee paid to our Medical Director(s) for overseeing medical standing orders, protocols, and decisions made at each Franchise Clinic. The Medical Director(s) charges each franchisee a fee for direct supervision in states where the Medical Director(s) is (are) licensed and in which the franchisee is operating under the Medical Director’s medical license and supervision. The fee for direct supervision is equal to the greater of a) \$500 per month or b) 1% of monthly Gross Revenue. If a franchisee is located outside of the states where the Medical Director(s) is (are) licensed, the Franchisee must pay the Medical Director(s) a monthly fee of \$250 for indirect supervision. Every franchisee must comply with the laws of the state where the franchisee is located. Some of the treatments at franchisees’ clinics may be considered medical procedures and may need to be administered and/or supervised by licensed medical personnel. Medical Director(s) approved by us are currently licensed in the following states: Georgia and Alabama.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT
(For Single Location)**

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
Initial Franchise Fee (1)	\$49,500	\$49,500	Lump Sum	Upon Execution of Agreement	Us
Franchise Location – One Month Rent & Security Deposit (2)	\$4,000	\$7,000	As Arranged	As Incurred	Landlord
Leasehold Improvement (3)	\$10,000	\$80,000	Lump Sum	As Incurred	Service Providers
Insurance	\$3,000	\$ 5,000	Lump Sum	As Required	Insurance Agent

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
Clinic Supplies (4)	\$19,149	\$25,000	As Arranged	As Arranged	Approved Suppliers
Computer System, Security Cameras & Telephones (5)	\$2,000	\$5,000	As Arranged	As Arranged	Approved Suppliers
Signage (6)	\$ 1,000	\$4,000	Lump Sum or On Arranged Terms	As Incurred	Supplier
Utility Deposits and Business Licenses (7)	\$ 350	\$ 1,250	Lump Sum or On Arranged Terms	As Incurred	Suppliers
Legal and Accounting (8)	\$ 0	\$ 2,500	As Arranged	As Arranged	Approved Suppliers
Opening Advertising (9)	\$ 2,500	\$ 3,000	As Arranged	As Arranged	Employees/Suppliers
Equipment (10)	\$100,000	\$100,000	As Arranged	As Arranged	Approved Supplies
Clinic Furniture (11)	\$25,000	\$28,999.98	As Arranged	As Arranged	Approved Suppliers
Additional Funds – Initial 3 Months (12)	\$ 15,000	\$30,000	Lump Sum or On Arranged Terms	As Incurred	Suppliers
Total Estimated Initial Investment (13)	\$231,499	\$341,249.98			

All fees paid to us are nonrefundable and fully earned when paid. The above estimates are based on information from our affiliate and information in the industry and do not include real estate purchases or lease payments.

Notes to Above Chart:

1. Initial Franchise Fee. The nonrefundable initial franchise fee for a single location is Forty-Nine Thousand Five Hundred Dollars (\$49,500). The franchise fee is payable in full when the franchise agreement is signed.

2. Franchise Location – One Month Rent & Security Deposit. \$4,000 to \$7,000 based upon 1,250 to 2,000 square feet of space.

3. Leasehold Improvements. We anticipate that you will lease space for your franchise within a retail shopping area. The range of costs disclosed represents the estimated cost of leasehold improvements of a 1,250 to 2,000 square foot space in an existing developed or future developed retail shopping area complex. Factors that may significantly affect the costs of leasehold improvements include: new construction from the ground up, the condition of an existing building, the previous tenant's use of the space, the size and configuration of the premises, lease negotiation, union or non-union construction wages, varying material costs, contractor overhead and profitability, and the geographic location of your location. The estimated amount assumes that the landlord will provide adequate connections to electric, gas, sewage and water services, and pay any fees associated with water and sewer connections, impact fees, or any other fees associated with obtaining utility service to the unit.

These leasehold improvement estimates DO NOT include any allowance for landlord contributions. If your landlord contributes to the cost of tenant improvements, your costs may be substantially reduced. Tenant allowance reimbursement estimates will vary substantially and will depend on your ability to negotiate with your landlord.

These amounts only include leasing your facility and do not include cost of acquiring land or the cost of site improvements which varies widely in different parts of the country and according to the specific site size, conditions and local requirements should you decide to own the land and build a facility. These amounts also do not include impact fees which may be assessed by local governing authorities. You should contact a contractor or engineer for these costs once you have identified a site for the location. By its nature, acquiring and developing land can be extremely risky, time consuming and expensive. Even experts in this field find it extremely difficult to navigate through all of the obstacles, such as planning and zoning requirements, soil conditions, environmental studies, and extensive impact and engineering costs. If you decide however, you may choose to purchase rather than rent real estate on which building a suitable location is already constructed, or could be constructed. Real estate costs depend on location, size, visibility, economic condition, accessibility, competitive market conditions and the type of ownership you are interested in buying. The estimated cost of construction will vary greatly depending on a number of factors including the specific site or building's level of completion when you acquire it and the utility infrastructure and construction improvements in place and needed. If you incur a mortgage loan or lease, then instead of some of the out of pocket expenditures described above, you will substantially increase your startup costs and working capital requirements. In the event you acquire an outparcel or site pad or raw lot, there are \$150 to \$250 per square foot or greater of potential additional costs, depending on a number of factors including the size, zoning restrictions, soil conditions, lot configuration and status of the real estate when it is acquired. Most pad-ready improved sites and new retail buildings include a minimal amount of site work, including installing grease traps and appropriate trash receptacles and storage. More important site work and site development cost can then include additional cost, including but not limited to installing parking lots, appropriate storm water mitigation, receptacles

and sidewalks. You should consult with the appropriate engineers and design professionals to best understand the needs and costs anticipated for your specific locations.

Unless you are experienced in land acquisition, or are a commercial developer, we highly recommend you conform to our suggested prototype of the rental of retail space.

4. Clinic Supplies. Franchisee will purchase non perishable supplies, as well as an estimated 90 day supply of perishable medical supplies from an approved supplier.

5. Computer System, Security Cameras & Telephones. Estimated cost for furnishings, computer system, security cameras and telephones is set out in the Operation's Manual. Security Cameras and telephone cost may vary depending upon the system used and their monthly or quarterly fees.

6. Signage. Estimated cost for one standard non-illuminated aluminum or metal sign or channel letter LED building sign, depending on length and letter size, state regulations, permit fees, and accessibility for installation.

7. Utility Deposits and Business Licenses. These costs will vary greatly based on utility company rates, jurisdiction, credit rating, history with utility company, and square footage. All permits (including building, health, signage, electrical, plumbing, HVAC, etc.) vary in cost based on jurisdiction, county by county. Costs vary depending on which Alarm company you choose, and how extensive of a security system you choose to install.

8. Legal and Accounting. Legal and Accounting services will vary from region to region.

9. Opening Advertising. Estimated cost for all materials to market for Opening (i.e., flyers, newspaper ads, "now open" banners, VIP invitations, etc.) Costs will vary based on vendor and locations. These costs do not include media such as TV, radio, billboards, etc.

10. Equipment. Cost of the new electric cryotherapy machine is currently \$100,000. When acquiring the new unit, the supplier includes delivery, training, and installation. The cost of the electric cryotherapy machine is subject to price increases of the vendor. If you lease the equipment, your down payment and security deposit and/or monthly payments may be less but can vary based upon your personal credit history. Our affiliate, Hydralive Leasing, LLC (a Georgia limited liability company) may in its sole discretion, lease the electric cryotherapy machine and/or the clinic furniture with a leasing term of three (3) years and monthly payments based upon the amount of the electric cryotherapy machine and/or clinic furniture, all taxes including sales, use or similar tax and an interest factor of 10%. As a lessee you must maintain public liability and property damage insurance, issued by an acceptable company, insuring the lessee and lessor against liability for damage, personal injury or death. Upon expiration of the full term of the lease, provided the lease is not in default, the lessee may purchase the leased equipment and/or furniture for the amount of \$1.00.

11. Clinic Furniture. The cost of Clinic Furniture will range from \$25,000 to \$28,999.98 depending upon the square footage of your location. The cost of Clinic Furniture is also subject to increase based upon price increases of the vendor. See footnote 11 (equipment) if you decide to lease the Clinic Furniture and/or Equipment.

12. Additional Funds – Initial Three (3) Months. You will need additional funds to cover expenses during your startup phase (approximately three (3) months). However, the actual amount you will need will depend on a number of factors, including the number of employees, how well you control your initial expenses and your level of sales and marketing during the initial period.

The estimate of additional funds for the initial phase of your business is based on recurring expenses and operating expenses for the first three (3) months of operation. The estimate of additional funds does not include an owner’s salary or draw or staff salaries. The additional funds required will vary by your management skill, experience, and business acumen; the relative effectiveness of staff you may employ; local economic conditions; the local market for your services; the prevailing wage rate; competition; and the sales level that you reach in your territory. You may incur other or higher costs or fees; you may also need operating capital when running the business that is in addition to what is estimated here. These figures are estimates based upon information provided to us from our affiliate location.

13. Total Estimated Initial Investment. For a single franchise location, your Initial Investment will fall within the above estimated range.

YOUR ESTIMATED INITIAL INVESTMENT FOR AREA DEVELOPERS

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Area Development Fee (Note 1)	\$91,500	One Installment	On Signing Development Agreement	Us
Legal and Accounting	\$2,500 to \$5,000	As Third Party Specifies	As Incurred	Attorney, Accountant
Additional Funds	\$20,000 - \$50,000	As Supplier requires	Monthly except bi-weekly payroll	Start-up capital, employees
Total (Note 2,3)	\$114,000 - \$146,500 (excluding real property)			

Note 1: The Area Development Fee listed above is for two (2) Hydralive clinics, the minimum number of Hydralive clinics required for an Area Development Agreement.

The second Hydralive clinic must be open within twelve (12) months from your Opening Date of the first Hydralive clinic.

Note 2: All fees payable to us are fully earned when paid and non-refundable. Area Development Fees are payable to us upon signing the Area Development Agreement.

Note 3: These payments are only estimates and your costs may be higher. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to enter into an Area Development Agreement. We do not offer financing for your initial investment. The availability and terms of financing with third party lenders will depend upon factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

One of our prime objectives is to ensure quality control and protect the image of our franchise system. The success of our system depends upon the high standards, uniformity of satisfaction of customers and the health and safety of our clients. In order to achieve these high standards, you are required to sell or offer for sale all products, items and services approved by us and not deviate from our standards and specifications by offering or selling unapproved products, items or services.

Site Selection and Lease of Premises

Pursuant to the Franchise Agreement, you must obtain our approval for the site of your clinic location. We have the right to approve the terms of any lease. Any lease that you sign must be exclusively for the operation of clinic location(s), and must provide that upon termination or expiration of the franchise, for any reason, we or an affiliate will have the right, but not the obligation, to assume the lease, and replace you as tenant. If we exercise that right, we will fully indemnify you from liability for future rent and other future obligations under the lease (though not from liability for unpaid rent or any then-existing liabilities or obligations under the lease). You must agree to sign any document required to assign the lease to us or our designee (see Exhibit "J" to the FDD).

Purchase or Lease of Equipment, Furniture, Fixtures

You must use signs, furnishings, supplies, fixtures and equipment, which comply with our standards and specifications. Specifications may include minimum standards for delivery, performance, design, and appearance, and local zoning, sign and other restrictions.

Specifications, Standards and Procedures

You agree to operate your franchise in strict conformity with our standards, specifications and procedures as described in the Franchise Agreement, the Operation's Manual and other written documents. You must equip, maintain, staff and operate the franchised location strictly in accordance with the methods, procedures and techniques we, from time to time, establish and publish in the

Operation's Manual and other written documents which may be modified from time to time. The Operation's Manual may be printed or in electronic format, at our discretion. We have the right under the Franchise Agreement, to change standards, specifications and procedures applicable to the operation of the Franchise, including those for equipment, furniture, fixtures, signs, products, new techniques, use of new or modified logos, trade names, service marks, copyrighted materials or new services. You recognize our right to make any such modifications or changes and agree to accept, implement, use and display such changes and modifications at your expense. You agree that you will make all changes or modifications that we may require, within a reasonable time after notice from us.

Suppliers

We reserve the right, under the Franchise Agreement, to require you to purchase certain items from us, our affiliate or an unaffiliated designated supplier. Our criteria for supplier approval are not available to you and we do not issue our standards and specifications to suppliers. We currently approve suppliers upon request submitted upon our "Supplier Approval Form" and payment of a supplier approval fee, currently \$40 per hour for us to evaluate the proposed supplier. Based upon information and samples you supply us, we will test the items supplied and review the proposed supplier's financial records, business reputation, delivery performance, credit, and other information we request from you on the supplier. We will complete our review promptly, generally within ninety (90) days. We have the right to revoke our approval of particular products or suppliers when we determine, in our sole discretion, that such products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing products from such supplier. You must use products purchased from approved suppliers solely in connection with the operation of your franchise location and not for any competitive business purpose. Once we approve a supplier, we have the exclusive right to negotiate price terms directly with the supplier on your behalf and on behalf of all System franchisees. We may receive rebates from approved suppliers from time to time as part of our purchasing negotiations and auditing services. We or our affiliate may be the only approved supplier for certain proprietary items. Nothing contained in this Disclosure Document, the Franchise Agreement, or the Area Development Agreement requires us to approve an inordinate number of suppliers of any given item or approve suppliers, which in our reasonable judgment, would result in higher cost to our franchisees or prevent, in our sole judgment, our effective and economical supervision of suppliers.

We currently utilize the following suppliers:

1. Cryotherapy Innovations– Our supplier for a new electric cryotherapy machine is Cryotherapy Innovations.
2. Currently our Medical Director(s) overseeing all assessments made at each franchisee clinic is (are) licensed in the following states: Georgia and Alabama. When a franchisee is under the direct supervision in those states where our Medical Director(s) is (are) licensed to practice, you are required to submit all assessments for his/her/their review. The Medical Director Fee is \$500 in states where our Medical Director(s) is (are)

licensed to practice. If a franchisee clinic is located outside those states where our Medical Director(s) is (are) licensed the franchisee will pay a monthly fee of \$250 for our Medical Director(s) indirect supervision.

3. As of the Issuance Date of this disclosure document we are the sole supplier of services for your POS, digital forms and marketing software. You will pay a monthly fee of \$850 for these services. During 2022, we were not the supplier of any services and collected no fees.
4. Our supplier for Clinic Furniture is Interior Elements.
5. Our approved supplier for payroll services is ADP Payroll Services.
6. Our approved supplier for accounting services is Perry Roundtree.

We estimate that your required purchases will account for eighty percent (80%) to ninety percent (90%) of all purchases and leases necessary to establish the Franchised Business, and approximately eighty percent (80%) to ninety percent (90%) of all purchases and leases necessary to operate the Franchised Business after opening.

We may in the future negotiate rebates with any supplier. Any rebates negotiated will be used to offset the cost of administrative support to our franchisees.

There are no purchasing or distribution cooperatives in existence.

Advertising by Franchisee

You may not engage in any advertising program or use any other advertising, including local advertising placed on television, print, digital or any other media (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships), or prepare or use any marketing materials, unless we have approved them in writing. All references to advertising shall include, but shall not be limited to, electronic advertising, whether by internet, social media platforms or otherwise.

Insurance

You are required to obtain: worker's compensation insurance with limits in compliance with your state law and employer's liability insurance, with One Million Dollars (\$1,000,000.00) limit, as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located or operated.

Additionally you must obtain comprehensive general liability insurance and employer's liability with \$3,000,000 in the aggregate medical malpractice insurance, personal and advertising injury, professional liability and product liability insurance with limits of One Million Dollars (\$1,000,000.00) including the following coverages: broad form contractual liability, personal injury (employee and contractual exclusion); insuring us and you against all claims suits, obligations, liabilities and damages, including attorneys' fees, for actual or alleged personal injuries or property

damage relating to the Franchised Business, provided that the required amounts herein may be modified from time to time by us to reflect inflation or future experience with claims; automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a limit of at least One Million Dollars (\$1,000,000.00); and loss of income insurance (in an amount sufficient to cover the royalty Marketing and Development Fund fees due under the Franchise Agreement, for a period of at least six (6) months); rental value insurance (in an amount sufficient to cover the rents and other fees due the landlord and/or Merchants' Association under the lease, if any, during any period of business interruption or inability to operate the location) or such greater amounts of insurance as required by the lease for the location; additional insurance and types of coverage as may be required by the terms of any lease for the Franchised Business, or as may be required by us, including an umbrella policy with limits of One Million Dollars (\$1,000,000.00).

All insurance policies must be issued by carriers rated A- or better by Alfred M. Best and Company, Inc. who are authorized to do business in the state where the clinic is located, must contain the types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time, must name us as additional insured, must provide for thirty (30) days' prior written notice to us of any material modification, cancellation or expiration of such policy and must include all other provisions we may require from time to time.

Insurance policies shall indemnify both the Franchisee (as named insured), the Franchisor and any other party having an insurable interest in either your operations or our operations as an Additional Insured from an actual or alleged claim by a third party caused by or occurring in conjunction with the operation of the clinic location or otherwise in conjunction with the conduct of business by you pursuant to this Franchise Agreement. We reserve the right to adjust the limits of indemnification (up or down) or to require you to procure and maintain other additional coverage prescribed from time to time by us and issued by insurance carriers rated A- or better by Alfred M. Best and Company, Inc. We may increase the minimum liability protection requirements annually and require different or additional kinds of insurance to reflect inflation, changes in standards of liability or higher damage awards in public, product or motor vehicle liability litigation, or other relevant change in circumstances. You shall submit to us annually a copy of the certificate of, or other evidence of, the renewal or extension of such insurance policy or policies. We reserve the right to reject any policy with exclusions or sub limits that are not satisfactory to us.

You shall procure and maintain at your sole cost and expense a policy of Commercial Fire Insurance on a Special Form Basis providing for one hundred percent (100%) replacement cost of franchisee's Business Personal Property, Leasehold Improvements and Betterments and Real Property (including signs and plate glass). You shall also provide Business Interruption and Extra Expense on a one hundred percent (100%) co-insurance basis. We shall be named as loss Payee on the Business Interruption coverage on a primary basis so as to enable you to provide us with an uninterrupted stream of payments (as if you were still in operation) for a period of a minimum of six (6) months.

You shall further carry any additional insurance covering such additional risks or providing higher limits as we may reasonably request.

If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we at our option and in addition to its other rights and remedies hereunder, may, but shall not be required to, obtain such insurance coverage on behalf of you, and you shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us plus an administrative fee of fifteen percent (15%) of that cost (see Items 8 and 11).

For the calendar year 2022, we did not derive any revenue from franchisees required purchases or leases of products for business operations and services. You can expect items purchased or leased in accordance with our specifications will represent approximately 75% of total purchases you make to begin operations and approximately 40% of the ongoing cost to operate the business. There are currently no purchasing or distribution cooperatives. We do not currently negotiate purchase agreements with suppliers for the benefit of our franchisees nor provide you with material benefits based on your use of designated or approved sources.

Negotiated Prices

We may negotiate prices for numerous products for the benefit of the System but not on behalf of individual franchisees. Currently, there is no purchasing or distribution cooperative but we reserve the right to create a cooperative and require you to participate. We may receive volume discounts for the System which we will pass through to our franchisees. Beyond these discounts, we do not provide material benefits to you because of your use of approved suppliers.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

	OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN AREA DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
a	Site selection and acquisition/lease	§ 2 and 4	§ 5	Items 6 and 11
b	Pre-Opening purchases/leases	§ 4, 5 and 6	§ 3, 4, 5 and 6	Items 7, 8 and 11
c	Site development and other pre-opening requirements	§ 2, 4, 5 and 6	§ 3 and 5	Items 6, 7 and 11

	OBLIGATION	SECTION IN FRANCHISE AGREEMENT	SECTION IN AREA DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
d	Initial and ongoing training	§ 3, 4 and 7	None	Items 6, 7 and 11
e	Opening	§ 3.4, 5, 7, 11 and 11	§ 2, 3 and 4	Item 11
f	Fees	§ 3, 6, 7 and 12	§ 4	Items 5, 6 and 7
g	Compliance with standards and policies/Operation's Manual	§ 3, 4, 5, 6, 7, 9, 11, 12, 13 and 19	§ 3, 5, 7 and 8	Items 11 and 17
h	Trademarks and proprietary information	§ 5, 8, 9, 11 and 12	§ 7 and 8	Items 13, 14 and 17
i	Restrictions on products/services offered	§ 5, 8 and 11	§ 3, 5, 7 and 8	Items 16 and 17
j	Warranty and customer service requirements	None	None	None
k	Territorial development and sales quotas	None	§ 2, 3 and 5	Item 12
l	Ongoing product/service purchases	§ 5 and 11	§ 3, 5 and 8	Item 8
m	Maintenance, appearance and remodeling requirements	§ 5 and 11	§ 3, 4, 6 and 8	Items 11 and 17
n	Insurance	§ 11	§ 3 and 12	Items 6 and 8
o	Advertising	§ 5, 8, 11 and 12	§ 3, 7 and 8	Items 6 and 11
p	Indemnification	§ 18	§ 12	Item 6

OBLIGATION		SECTION IN FRANCHISE AGREEMENT	SECTION IN AREA DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
q	Owner's participation/ management/staffing	§ 1, 5 and 7	§ 6	Items 11 and 15
r	Records/reports	§ 3, 4, 6, 10, 11 and 13	§ 3, 4, 5 and 10	Items 6, 11 and 17
s	Inspections/Audits	§ 6 and 14	§ 3, 4, 5 and 10	Items 6, 11 and 17
t	Transfer	§ 15	§ 11	Item 17
u	Renewal	§ 3	§ 2 and 3	Item 17
v	Post termination obligations	§ 16 and 17	§ 9 and 10	Item 17
w	Non-competition covenants	§ 9, 10, 17 and 19	§ 7, 10 and 13	Item 17
x	Dispute Resolution	§ 19	§ 13	Item 17
y	Liquidated Damages	§ 17	None	Item 17
z	Personal Guaranty	§ 1	§ 1 and 5	Item 10 and 15; Exhibit K
y	Spousal Consent	§ 1 and 20; Exhibit G-Three	None	Item 15

ITEM 10

FINANCING

We do not offer, directly or indirectly, any financing arrangements to you. Neither do we guarantee your note, lease or any other obligation. We do not place financing and, therefore, we do not receive payments for the placement of financing.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Preopening Assistance

Before you begin operating your business:

(i) We will approve the location of your business and provide a territory surrounding the site of your business where we will not place another franchisee (Franchise Agreement – Section 4).

You must select a site for your business, submit the location for our approval and enter into a lease or purchase agreement for the clinic location within ninety (90) days of signing your franchise agreement, and be conducting business at the approved location within one hundred eighty (180) days or your franchise will be terminated without any refund of fees or expenses. We will accept or reject a site you propose within 15 (15) days. If we notify you we will not accept a site, you must within the initial ninety (90) days after execution of the Franchise Agreement, submit an alternative site. We are not obligated to accept any site outside the initial ninety (90) day period. Failure to obtain our approval of a site is a violation of your Franchise Agreement. We do not own any real estate locations that we would lease to you and will not be responsible for locating your business site. We require you use our approved real estate services partner, or you may submit your own real estate services partner for our approval (Franchise Agreement – Section 4).

In determining whether or not to approve any site you may propose for the Franchised Business, we will consider such factors as population and income level in the area, the number of comparable contiguous businesses, competition, zoning, general location and neighborhood, traffic patterns, parking, size, layout and other physical characteristics, and available square footage.

(ii) We will provide you with layout designs and other information, (if and when needed for your lease negotiation process) including specifications and sources for construction, fixtures and furnishings required for your Franchised Business from our approved architect.

We will lend you basic layout plans, which may or may not fit the space you have chosen. The floor plan layout is the template and can be adapted to fit most spaces.

Along with the floor plan layout we will lend you the equipment specifications and approved design packages so your architect may reflect the dimensions and surfaces on your plans.

(iii) We will provide to you lists of approved and suggested suppliers for the goods and materials you will need to operate the Franchised Business (Franchise Agreement – Section 5).

(iv) We will loan you copies of the Operating Manual(s) and other documents containing reasonable, mandatory and suggested specifications, standards, operation rules established from time to time by us and information relative to your obligations and the operation of your franchise business (Franchise Agreement – Section 11).

(v) We will provide a detailed training program to assist and guide you in operating your franchise.

(vi) We will suggest pricing for your location.

(vii) We will provide preopening telephone support and assistance prior to opening your location such as offering advice to you in the necessary tasks, steps and actions to open your location.

(viii) We will provide one (1) days of on-site Opening assistance.

(ix) You are required to spend between Two Thousand Five Hundred Dollars (\$2,500) to Three Thousand Dollars (\$3,000) for Opening advertising. The amount must be spent in a sixty (60) day period starting thirty (30) days before and ending thirty (30) days after the location opens to the public.

Brand Fund

We will maintain a Brand Fund into which all franchisees will contribute one percent (1%) per month of gross sales. The fund may be increased up to two percent (2%) upon a thirty (30)-day written notice. Several services to you are supported by this fund and the amount of your fee may reasonably be increased in response to rising costs. Monthly payments to the Brand Fund will be made through our electronic funds transfer system described in Item 6. Our current affiliate locations as well as future affiliate or company owned locations will not contribute to the fund. Any locations owned jointly or separately by any of our officers or directors will not contribute to the fund. The fund will be administered by us and there will be annual unaudited financial statements accounting for the placement of all Brand Fund fees. We will not receive any payment or fee for providing services to the fund. Surplus funds at the end of any year will be carried over into the following year. Some advertising media will be generated by us and other items may be produced by selected agencies. We will determine how and where the money will be spent at our sole discretion whether local, regional or national. Marketing will not be designated for the benefit of any specific franchisee, but for the benefit of the system as a whole as we may determine from time to time. Upon your written request, we will provide you a copy of our annual report of expenditures of the Brand Fund and how funds were raised during the most recently ended fiscal year on a confidential basis.

For the fiscal year ending December 31, 2022 we collected no funds for the Brand Fund.

National Website

The National Website is a primary part of our marketing format for the entire franchise system. Its major purpose is to establish and promote our brand that will attract clients for our franchisees and to provide an Internet presence for each franchisee. We will benefit from contacts by new franchisee candidates through this website, and our franchise opportunity information and application pages will be present within the site. As with all other advertising materials, stationery and business cards, the site will also contain references to the fact that “Franchises Are Available” and that “Each Franchise Is Independently Owned and Operated.” Other than the website notice, we do not use any part of the Brand Fund to solicit new franchise sales, but reserve the right to do so.

The National Website contains all of the basic information about the franchise system and the services offered by our locations. Each franchisee receives the following direct benefits from the website in return for the payment of the Brand Fund:

(i) Full Hosting and management services for your individual Location Website (location finder) which will provide your franchise with an Internet presence, including your business address, telephone information, photographs showing your personnel and location and other

information about your local franchise. You do not have any responsibility or expense for designing, hosting, modifying, managing or operating this website presence; and

(ii) Password access for each franchisee to conduct all of its business related e-mail operations through the location website. However, the franchisee has no other control or management authority except by sending requests to the website administrator to add or subtract information to or from the site, as approved by us. You may utilize only the website and Internet presence provided you by us. You may not use any other form of website or other Internet advertising;

If any automatic electronic funds withdrawal is denied and remains unpaid for a period of seven days, your subscription password account will be deactivated. We reserve the right to increase this fee to two percent (2%) of Gross Revenue each month upon a thirty (30) day written notice.

If we deem it necessary to do so because of increased costs to us, we may develop proprietary software or alternate sources to provide your Location Website hosting and/or other services. If so, we or our designee shall license the software to you and we may need to make a reasonable increase the Brand Fund fee as a result. You agree to pay the increased fee required by us and you will comply with all specifications and standards prescribed by us from time to time in our operation's manual.

Media Manager

You will have subscription and password access (included in your Brand Fund fee) to downloadable print any digital marketing materials and programs administered and managed by the franchisor for all downloadable newspaper, magazine and direct mail advertising materials and the ability to order television and radio advertisements and bulk advertising materials, as may be made available by us from time to time. There is no cost for downloadable materials, but you must pay the cost of video duplication and for the tagging, printing and shipping of all ordered products.

Graphic Designer

We will also provide you information on our approved advertising and graphic design provider. In addition to the materials approved by us pursuant to the Brand Fund, you may request the provider to create advertising materials on your behalf. If you do, you must pay the provider directly for the total cost of any such materials and the materials must be approved by us prior to being ordered by you.

We will decide the amount and nature of all expenditures of the Brand Fund and how and where all expenditures are made. In accordance with Section 16 of the Franchise Agreement services provided pursuant to this fund may be deactivated upon a franchisee's failure to pay the monthly fee in a timely manner and will be reinstated only when payments and penalties are brought current. Franchisor has ownership rights to any designs you purchase and the right to share those with other franchisees.

We do not maintain any other Advertising or Marketing Fund or any Advertising Council or Cooperative of any kind.

Program Participation

You must participate in, and comply with the requirements of any reciprocal membership program, gift card, gift certificate or special programs we implement for all or part of the Hydralife System, and sign the forms, pay the fees, and take any other action we require for your participation in these programs.

Point of Sale Systems

The currently required Point of Sale (POS) system, which may change from time to time, is the Zenoti POS system, which has been programmed to the Franchised Business operations. The system will come to you preprogrammed and adapted to your specific location address and phone number. You may talk to the vendor and discuss upgrades (at your cost) if you desire a faster processing speed or other hardware. Technology is rapidly changing so the hardware specified by us may become out of date. The vendor is expected to be very cooperative in satisfying your specific needs.

There is a monthly service fee for the Zenoti system, and digital forms and marketing software of approximately \$850 (per location), which you will pay to the Franchisor. Depending upon technology development and upgrade requirements, there may be an initial cost required. All of the costs involved in the installation of your system and future updates are included in the estimates of your initial investment as described in Item 7. Although we are very satisfied with the current Zenoti system, we do reserve the right to alter or eliminate this system and/or to substitute another system if we determine to do so and you must at that time change to whatever program or system we prescribe at your sole cost and expense.

Business Facility Computer System, Programs and Printer

In order to properly service your franchise, and for word processing, spreadsheets, Internet access and general accounting and business operations purposes, you are required to have a computer/all in one printer/shredder/filing system receipt, printer and swiper; up to three (3) Tablets (at least one of which will be cellular or use smart phone for offsite charts); a computer with the following minimum specifications: Intel Core 3 Processor; Windows 10 Operating System (or Mac equivalent); 4 GB RAM, 500 GB hard drive and 17 inch monitor; modem. These costs are included in Item 7 Initial Investment Estimate.

You must use software designated by us to provide your business with the functions of payroll, Point of Sale, customer relations, management, scheduling, and intake.

QuickBooks Accounting Application

We require you to use QuickBooks Online as the accounting application for your franchise. The software is owned and developed by Intuit and must be setup as an online service. You must comply with the requirements and standard processes to maintain accurate and up to date accounting records. The technical support for the software and accounting tutorials and training are provided by QuickBooks Online. They may also charge a fee for training and or other features you may request,

and such fees shall be paid by you.

Franchise Operations

There may be in the future a required monthly fee to activate your Franchise Operations System (FOS). It will be the company-wide communication system provided by us through the Website to enable timely and efficient transfer of information, instruction, training, conferences and overall management and communication purposes with our franchisees. In this event, this program will be provided to you with a user and password access. We reserve the right to alter or eliminate this system and/or to substitute another system or method, if we determine to do so.

Surveillance and Alarm Systems

Alarm System

You are required to install an alarm system. The keypad should be close to the employee entry door.

Surveillance System

We require you to install a surveillance system in your location as a deterrent to theft, documentation of incidents and monitoring your business. Your system should stream live to your smart phone to monitor operations. We require access to your clinic camera system.

Our Access to Your Systems

In order to maintain high quality standards, we reserve the right to audit and monitor each of our franchisee's locations at any time through physical or electronic access to all information of your computer systems, POS, FOS, surveillance and website systems and information referenced in this Item 11 and we reserve the right to use this information and data at our discretion, for our benefit and for the benefit of the franchise system as a whole. We have no plans to do so, but may in the future require you to purchase different or other software or hardware. In that event you will receive written notification and be given a reasonable time (not to exceed sixty (60) days) in which to purchase the required software or hardware (Franchise Agreement – Section 11).

Controlled Substances

The use of any controlled substances are strictly prohibited.

Franchisee Operating Manual(s)

We will loan you one copy of our Franchisee Operation's Manual ("Manual"), which contains mandatory and suggested specifications, standards and operation procedures as we prescribe and may also include information relative to your Franchise Agreement. The Manual may be amended or modified from time to time to reflect changes in our System. You must keep the Manual confidential and current, and may not copy any part of the Manual. The table of contents for the Manual is listed in Exhibit "D". There are 150 pages in the Manual.

Time to Open

You must be open to the public within two hundred seventy (270) days (9 months) from the signing of the Franchise Agreement, subject to unavoidable delay or failure to perform [Force Majeure] (Franchise Agreement – Section 5).

You may not open your Franchised Business location for business until: (1) We confirm that the Franchised Business location is being developed according to our specification and standards; (2) Pre-opening training of you and your personnel has been completed to our satisfaction; (3) You have completed all pre-opening marketing requirements; (4) The Initial Franchise Fee and all other amounts then due to us have been paid; (5) We have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we request; and (6) We have received signed counterparts of all required documents pertaining to your Site.

You must have signed a purchase or lease agreement and commence construction of your Franchised Business franchise location within ninety (90) days after the date of the Franchise Agreement (Franchise Agreement – Section 5). If you have signed an Area Development Agreement, you must open the second Hydralive clinic within twelve (12) months of the Opening of the first location. If applicable to your agreement, you must open the third and any subsequent Hydralive clinics within twelve (12) months of the Opening Date for each of the immediately preceding Hydralive clinics (Area Development Agreement – Section 3).

Franchisee Management Certification Training

We provide a mandatory initial training course before you begin to operate the location. Training consists of on the job and classroom sessions for a period of 85 hours (estimate). Training will be held at either our affiliate locations in Tuscaloosa, Alabama or a location in Birmingham, Alabama. It is mandatory that the majority owner and/or operating partner, general manager and assistant manager complete the management training program to our satisfaction.

Franchisee Management Certification Training Program

Subject	Classroom Training Hours	On-the-Job Training Hours	Location
Clinic Preparation	20	20	Birmingham, AL Tuscaloosa, AL
Treatment Safety & Purchasing	4	4	Birmingham, AL Tuscaloosa, AL
Customer Service and Employees-Customer Interaction	4	4	Birmingham, AL Tuscaloosa, AL
Management Training	6	3	Birmingham, AL Tuscaloosa, AL
Merchandising	2	2	Birmingham, AL Tuscaloosa, AL
Franchise Marketing / Branding Requirements	5	5	Birmingham, AL Tuscaloosa, AL

Subject	Classroom Training Hours	On-the-Job Training Hours	Location
Franchise Compliance	3	3	Birmingham, AL Tuscaloosa, AL
Total Hours	44	41	

Notes on Above Chart:

1. We will provide this initial franchisee management certification training at no additional charge to you. You must pay all travel and living expenses for you and your trainees. We may increase, decrease and/or adjust the above training program to the extent that we deem appropriate.
2. All of the persons listed in Item 2 of this disclosure document may at one time or another provide training services. Olivia Grave will also be one of our trainers.
3. Your designated trainees must also complete the management Certification Program, or show evidence of current certification. You will be responsible for all fees and other costs associated with the certification program.
4. If you are signing the Franchise Agreement for your first franchise location, we will provide you at your cost with an Opening onsite training of two (2) persons to assist for up to two (2) days prior to opening and up to two (2) days after you open your location (travel and lodging at franchisee's expense). We do not provide this opening support for any additional franchised locations.
5. All of the above specifications and descriptions are subject to change as we may determine the need to do so.

Other Conference/Training/Educational Events

Each person who signs the franchise agreement must attend our on-site Opening training session and any National Conferences scheduled as we may determine to be necessary, at our company headquarters in Alabama, or at a different location of our choosing. Conferences will not exceed five (5) days in length. If you purchase more than one (1) franchise territory, then the manager from each location must attend the above session(s).

During the operation of your business, we will, upon your request and at your expense, and to the extent we have personnel available, send one (1) or more members of our staff to the Franchised Business to provide additional follow-up assistance and training (Franchise Agreement – Paragraph 7.3).

ITEM 12 TERRITORY

Your Territory

You will receive a geographic territory (the “Protected Territory”) in which you will operate a franchised location. During the Site Selection Period, you must obtain our acceptance of the Site, which must be located in the Site Selection Area. If we have not accepted the site and designated the Protected Territory before execution of the Franchise Agreement, you must, during the first forty five (45) days of the Site Selection Period, submit to us for acceptance, and obtain our acceptance of your franchised location. Your Protected Territory will be an area surrounding the Franchised Clinic consisting of a minimum population of 75,000 people with a minimum annual income of between \$60,000 to \$70,000 as determined by our third party mapping software current demographics (GbBis, a division of Intelligent Direct, Inc.) or a radius of three (3) miles surrounding the Franchised Clinic, whichever is the lesser area. The actual size and shape of the Protected Territory will vary from franchisee to franchisee. Subject to this grant of minimum population and area, we reserve the absolute right to adjust the territorial boundaries as we determine to be necessary in our sole discretion. You must submit a proposed Site located in the Site Selection Area to us for acceptance and enter into an acceptable lease agreement or purchase agreement for the clinic within ninety (90) days of the execution of the Franchise Agreement. You may not relocate your franchised location without our prior written approval.

The Protected Territory will be designated by us once the location is accepted by us and indicated as Exhibit “G-Two” to the Franchise Agreement. Once a site has been selected and lease negotiations entered into, a copy of the lease must be provided to us for our review and approval prior to execution. Our approval of the lease indicates only that we believe that its terms fall within the acceptable criteria we have established as of the time of our approval (Franchise Agreement – Section 4 and Exhibits “G-One and “G-Two”). Except for the rights we reserve below, we will not sell another franchise or open a company-owned franchised location in your Protected Area during the term of the Franchise Agreement. We may develop, use, and license within or outside your Protected Territory other products or services involving Marks other than those used in connection with the System. There are no restrictions on your ability to accept orders from consumers outside your Protected Territory. You may solicit or accept orders from consumers outside your Protected Territory, through channels of distribution, such as Internet, provided such activity is not conducted within another franchisee’s Protected Territory. You may not solicit or market outside your Protected Territory by means of (a) direct marketing by telephone, mail, flyers or other means; or (b) any other marketing method targeting anywhere outside your Protected Territory, except for our written approval of television, radio and print advertising media that may incidentally be covered by such advertising.

If a city is located particularly within your Protected Territory, then you may utilize the name of the city in your marketing methods.

Your Franchise Agreement does not provide any rights of first refusal for additional locations. Except by written agreement with us you do not receive the right to acquire additional franchises within your territory.

Rights We Reserve: Franchise Agreement

You will not receive an exclusive territory. You may face competition from other franchisors, from outlets we own, or from other channels of distribution or competitive brands that we control. We retain the rights to:

1. establish and grant to other franchisees the right to establish franchised locations anywhere outside the Protected Territory, on such terms and conditions as we deem appropriate (even immediately outside the border of the Protected Territory), but not within the Protected Territory of your franchised location you open under the Franchise Agreement and continue to operate under it;
2. operate, and grant franchises to others to operate businesses, whether inside or outside the Protected Territory, specializing in the sale of products or services, other than a Competitive Business or franchised locations, using some of the Marks and/or all of the Marks pursuant to such terms and conditions as we deem appropriate;
3. operate, and grant franchises to others to operate businesses or provide other services, whether inside or outside the Protected Territory, that do not use any of the Marks;
4. market and sell, inside and outside of the Protected Territory, through channels of distribution other than full service franchised locations (like mail order, Internet or Intranet, Website or other forms of e-commerce, retail or convenience clinics or kiosks), or through special purpose sites including military bases, public transportation facilities, sport facilities, race tracks, airports, or buildings on college or university campuses, amusement and theme parks, special events, and through other sites which are covered/closed traffic malls, all of which are designated (“Special Sites”). Special sites designated above are not granted a Protected Territory. We will not pay franchisees any compensation for soliciting orders or accepting orders within a Protected Territory; and
5. purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business’ facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks other than, while this agreement is in effect, the Marks, regardless of the location of these businesses and/or facilities, which may be within the Protected Territory or immediately outside its border.

There is no minimum sales quota for maintaining the Protected Territory granted for your franchise, or other circumstance that gives us the right to modify your territory, if you are otherwise in compliance with all of your agreements with us.

Area Development Agreement

We may, but are not required to, enter into an Area Development Agreement with you which provides for the development of a specified number of Hydralive clinics within a defined geographic

area over a specified term. An Area Development Fee for the geographic area is required, based upon the number of franchised Hydralive clinics developed. You must enter into the then-current Franchise Agreement for each franchised Hydralive clinic established under the Area Development Agreement. You are not entitled to additional development rights beyond those specified in the Area Development Agreement. You are responsible for submitting a complete site report for each franchised Hydralive clinic. Each site is subject to our acceptance, which will not be unreasonably withheld. We also have the right to refuse to grant a franchise for a proposed Hydralive clinic if you do not meet financial criteria established by us.

Area Development Agreement: Development Quota

Your Area Development Agreement will contain a Development Quota specifying a series of Development Periods, the number of franchised Hydralive clinics you must open during each Development Period and the cumulative number of franchised Hydralive clinics you must have opened through the end of the Development Period in question. Franchised Hydralive clinics will not count towards meeting the Development Quota for any Development Period until each has been fully constructed, developed and opened operations in accordance with the specific respective franchise agreements with us. We determine if any franchised Hydralive clinic has “opened” for purposes of meeting the Development Schedule and any Development Quota for any Development Period. If a franchised Hydralive clinic is permanently closed after having been opened, you must develop and open a substitute franchised Hydralive clinic within one year from the date of its permanent closing separate and apart from the Development Schedule.

Rights We Reserve: Area Development Agreement

1. Your Development Territory is not exclusive; we retain the right to establish and grant our affiliate, subsidiaries or parent entity the absolute right to establish Hydralive clinics at a specific location or an area within the Designated Territory or to grant other franchisees the right to establish franchise Hydralive clinics within the Designated Territory, but if other franchisees desire to enter into a Franchise Agreement for a franchised Hydralive clinic at a specific location or an area within the Designated Territory we will offer you a right of refusal to open your next scheduled franchised Hydralive clinic at that specific location or area within the Designated Territory (“Right of Refusal Area”) provided however if your Area Development Agreement for the Designated Territory was executed first in time (the first Area Development Agreement signed within the Designated Territory), your right of refusal shall be a First Right of Refusal for the specific location or area within the Designated Territory. If you entered into an Area Development Agreement second in time for the Designated Territory, your right of refusal shall be a Second Right of Refusal and you will not be offered the Right of Refusal Area unless the Developer with the First Right of Refusal did not accept the Right to Develop Hydralive clinics within the Right of Refusal Area. If there are any Developers which entered into an Area Development Agreement subsequent in time to a preceding Developer, they will be offered a right of refusal for the Right of Refusal Area only if the preceding Developer refused the opportunity to develop an Hydralive clinic for the Right of Refusal Area; and you will have seven (7) days from the date of our notice offering you the right to develop your next

franchised Hydralive clinic in the Right of Refusal Area, to provide us with your written commitment to accept the obligation to open your next Hydralive clinic within the Right of Refusal Area and in addition you must find a site within ninety (90) days which is acceptable to us and also enter into our Franchise Agreement for the location. You will then have one hundred eighty (180) days from the date of the Franchise Agreement to open the Franchised Location. You will not receive an exclusive territory. You may face competition from other Franchisees, from Hydralive clinics that we own, or from other channels of distribution or competitive brands we control. If you have signed an Area Development Agreement, you must open the second Hydralive clinic within six (6) months of the Opening Date of the first location;

2. establish and grant to other franchisees the right to establish franchised Hydralive clinics anywhere inside or outside the Designated Territory, on such terms and conditions as we deem appropriate (but not within the Protected Territory specified in the Franchise Agreement of any Hysralive Clinic you operate under that Agreement and continue to operate);

3. operate and grant franchises to others to operate businesses, whether inside or outside the Designated Territory, specializing in the sale of products or provision of services, other than a Competitive Business or franchised Hydralive clinic, using certain of the Marks and pursuant to such terms and conditions as we deem appropriate;

4. operate and grant franchises to others to operate businesses, or provide other services, whether inside or outside the Designated Territory, that do not use any of the Marks;

5. market and sell, inside and outside of the Designated Territory, through channels of distribution other than the franchised location (like internet, intranet, sports facilities, race tracks, e-commerce, mail order or retail stores) or through special purpose sites including military bases, public transportation facilities (airports, student unions or similar buildings on college or university campuses, and through sites which are covered or closed traffic malls, all of which are designated ("Sites We Reserve"). Such Sites We Reserve are not protected and are not part of your Designated Territory; and

6. purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks other than, while this Agreement is in effect, the Marks, regardless of the location of these businesses and/or facilities, which may be within the Designated Territory or immediately outside its border.

Designated Territory: Default Under the Area Development Agreement

We have the right to terminate an Area Development Agreement if you default under its terms or under the terms of any Franchise Agreement or other agreement you have with us. If you do not achieve the Development Quota specified in the Area Development Agreement, we, in our sole control, may, (but are not required to do so):

1. terminate the Area Development Agreement;
2. have the right to operate (directly or through affiliates) or grant franchises for the operation of franchised Hydralive clinics within the Designated Territory;
3. reduce the Designated Territory and the Development Schedule to a size and magnitude that we estimate you are capable of operating otherwise in accordance with the Area Development Agreement.

ITEM 13

TRADEMARKS

Effective June 1, 2020, Hydralive Holdings LLC licensed the Mark “Hydralive” to us with the exclusive right to franchise the marks and system for fifty (50) years. We are obligated to assure that all sub licensees comply with quality standards set by Hydralive Holdings LLC. The trademark license agreement can be terminated by Hydralive Holdings LLC only if we breach the agreement and fail to cure the breach within thirty (30) days after receiving written notice of the breach, or if we become insolvent or are unable to pay our debts as they become due, or we commence a case for relief or reorganization, or are subject to an involuntary case for relief or reorganization under the Federal Bankruptcy Code or under any other state or federal bankruptcy or insolvency laws. At termination of the trademark license agreement, we are obligated to assign to Hydralive Holdings LLC all license, or franchise agreements which we have entered into for the use of the Mark and the system, which shall continue in full force and effect until the expiration of the terms in effect. If an assignment occurs, Hydralive Holdings LLC will not assume any liabilities that pre-date the assignment, for which we will remain liable.

Under the Franchise Agreement, we grant you the non-exclusive right to our Mark “Hydralive” and Mark “Hydralive Therapy” in connection with your franchise for your use and only in the manner authorized and permitted by us. The Area Development Agreement does not grant you the right to use the Mark or System. You may not directly or indirectly contest our rights in the Mark.

The Mark “Hydralive” which is registered on the principal register of the United States Patent and Trademark Office (“USPTO”) is as follows:

HYDRALIVE

Registration Date: October 16, 2018

Registration No.: 5587312

Principal Register Owner: Hydralive Holdings, LLC

The Mark “Hydralive Therapy” is registered on the principal register of the United States Patent and Trademark Office (“USPTO”) as follows:

HYDRALIVE THERAPY



Registration Date: November 10, 2020

Registration No.: 6194175

Principal Register Owner: Hydralive Holdings, LLC

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeals Board, the Trademark Administrator of any state or any court relating to the Mark. There is no pending infringement, opposition or cancellation involving the Mark; no known superior rights or infringing uses actually known to us that could materially affect your use of the Mark; and no pending material litigation involving the Mark. All affidavits and renewals required to be filed have been filed.

Other than our license agreement, there are no currently effective agreements that significantly limit our rights to use or license the use of the Mark listed in this Section in a manner material to the franchise to be sold.

The franchise agreement grants you the non-exclusive right to use the Mark to identify the products and services offered by us. We have the right to require you to modify or discontinue your use of any Mark. If we exercise this right, we will provide advance notice to all franchisees. We will have no liability or obligation for your modification or discontinuance of any Mark or promotion of a substitute trademark, service mark or trade dress.

You must follow our rules when using the Mark. You must receive our approval when choosing your corporate name and you cannot use the Mark as part of the corporate or other legal entity name or with modifying words, designs or symbols without our consent. Your usage of the Mark and any goodwill you establish is to our exclusive benefit and you retain no right in the Mark on termination or expiration of the franchise agreement. You must also obtain fictitious or assumed name registrations as we require, or under applicable law.

Neither the franchise agreement nor the area development agreement contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Mark. You must immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights to any Mark. We will have the sole discretion to take any action we deem appropriate and will have the right to control exclusively, any litigation or USPTO or other administrative proceedings arising out of any infringement, challenge or claim or otherwise relating to any Mark. You must execute any and all instruments and documents, provide assistance and do such things as, in the opinion our counsel, may be necessary or advisable to protect our interest or our licensor's interest in any

litigation or USPTO or other proceeding or otherwise to protect our interest in the Mark. We have no obligation under the franchise agreement or area development agreement to protect you against or reimburse you for any damages for which you are held liable.

We may not be able to prevent anyone who began using the name Hydralive or Hydralive Therapy or any variation thereof before our use of it from continuing their use of that name in the area of prior use. The name Hydralive or Hydralive Therapy may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us. You will be responsible for finding out whether the name Hydralive or Hydralive Therapy is already being used in your granted Territory. Under the Franchise Agreement you release us from any liability to you caused by any prior use of the name Hydralive or any variation thereof by anyone else.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise. We claim copyright protection of our Manuals and related materials, certain proprietary information, knowledge and know-how concerning the methods of operation of the franchised location and promotional materials, although these materials have not been registered with the United States Registrar of Copyrights. These items are considered proprietary and confidential and are considered our property and may be used by you only as provided in the Franchise Agreement.

There are no agreements in effect which significantly limit our right to use or license the copyrighted materials.

Franchisee Operation's Manual(s)

During the term of the Franchise Agreement, we will loan to you at no charge our Confidential Operating Manual(s) in which we assert a copyright interest. The Confidential Operating Manual(s), its supplements, and any other materials or information designated by us as confidential. You will not provide your employees access to the Confidential Operating Manual(s) unless necessary to operate your franchise location.

You must use your best efforts to keep confidential all provisions in the Confidential Operating Manual(s), including any supplements or amendments that we provide. You are responsible for keeping your copy of the Confidential Operating Manual(s) up-to-date. The provisions in our master copy will control any disputes that arise. You agree to comply with every provision in the Confidential Operation's Manual(s) and every revision to the Confidential Operating Manual(s) that we may make from time to time, provided such revisions do not implement new or different requirements, which alter the fundamental terms and conditions of the Franchise Agreement.

We will loan you a replacement copy if you lose or misplace your copy or supplements, but we may require a reasonable replacement charge. You must not photocopy, scan, photograph or duplicate in any way, any part of the Confidential Operating Manual(s) without our written consent.

Trade Secrets and Know-How

We will be disclosing to you certain proprietary information in our programs, systems, techniques manuals, and trade secrets as well as know-how and operating format related to our methods and materials. You will also use certain materials in the operation of your Franchised Business location in which we have a copyright interest. You, however, do not acquire any right or interest in such proprietary information.

You must not disclose any of our proprietary rights, information, or know-how, except as authorized in the Franchise Agreement. You must maintain adequate security in the control, use and handling of our proprietary materials as specified in the Confidential Operating Manual(s) or in writing from us. All persons you employ who can access our proprietary materials are required to sign our approved Confidentiality Agreement (Exhibit "E"). All persons with an ownership or voting interest in an entity and all individual franchisees or developers who enter into Franchise Agreements or Area Development Agreement and any person employed by or under an independent contractor relationship with you who receives or who will receive any training by us or you which is directly or indirectly related to the System or involves any of the Confidential Information must sign our Approved Confidentiality, Non-solicitation and Non-competition Agreement (Exhibits "M" and "N"). You must immediately notify us of any unauthorized use of our trade secrets. We have complete authority under the Franchise Agreement and Area Development Agreement to take such action or inaction as deemed appropriate.

Failure to comply with the requirements of the Franchise Agreement and Area Development Agreement with respect to confidentiality will cause us irreparable injury and you agree to pay us an amount equal to the aggregate of our cost of obtaining specific performance of, or an injunction against violation of, the requirements of the Franchise Agreement and Area Development Agreement concerning confidentiality, including without limitation, reasonable attorney fees, cost of investigation and proof of facts, court expenses, and damages incurred by us.

ITEM 15

OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We require you to participate in the supervision of the franchise. We may, however, agree in writing to allow someone other than an owner to act as the on-premises manager. That person must complete our training program and cannot have any interest or business relationship with any of our competition and must sign a written agreement to maintain confidentiality of the proprietary information and trade secrets described in Item 14 and conform to the covenants not to compete as described in Item 17. We may, in our sole discretion, allow Franchisees or Area Developers to be corporations, limited liability companies or other entities subject to our approval; however, if a corporation, limited liability company or other entity is allowed to be a franchisee, the individual stockholders, members, etc. must personally guarantee the obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for, the breach of every provision of the Franchise Agreement, including confidentiality and non-competition provisions. If

you are a partnership, each partner must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for, the breach of every provision of the Franchise Agreement. They must further agree to be bound by the confidentiality and non-competition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interest. Non-individual franchisees that enter into Area Development Agreements are subject to these requirements as well. All persons with an ownership or voting interest in a non-individual franchise and all individual franchisees who enter into Franchise Agreements or Area Development Agreements must execute a confidentiality/non-competition agreement in the form of our “Confidentiality, Non-solicitation and Non-Competition Agreement” (see Exhibits “M” and “N”).

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use only those products, services, equipment, programs and other items in the operation of your franchised location that we have designated in the Franchise Agreement, the Confidential Operating Manual(s), or specifically approved in writing unless, as to any one or more items, you are prohibited by local law or regulation or unless we have granted you our advance written approval to exclude any item. If you would like to sell any product, service, equipment or program which is not a part of the System, then you must seek and obtain our advance written permission. If we grant our advance written approval, then the product, service, equipment or program in question will become a part of the System though we will not be required to, but may, authorize it for sale at one or more other franchised locations. We may subsequently revoke our approval. We will own all rights associated with the product, service, equipment or program. You will not be entitled to any compensation in connection with it.

We may add to, delete from or modify the services, products, equipment, programs and other items which you can and must offer or we may modify the System. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes. We may designate, prohibit or otherwise limit your use of music or other entertainment within your Hydralive franchised location. These requirements are set forth in greater detail in Item 8 of this Disclosure Document.

If at any time any Approved Products or any other components of the System are unavailable at your franchised location for any reason, and you can affirmatively prove such unavailability, we will identify alternative products or other components of the System that you may offer at your franchised location, only until such time as the Approved Product or other component of the System becomes available. When the Approved Product or other component of the System becomes available, you will be required to offer it at your franchised location.

You may only sell System products and services at retail, and you may not engage in the wholesale sale and/or distribution of any System product, service, equipment or other component, or any related product or service.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement, Area Development Agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Section in Area Development Agreement	Summary
a. Length of the franchise term	Paragraph 2.1	Paragraphs 2.1 and 3.3	10 years and 6 months for Franchise Agreement; the Area Development Agreement varies depending upon the number of franchised Hydralive clinics to be opened.
b. Renewal or extension of the term	Paragraph 3.1	Not Applicable	If you are in good standing and not in default under the Franchise Agreement, you may enter into a successor franchise agreement, provided that: (i) you maintain possession of and agree to remodel and/or expand your franchised location, add or replace improvements, equipment and signs and otherwise modify your franchised location as we require to bring it into compliance with specifications and standards then applicable for a franchised location, or (ii) if you are unable to maintain possession of the Site, or if in our judgment your franchised location should be relocated, you secure substitute premises we accept, develop such

Provision	Section in Franchise Agreement	Section in Area Development Agreement	Summary
			premises in compliance with specifications and standards then applicable for your franchised location and continue to operate your franchised location at the Site until operations are transferred to the substitute premises.
c. Requirements for you to renew or extend	Paragraphs 3.1-3.5	Not Applicable	Maintain Site or secure substitute Site, bring your Franchised Business location into compliance with our then current specifications and standards, sign new Franchise Agreement and ancillary agreements, general releases (subject to state law), satisfactory completion of training and refresher programs, and pay us the fee. On renewal, you may be asked to sign a successor contract with materially different terms and conditions than your original Franchise Agreement.
d. Termination by you	None	None	None
e. Termination by us without cause	None	None	None
f. Termination by us with cause	Section 16	Section 9	We can terminate only if you commit one of several violations (subject to State Law, see Exhibit “P”).

Provision	Section in Franchise Agreement	Section in Area Development Agreement	Summary
g. "Cause" defined- defaults which can be cured	Section 16	Section 9	You have 5 days to cure health, safety or sanitation law violations, except we may require the immediate closure of your Franchised Business location in the event we deem such violation to be a health threat to anyone, 10 days to cure noncompliance with any provision other than Section 16.2 of the Franchise Agreement or the System Standards. For the Area Development Agreement you have 10 days to cure monetary defaults; 30 days to have vacated an attachment, seizure, writ, warrant or levy on any franchised Hydralive clinic or any order appoint a receiver, trustee or liquidator of you or any franchised Hydralive clinic; and 14 days to cure noncompliance with provision of the Area Development Agreement other than Section 9.
h. "Cause" defined – non-curable defaults	Section 16	Section 9	Non curable defaults include material misrepresentation or omission, failure to complete training, failure to comply with management requirements, failure to obtain an approval of the location within the time periods specified for such approvals, failure to open the Franchise Business within

Provision	Section in Franchise Agreement	Section in Area Development Agreement	Summary
			<p>180 days, after the Franchise Agreement is signed, abandonment, unapproved transfers, conviction of or a plea of no contest to, a felony or other serious crime, violations of anti-terrorism laws of “blocking” of assets under anti-terrorism laws, dishonest or unethical conduct, unauthorized assignment of the Franchise Agreement or of an ownership interest in you or the franchised location, loss of the Site, unauthorized use or disclosure of the Confidential Operating Manual(s) or confidential information, failure to pay taxes, repeated defaults (even if cured), an assignment for the benefit of creditors or written admission of insolvency or inability to pay debts as they become due. Failure to meet the development obligations or pay any fees owed.</p>
<p>i. Your obligations on termination/nonrenewal</p>	<p>Section 17</p>	<p>Section 10</p>	<p>Obligations include payment of outstanding amounts, liquidated damages, complete de-identification and return of confidential information (also see (r) below). Ceasing your development activities.</p>

Provision	Section in Franchise Agreement	Section in Area Development Agreement	Summary
j. Assignment of contract by us	Paragraph 15.1	Paragraph 11.1	No restriction on our right to assign.
k. "Transfer" by you-definition	Paragraph 15.2	Paragraph 11.2	You, your owners or your affiliate(s)' voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in the Area Development Agreement, any Franchise Agreement, you, or franchised location.
l. Our approval of transfer by you	Paragraphs 15.2-15.5	Paragraphs 11.2 and 11.3	We have the right to approve all transfers, even to a Business Entity controlled by you.
m. Conditions for our approval of transfer	Paragraph 15.3	Paragraph 11.4	New franchisee qualifies, you pay us all amounts due, transferee and its managerial employees agree to complete training, transferee agrees to enter a new Franchise Agreement, transfer fee paid, we approve material terms, you subordinate amounts due to you, and you sign other documents we require-including general releases (also see "r" below).
n. Our right of first refusal to acquire your business	Paragraph 15.8	Paragraph 11.5	We can match any offer for an ownership interest in you, your Franchise Agreement or your franchised location provided that we may substitute cash for any form of payment at a discounted amount if an interest rate will be charged on any deferred

Provision	Section in Franchise Agreement	Section in Area Development Agreement	Summary
			payments, our credit will be deemed equal to that of any proposed purchaser, we will have no less than 60 days to prepare for closing and we receive all customary representations and warranties, as we specify.
o. Our option to purchase your business	Paragraph 17.5	None	We have the option to buy your franchised location, including leasehold rights to the Site, at fair market value after our termination or your termination without cause, of the agreement (but not expiration).
p. Your death or disability	Paragraphs 15.5 and 15.6	Paragraph 11.6	Franchise or an ownership interest in you must be assigned to an approved buyer within 6 months and must be run by a trained manager during the period before the assignment. Assignment is subject to our right of first refusal.
q. Non-competition covenants during the term of the franchise	Paragraph 9.3 & Section 10	Paragraph 7.3	No interest in a Competitive Business, no controlling ownership interest in, or performance of services for, a Competitive Business anywhere.
r. Non-competition covenants after the franchise is terminated or expires	Paragraph 17.4	Paragraph 10.2	No interest in competing business for 2 years at, or within 50 miles of, the Protected or Designated Territory or within 15 miles of any other franchisee's

Provision	Section in Franchise Agreement	Section in Area Development Agreement	Summary
			Designated Territory location in operation or under construction (same restrictions apply after assignment).
s. Modification of the agreement	Paragraph 19.13	Paragraph 13.13	Franchise Agreement- No modifications except by written agreement, but Confidential Operating Manual(s) and System Standards are subject to change.
t. Integration/merger clause	Paragraph 19.13	Paragraph 13.12	Only the terms of the Franchise Agreement (including the Confidential Operation Manual, System Standards, addenda and exhibits) are binding (subject to state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Paragraphs 19.9 and 19.10	Paragraphs 13.7 and 13.8	Except for certain claims, all disputes must be mediated and arbitrated at our headquarters (subject to State Law, see "P").
v. Choice of forum	Paragraph 19.8	Paragraph 13.8	Mediation/Arbitration in Birmingham, Alabama
w. Choice of law	Paragraph 19.5	Paragraph 13.5	Alabama law applies (subject to State Law, see Exhibit, "P").

See Exhibit "P" for state specific and other Addenda and Riders.

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

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote 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 the information is included in this 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.

During the calendar year 2022, we had one (1) franchise location open in Columbus, Georgia. Our affiliate K & B Industries, LLC, which has since been acquired 100% by Hydralive Holdings, LLC, effective March 1, 2023, operated two (2) Hydralive locations for two (2) years or more, one (1) in Tuscaloosa, Alabama (opened in 2016) and one (1) in Homewood, Alabama (Birmingham, Alabama metropolitan area, opened in 2018). Our parent Hydralive Holdings LLC also owns a location in Athens, Georgia, and another location in Hoover, Alabama. These locations were not operated by our parent or a franchisee for a full two years and are therefore not included in the chart below.

The Unaudited 2022 Financial Statement is for two (2) of Hydralive Holding's, LLC's locations that operated for two or more years. The Homewood location has a cryotherapy machine (your franchise is required to operate an electric cryotherapy machine) and the Tuscaloosa location does not. The Homewood location is in a market, which is part of a larger metropolitan area, while the Tuscaloosa location is in a small metro area close to the University of Alabama. Each of the two (2) locations was open and operating for a minimum of two (2) years.

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Hydralve Holdings, LLC
Profit and Loss Comparison for Homewood Clinic and Tuscaloosa Clinic
January – December 2022

1/1/2022-12/31/2022	Homewood	Tuscaloosa	Averages	
Total Customers	9703	6009	7856	
Clinic Square Footage	3110	3200	3155	
Year Opened	2018	2016		
Monthly Recurring Membership	\$143,934	\$84,145	\$114,040	18.1%
Retail Merchandise Sales	\$2,580	\$4,245	\$3,413	0.5%
Treatments	\$668,920	\$355,571	\$512,246	81.3%
Total Revenue	\$815,434	\$443,961	\$629,698	100%
<u>Cost of Goods Sold</u>				
Medical Supplies	\$131,665	\$81,874	\$106,770	
Merchant Service Fees	\$21,897	\$17,135	\$19,516	
Retail Products	\$1,207	\$2,310	\$1,759	
Cryo Gas	\$14,638		\$14,638	
Total Cost of Goods Sold	\$169,407	\$101,319	\$135,363	
Gross Profit	\$646,027	\$342,642	\$494,335	
<u>Operating Expenses</u>				
1 Software/Web Licensing	\$10,393	\$10,393	\$10,393	4.3%
2 Miscellaneous (Gifts/Repairs)	\$5,224	\$5,490	\$5,357	2.2%
3 Liability Insurance	\$7,356	\$7,356	\$7,356	3.0%
4 Marketing & Advertising	\$46,665	\$37,001	\$41,833	17.3%
6 Office Expenses	\$2,945	\$2,149	\$2,547	1.1%
7 Administrative Payroll	\$54,857	\$32,065	\$43,461	18.0%
8 Professional Fees	\$87,864	\$68,010	\$77,937	32.2%
9 Rent	\$46,525	\$45,850	\$46,188	19.1%
12 Utilities	\$7,656	\$5,758	\$6,707	2.8%
Total Expenses	\$269,485	\$214,072	\$241,779	
Net Income	\$376,542	\$128,570	\$252,556	
Royalty (8%)	\$67,235	\$35,517	\$50,376	
Brand Fund (1%)	\$8,154	\$4,440	\$6,297	

1/1/2022-12/31/2022	Homewood	Tuscaloosa	Averages
Estimated Earnings	\$303,153	\$88,613	\$195,883
Margin	37.2%	20.0%	28.6%
Mid Level **Where Applicable**	\$23,600	\$17,700	

*Note: certain states may require that a physician or a mid-level practitioner consulting with a physician (Nurse Practitioner or Physician Assistant) provide initial consultations that are good for one (1) year to each new Hydralive client. The costs for which are included above for reference.

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

Many factors, including location, management capabilities, local market conditions, and other factors, are unique to each clinic location and may significantly impact the financial performance of the clinic.

You should conduct an independent investigation of the cost and expenses you will incur in operating your franchised Hydralive Clinic. Many factors, including location, management capabilities, local market conditions and other factors, are unique to each business and may significantly impact the financial performance of your franchise business. Actual results vary from Clinic to Clinic and we cannot estimate the results of any particular franchise.

Historical costs do not necessarily correspond to future costs because of factors such as pandemics, inflation, changes in minimum wage laws, rising fuel cost, location, financing, construction costs, lease related costs such as rent, CAM charges, taxes, interest, insurance and utilities vary from franchised business to franchise business. All information should be evaluated in light of current market conditions including such cost and price information as may then be available.

The term “Gross Revenue” means all revenue you derive from operating the Hydralive Clinic, including, but not limited to, all amounts received at or away from the Clinic Site from any activities or services whatsoever including any that are in any way associated with the Marks, the System, and whether from cash, check barter, credit or debit card or credit transactions, including memberships and the redemption value of gift certificates redeemed regardless of whether such gift certificates are issued by the Clinic or someone else; but excluding (1) all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority and (2) customer refunds, adjustments, credits and allowances actually made by the Clinic. Gross Revenue also includes revenues from any service and sale of products bearing or associated with the Marks.

Written substantiation for this financial performance representation will be made available to the prospective franchise upon reasonable request.

Other than the preceding financial performance representation, Hydralive Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally in or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive

any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Hydralive Franchising, LLC, 3500 Independence Drive, Suite 200, Homewood, AL 35205, (205) 848-8829, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE 1

Systemwide Outlet Summary
For 2020, 2021 and 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	1	0	-1
	2021	0	0	0
	2022	0	1	+1
Company-Owned*	2020	2*	3*	+1
	2021	3*	4*	+1
	2022	4*	3*	-1
Total Outlets	2020	3	3	0
	2021	3	4	+1
	2022	4	4	0

* **Note:** Although franchisor does not operate any company owned locations, our parent operates three similar locations (two in Alabama and one in Georgia), and a fourth location in Milton, Georgia is operated by a licensee.

TABLE 2

Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For 2020, 2021 and 2022

State	Year	Number of Transfers
None	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

TABLE 3
Status of Franchised Outlets
For 2020, 2021 and 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations –Other Reasons	Outlets at End of Year
Georgia	2020	1	0	0	0	1	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Total	2020	1	0	0	0	1	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

TABLE 4
Status of Company – Owned Outlets
For 2020, 2021 and 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Alabama	2020	2*	0	0	0	0	2*
	2021	2*	0	0	0	0	2*
	2022	2*	0*	0	0	0	2*
Georgia	2020	0	0	1*	0	0	1*
	2021	1*	1*	0	0	0	2*
	2022	2*	0	0	0	1*	1*

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Total*	2020	2*	0	1*	0	0	3*
	2021	3*	1*	0	0	0	4*
	2022	4*	0	0	0	1*	3*

* **Note:** Although franchisor does not operate any company owned locations, our parent operates three similar locations (two in Alabama and one in Georgia), and a fourth location in Milton, Georgia is operated by a licensee.

TABLE 5

Projected Openings As Of December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	0	1
Totals	0	0	1

Exhibit “B” lists the name of our current franchisees and the addresses and telephone number of each of their outlets as of date of issuance.

Exhibit “C” lists the name, city and state, and current business telephone number, or if unknown, the last known home telephone number for each franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who did not communicate with us within ten (10) weeks of the disclosure document issuance date.

If you buy this franchise, your contact information may be disclosed to other buyers if you leave the franchise system. No franchisees and no franchisees have signed any confidentiality clauses during the last three fiscal years.

There are no trademark specific franchisee organizations associated with the franchise system being offered.

ITEM 21
FINANCIAL STATEMENTS

We initiated our franchising program in 2020. Attached as Exhibit “A” are our audited financial statements for the year ending December 31, 2022, December 31, 2021 and December 31, 2020.

ITEM 22
CONTRACTS

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

- Exhibit “E” Form of Key-Employee Manager Confidentiality Agreement
- Exhibit “G” Form of Franchise Agreement
 Exhibit “G-Four” State Amendment to Franchise Agreement
- Exhibit “H” Form of Area Development Agreement
 Exhibit “H-One” State Amendment to Area Development Agreement
- Exhibit “I” Form of Conditional Assignment of Telephone numbers and Listings
- Exhibit “J” Form of Conditional Assignment and Assumption of Leases
- Exhibit “K” Form of Principal Owner’s Guaranty
- Exhibit “M” Form of Confidentiality, Non-Solicitation and Non-Competition Agreement for Franchise Agreement
- Exhibit “N” Form of Confidentiality, Non-Solicitation and Non-Competition Agreement for Area Development Agreement
- Exhibit “P” State Specific and Other Addenda and Riders
- Exhibit “Q” Form of Release

ITEM 23
RECEIPTS

See Exhibit “R” for detachable receipts.

EXHIBIT "A" TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

OF

HYDRALIVE FRANCHISING LLC

HYDRALIVE FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Hydralive Franchising, LLC

Opinion

We have audited the accompanying financial statements of Hydralive Franchising, LLC (an Alabama corporation), which comprise the balance sheet as of December 31, 2022, and the related statements of income, members' equity, 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 Hydralive Franchising, LLC as of December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hydralive Franchising, 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 Hydralive Franchising, 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.

DiPiazza LaRocca Heeter & Co., LLC

DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

June 16, 2023

Hydralive Franchising, LLC
Balance Sheet
December 31, 2022

ASSETS

Current assets		
Cash and cash equivalents	\$	1,796
Due from related party		<u>139,099</u>
Total current assets		140,895
Long term assets		
Trademark		<u>26,703</u>
Total long term assets		<u>26,703</u>
Total assets	\$	<u><u>167,598</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities		
Accounts payable	\$	<u>25,280</u>
Total current liabilities		25,280
Members' equity		<u>142,318</u>
Total liabilities and members' equity	\$	<u><u>167,598</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Income Statement
For the year ended December 31, 2022

Revenues	
License fees	\$ <u>1,503</u>
Total revenues	1,503
Expenses	
Professional fees	15,356
Accountant	13,245
Advertising	2,285
Other	<u>886</u>
Total expense	<u>31,772</u>
Operating income	(30,269)
Other income	<u>73</u>
Net income (loss)	\$ <u><u>(30,196)</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Statement of Members' Equity
For the year ended December 31, 2022

Balance as of January 1, 2022	\$ 165,429
Net income	(30,196)
Contributions	<u>7,085</u>
Balance as of December 31, 2022	<u><u>\$ 142,318</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Statement of Cash Flows
For the year ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (30,196)
Depreciation and amortization	-
Changes in assets and liabilities:	
Due to related parties	<u>24,066</u>
Net cash used for operations	(6,130)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions from Members	<u>7,085</u>
Net cash provided by financing activities	<u>7,085</u>
Net increase in cash and cash equivalents	955
Cash and cash equivalents - beginning of the year	<u>841</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,796</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Notes to Financial Statements
December 31, 2022

NOTE 1 – NATURE OF ORGANIZATION

Hydralive Franchising, LLC (“the Company”) is a limited liability company registered in the state of Alabama and formed on December 2, 2019. The sole member of the Company is Hydralive Holdings, LLC. The Company is organized to engage in the business of franchising and selling franchises under the name “Hydralive” for hydration therapy and all related services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and reflect industry practices.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided by, the Company. Members are taxed individually on their share of the Company’s earnings. The Company’s net income or loss is allocated among the members in accordance with the limited liability company agreement.

On February 12, 2021, the Alabama Electing Pass-Through Entity Tax Act was signed into law allowing pass-through entities in the state of Alabama to elect to pay Alabama income tax at the entity level for years beginning on or after January 1, 2021. Pass-through entities electing to pay state income tax at the entity level must make quarterly estimated tax payments. During 2022, the Company did not make any estimated tax payments.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

The Company maintains its cash and cash equivalents in bank deposit accounts with high credit quality national, regional and local financial institutions, which, at various times during the years ended December 31, 2022, may have exceeded federally insured limits. The Company has not experienced and does not anticipate any credit losses on these deposits.

Hydralive Franchising, LLC
Notes to Financial Statements
December 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP). The Company implemented the updated beginning January 1, 2019.

As stated in Note 1, the Company sells franchises under the name “Hydralive” for a fixed fee, with the opportunity to open additional franchises within specific development areas. Additionally, the Company receives licensing fees related to the gross receipts of the franchisee. The Company recognizes licensing fees when a franchise unit is opened.

As of December 31, 2022, the Company has one current franchisee, and, as a result, the Company had revenues of \$1,503 for the year ended December 31, 2022. The company is hoping to sell additional franchises in the near future. As evidenced by the capital contributions made by the members in both 2022 and 2021, the members are prepared to inject additional capital in the future if needed.

Accounting pronouncements adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)*. Under ASU 2016-02, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures in the financial statements. In July 2018, the FASB issued ASU 2018-11 *Leases (Topic 842) Targeted improvements*, which provides for the modified retrospective transition approach and using the additional (and optional) transition method in the year of adoption of the standard. This method permits recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption in lieu of presenting comparative information for each period reported in the financial statements.

The Company adopted ASU 2016-02 and ASU 2018-11, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method. The Company evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was required and concluded that no cumulative adjustment was necessary.

As part of the transition, the Company implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases
- Election not to reassess the lease classification for any expired or existing leases
- Election not to reassess initial direct costs on any existing leases

Hydralive Franchising, LLC
Notes to Financial Statements
December 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting pronouncements adopted – Continued

Other practical expedients:

- Election whereby the lease and non-lease components will not be separated for leases of office space, warehouses and vehicles.
- Election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.

The implementation did not result in the recognition of any ROU assets and liabilities and there was no significant effect on the results of operations or cash flows for the year ended December 31, 2022.

NOTE 3 – TRADEMARKS

The Company accounts for trademarks in accordance with FAS No. 142. Trademarks are stated at cost and are included on the balance sheet for the remainder of their useful lives. The trademarks included on the balance sheet are considered to have indefinite useful lives and are therefore not amortized. Total trademark assets at December 31, 2022 totaled \$26,703.

NOTE 4 – RELATED PARTY TRANSACTIONS

Due from related party consists of a balance owed from Revive Hydration Therapy for operating expenses paid by the Company. Revive Hydration Therapy is wholly owned by K & B Industries, LLC, which shares common ownership with the Company.

NOTE 5 – SUBSEQUENT EVENTS

The Company evaluated its December 31, 2022 financial statements for subsequent events through the date of the auditor's report, which is the date that the financial statements were available to be issued.

HYDRALIVE FRANCHISING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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DiPiazza LaRocca Heeter & Co, LLC
510 Office Park Drive • Suite 100
Birmingham, AL 35223
205.871.9973
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INDEPENDENT AUDITOR'S REPORT

To the Members of
Hydralive Franchising, LLC

Opinion

We have audited the accompanying financial statements of Hydralive Franchising, LLC (an Alabama corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of income, members' equity, 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 Hydralive Franchising, LLC as of December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hydralive Franchising, 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 Hydralive Franchising, 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.

DiPiazza LaRocca Heeter & Co., LLC

DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

June 2, 2022

Hydralive Franchising, LLC
Balance Sheet
December 31, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 841
Due from related party	<u>139,098</u>
Total current assets	139,939
Long term assets	
Trademark	<u>26,703</u>
Total long term assets	<u>26,703</u>
Total assets	<u><u>\$ 166,642</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	
Accounts payable	\$ <u>1,214</u>
Total current liabilities	1,214
Members' equity	<u>165,428</u>
Total liabilities and members' equity	<u><u>\$ 166,642</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Income Statement
For the year ended December 31, 2021

Revenues

License fees \$ -

Total revenues -

Expenses

Professional fees 5,996

Accountant 2,775

Other 670

Total expense 9,441

Operating income (9,441)

Interest income -

Interest expense -

Net income \$ (9,441)

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Statement of Members' Equity
For the year ended December 31, 2021

Balance as of January 1, 2021	\$ 160,069
Net income	<u>(9,441)</u>
Contributions	<u>14,800</u>
Balance as of December 31, 2021	<u><u>\$ 165,428</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Statement of Cash Flows
For the year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ (9,441)
Depreciation and amortization	-
Changes in assets and liabilities:	
Due from related party	
Due to related party	
Due from related parties	-
Accounts payable	<u>(4,786)</u>
Net cash used for operations	(14,227)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions from Members	<u>14,800</u>
Net cash provided by financing activities	14,800
Net decrease in cash and cash equivalents	573
Cash and cash equivalents - beginning of the year	<u>268</u>
Cash and cash equivalents - end of the year	<u><u>\$ 841</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Notes to Financial Statements
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION

Hydralive Franchising, LLC (“the Company”) is a limited liability company registered in the state of Alabama and formed on December 2, 2019. The sole member of the Company is Hydralive Holdings, LLC. The Company is organized to engage in the business of franchising and selling franchises under the name “Hydralive” for hydration therapy and all related services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and reflect industry practices.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided by, the Company. Members are taxed individually on their share of the Company’s earnings. The Company’s net income or loss is allocated among the members in accordance with the limited liability company agreement.

On February 12, 2021, the Alabama Electing Pass-Through Entity Tax Act was signed into law allowing pass-through entities in the state of Alabama to elect to pay Alabama income tax at the entity level for years beginning on or after January 1, 2021. Pass-through entities electing to pay state income tax at the entity level must make quarterly estimated tax payments. During 2021, the Company did not make any estimated tax payments.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Hydralive Franchising, LLC
Notes to Financial Statements
December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition

As stated in Note 1, the Company sells franchises under the name “Hydralive” for a fixed fee, with the opportunity to open additional franchises within specific development areas. Additionally, the Company receives licensing fees related to the gross receipts of the franchisee. The Company recognizes licensing fees when a franchise unit is opened.

The Company received licensing fees from one franchisee during 2020, which was later purchased by the sole member Hydralive Holdings, LLC, ceasing the franchisee’s operations until further notice. Accordingly, no revenue was recognized or received in 2021.

Accounting pronouncements adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606), and ASU 2016-10 *Identifying Performance Obligations and Licensing*. ASU 2014-09 is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2016-10 provides guidance on how an entity will determine whether promised goods or services are separately identifiable, which is an important consideration in determining whether to account for goods or services as separate performance obligations. The Company implemented the updates beginning January 1, 2019.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows* (Topic 230) *Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Early application of the amendments in this update is permitted. The Company implemented ASU No. 2016-15 beginning January 1, 2020.

Subsequent Events

The Company evaluated its December 31, 2021 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact operations and future revenues. Other financial impacts that could occur are uncertain at this time.

NOTE 3 - RELATED PARTY TRANSACTIONS

Due from related party consists of a balance owed from Revive Hydration Therapy for operating expenses paid by the Company. Revive Hydration Therapy is wholly owned by K & B Industries, LLC, which shares common ownership with the Company.

Hydralive Franchising, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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DiPiazza LaRocca Heeter & Co, LLC
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INDEPENDENT AUDITOR'S REPORT

Members
Hydralive Franchising, LLC

We have audited the accompanying financial statements of Hydralive Franchising, LLC which comprise the balance sheet as of December 31, 2020 and the related statements of income, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hydralve Franchising, LLC as of December 31, 2020, 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.

D. Piazza LaRocca Heeter & Co., LLC

DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

May 25, 2021

Hydralive Franchising, LLC
Balance Sheet
December 31, 2020

ASSETS

Current assets	
Cash and cash equivalents	\$ 267
Due from related party	<u>139,098</u>
Total current assets	139,365
Long term assets	
Trademark	<u>26,703</u>
Total long term assets	<u>26,703</u>
Total assets	<u><u>\$ 166,068</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	
Accounts payable	\$ <u>6,000</u>
Total current liabilities	6,000
Members' equity	<u>160,068</u>
Total liabilities and members' equity	<u><u>\$ 166,068</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Income Statement
For the year ended December 31, 2020

Revenues

License fees	\$ <u>29,651</u>
Total revenues	29,651

Expenses

Professional fees	6,965
Accountant	6,000
Other	<u>656</u>
Total expense	<u>13,621</u>

Operating income 16,030

Interest income	362
Interest expense	<u>(2,204)</u>

Net income \$ 14,188

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Statement of Members' Equity
For the year ended December 31, 2020

Balance as of January 1, 2020	\$ 145,880
Net income	<u>14,188</u>
Balance as of December 31, 2020	<u><u>\$ 160,068</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Statement of Cash Flows
For the year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 14,188
Changes in assets and liabilities:	
Due from related parties	(2,952)
Accounts payable	<u>(14,779)</u>
Net cash used for operations	<u>(3,543)</u>
Net decrease in cash and cash equivalents	(3,543)
Cash and cash equivalents - beginning of the year	<u>3,810</u>
Cash and cash equivalents - end of the year	<u><u>\$ 267</u></u>

See accompanying notes to financial statements.

Hydralive Franchising, LLC
Notes to Financial Statements
December 31, 2020

NOTE 1 – NATURE OF ORGANIZATION

Hydralive Franchising, LLC (“the Company”) is a limited liability company registered in the state of Alabama and formed on December 2, 2019. The sole member of the Company is Hydralive Holdings, LLC. The Company is organized to engage in the business of franchising and selling franchises under the name “Hydralive” for hydration therapy and all related services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and reflect industry practices.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided by, the Company. Members are taxed individually on their share of the Company’s earnings. The Company’s net income or loss is allocated among the members in accordance with the limited liability company agreement.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Hydralive Franchising, LLC
Notes to Financial Statements
December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition

As stated in Note 1, the Company sells franchises under the name “Hydralive” for a fixed fee, with the opportunity to open additional franchises within specific development areas. Additionally, the Company receives licensing fees related to the gross receipts of the franchisee. The Company recognizes licensing fees when a franchise unit is opened.

The Company received licensing fees from one franchisee during 2020, which was later purchased by the sole member Hydralive Holdings, LLC, ceasing the franchisee’s operations until further notice.

Accounting pronouncements adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606), and ASU 2016-10 *Identifying Performance Obligations and Licensing*. ASU 2014-09 is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2016-10 provides guidance on how an entity will determine whether promised goods or services are separately identifiable, which is an important consideration in determining whether to account for goods or services as separate performance obligations. The Company implemented the updates beginning January 1, 2019.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Early application of the amendments in this update is permitted. The Company implemented ASU No. 2016-15 beginning January 1, 2020.

Subsequent Events

The Company evaluated its December 31, 2020 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact operations and future revenues. Other financial impacts that could occur are uncertain at this time.

NOTE 3 - RELATED PARTY TRANSACTIONS

Due from related party consists of a balance owed from Revive Hydration Therapy for operating expenses paid by the Company. Revive Hydration Therapy is wholly owned by K & B Industries, LLC, which shares common ownership with the Company.

EXHIBIT "B" TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES & AREA DEVELOPERS

**LIST OF FRANCHISEES
(As of Issuance Date)**

FRANCHISEE	ADDRESS	PHONE
Georgia		
JM Wellness, LLC	3501 Masee Ln Suite D, Columbus, GA 31909	(762) 524-7470

**LIST OF CURRENT AREA DEVELOPERS
(As Of Issuance Date)**

FRANCHISEE	ADDRESS	PHONE
None		

LIST OF PARENT AND LICENSEE CLINICS*

**List of Parent Locations
(As of Issuance Date)**

NAME*	ADDRESS	PHONE
Alabama		
Hydralive Holdings LLC	3036 Independence Drive Homewood, AL 35209	(205) 848-8829
Hydralive Holdings LLC	710 22nd Avenue Tuscaloosa, AL 35401	(205) 751-1021
Hydralive Holdings LL**C	1801 Doug Baker Blvd. Birmingham, AL 35243	(205) 747-0793
Georgia		
Hydralive Holdings LLC	1737A S Lumpkin St. Athens, GA 30606	(706) 920-5527

**Opened March 13, 2023

**List of Licensee Locations
(As of Issuance Date)**

NAME*	ADDRESS	PHONE
Georgia		
Michael Crowder	12635 Crabapple Rd #140 Milton, GA 30004	(470) 359-4815

* Although franchisor does not operate any company owned locations, as of the Issuance Date our parent operates four similar locations (three in Alabama and one in Georgia), and a fifth location in Milton, Georgia is operated by a licensee.

EXHIBIT "C" TO THE DISCLOSURE DOCUMENT

FRANCHISEES WHO HAVE LEFT THE SYSTEM

List of Former Franchisees

FRANCHISEE	ADDRESS	PHONE
None		

EXHIBIT “D” TO THE DISCLOSURE DOCUMENT

**FORM OF
CONFIDENTIAL OPERATING MANUAL
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Total Pages: 150

EXHIBIT “E” TO THE DISCLOSURE DOCUMENT

**FORM OF
KEY-EMPLOYEE MANAGER CONFIDENTIALITY AGREEMENT**

KEY-EMPLOYEE MANAGER CONFIDENTIALITY AGREEMENT

**CONFIDENTIALITY AGREEMENT AND
ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into _____, 20__, between Hydralive Franchising LLC A Georgia Limited Liability Company (“Franchisor”), and if applicable, _____ (“Franchisee) and _____ (“Employee”).

RECITALS

WHEREAS, Franchisor, as a result of the expenditure of time, skill, and money, has developed and is continuing to develop a system (the “System”) for the development and operation of franchises under the name and Mark “Hydralive” (“hereinafter “Business” or sometimes “Franchised Business”); and

WHEREAS, Franchisor identifies the System through certain trade names, trademarks, services marks, symbols, logos, emblems and indicia of origin, including, without limitation, the name “Hydralive” and other such trade names, trademarks and service marks as Franchisor may develop in the future for the purpose of identifying for the public the sources of services and products marketed under such marks and under the System and representing the System’s high standards of quality, appearance and service, all of which may be changed, improved and further developed by Franchisor from time to time (collectively, the “Trade Secrets”); and

WHEREAS, the Trade Secrets provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by Franchisor’s competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, Franchisor has granted Franchisee a limited right pursuant to a Franchise Agreement to operate a Franchised Business using the System and the Trade Secrets for the period defined in the Franchise Agreement; and

WHEREAS, Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to the Franchisee and other licensed users of the System of restricting use, access and dissemination of the Trade Secrets; and

WHEREAS, it will be necessary for certain employees of Franchisee to have access to and use some or all of the Trade Secrets in the management and operation of Franchisee’s Business using the System; and

WHEREAS, Franchisee has agreed to obtain from those employees written agreements protecting the Trade Secrets and System against unfair competition; and

WHEREAS, Employee wishes to remain, or wishes to become, an employee of Franchisee; and

WHEREAS, Employee wishes and needs to receive and use the Trade Secrets in the course of his/her employment to effectively perform his/her services for Franchisee; and

WHEREAS, Employee acknowledges that receipt of and the right to use the Trade Secrets in the course of his/her employment to effectively perform his/her services for Franchisee; and

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

Confidentiality Agreement

1. Franchisor and/or Franchisee shall disclose to Employee some or all of the Trade Secrets relating to the System.

2. Employee shall receive the Trade Secrets in confidence, maintain them in confidence and use them only in the course of his/her employment by Franchisee and only in connection with the management and/or operation by Franchisee of the Franchised Business using the System for so long as Franchisee is licensed by Franchisor to use the System.

3. Employee shall not at any time make copies of any documents or compilations containing some or all the Trade Secrets without Franchisor's express written permission.

4. Employee shall not at any time disclose or permit the disclosure of the Trade Secrets except to other employees of Franchisee and then only to the limited extent necessary to train or assist other employees of Franchisee in the management or operation of a Franchised Business using the System.

5. Any and all information, know-how, knowledge, techniques and materials made available by Franchisor or by Franchisee under the Franchise Agreement, including without limitation, specifications, guidelines, procedures, items to be offered for sale, computer software, forms and compilations of data all of which shall be deemed confidential Trade Secrets for the purposes of this Agreement.

6. Employee shall surrender the Confidential Operation's Manual and such other manuals and written materials as Franchisor shall have developed ("Manual") described in the Franchise Agreement and any other written material containing some or all of the Trade Secrets to the Franchisee or Franchisor upon request, or upon termination of employment by Franchisee, or upon conclusion of the use for which the Manual or other information or material may have been furnished to the Employee.

7. Employee shall not, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System.

8. The Manual is loaned by Franchisor to Franchisee for limited purposes only and remains the property of Franchisor and may not be reproduced, in whole or in part, without the Franchisor's written consent.

Covenants Not to Compete:

1. To protect the goodwill and unique qualities of the System and confidentiality and value of the Trade Secrets, and in consideration for the disclosure to Employee further undertakes

and covenants that while he/she is employed by Franchisee, he/she will not:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer or any Franchisor business to any competitor.

b. Own, maintain, engage in or have any interest in any business (other than the Franchised Business) which is the same as or similar to the Franchised Business including, but not limited to, service that features any item offered by the Franchised Business, including but not limited to, intravenous hydration therapy, medications and vitamins and related services and/or products similar to or competitive with the Franchised Business.

2. In further consideration for the disclosure to Employee of the Trade Secrets and to protect the uniqueness of the System, Employee agrees that for two (2) years following the earlier of the expiration, termination or transfer of all Franchisee's interest in the Franchise Agreement or the termination of his/her relationship with Franchisee, the Employee will not, without prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of any Franchisor business to any competitor.

b. Own, maintain, engage in or have any interest in any business which is the same or similar to the Franchised Business including, but not limited to, any type of hydration therapy and related services to individuals for multiple purposes, including but not limited to, assistance from illnesses, athletic activities and hangovers and/or products similar to or competitive with the Franchised Business which is located within fifty (50) miles of the Franchised Business, or provides such services to customers within fifteen (15) miles of the perimeter of any Protected Territory of any franchisee operating under the System.

3. Divulge any trade secrets or proprietary information of the Franchisor or Franchised Business.

Miscellaneous

1. Franchisee undertakes to use his/her/its best efforts to ensure that Employee acts as required by this Agreement.

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

3. Employee agrees to pay all expenses (including court costs and reasonable attorney fees) incurred by Franchisor or the Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of this Agreement by Employee shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Employee.

5. EXCEPT AS STATED BELOW, EMPLOYEE HEREBY IRREVOCABLY SUBMITS HIMSELF/HERSELF TO THE JURISDICTION OF THE STATE COURTS OF THE COUNTY OF JEFFERSON, ALABAMA AND THE FEDERAL DISTRICT COURT FOR THE NORTHER DISTRICT OF ALABAMA IN BIRMINGHAM, ALABAMA. EMPLOYEE HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. EMPLOYEE HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM/HER IN ANY LEGAL PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY ALABAMA OR FEDERAL LAW. EMPLOYEE FURTHER AGREES THAT VENUE FOR ANY LEGAL OR EQUITABLE PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE BIRMINGHAM, ALABAMA; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT WHICH HAS JURISDICTION. WITH RESPECT TO ALL CLAIMS, CONTROVERSIES, DISPUTES OR ACTIONS, THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUCTED UNDER ALABAMA LAW.

6. The parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Employee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separated, stated in, and made a part of this Agreement.

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

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage pre-paid or commercial airborne carrier service for next day delivery to the respective parties.

If directed to Franchisor, the notice shall be addressed to:

Hydralive Franchising LLC
3500 Independence Drive Suite 200
Homewood, AL 35209

If directed to the Franchisee, the notice shall be addressed to:

Facsimile: (____) _____

If directed to the Employee, the notice shall be addressed to:

Facsimile: (____) _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by commercial airborne carrier service for next day delivery shall be deemed delivered two (2) business days after being placed in the hands of the commercial airborne carrier service. Any notices sent by expedited delivery service or certified or registered mail shall be deemed given three (3) business days after the time of mailing. Any change in the above addresses shall be completed by giving fifteen (15) days written notice of such change to the other party. Business day shall be defined as any day other than Saturday, Sunday or any recognized U.S. national holiday.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its successors, assigns and transferees. The respective obligations of the Franchisee and the Employee hereunder may not be assigned by the Franchisee or Employee, as applicable, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by signatures below.

FRANCHISOR:

Hydralive Franchising LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

EMPLOYEE:

_____ (Legal Seal)

Signature

Name: _____

EXHIBIT "F" TO THE DISCLOSURE DOCUMENT

**LIST OF STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS**

State Agencies/Agents for Service of Process		
STATE	ADDRESS	PHONE
California - Los Angeles Department of Financial Protection and Innovation	320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344	213-576-7500
California – Sacramento Department of Financial Protection and Innovation	2101 Arena Blvd. Sacramento, CA 95834	916-445-7205
California - San Diego Department of Financial Protection and Innovation	1455 Frazee Road, Suite 315 San Diego, CA 92108	619-610-2093
California - San Francisco Department of Financial Protection and Innovation	One Sansome Street, Suite 600 San Francisco, CA 94104-4428	415-972-8565
Hawaii Commissioner of Securities	335 Merchant Street, Room 203 Honolulu, HI 96813-2921	808-586-2722
Illinois Illinois Attorney General	500 South Second Street Springfield, IL 62706	217-782-4465
Indiana Secretary of State	200 W. Washington Street, Room 201 Indianapolis, IN 46204	317-232-6681
Maryland Administrator: Office of the Attorney General Securities Division Agent for Service of Process Maryland Securities Commissioner	200 St. Paul Place, 20th Floor Baltimore, MD 21202-2020 200 St. Paul Place Baltimore, MD 21202-2020	410-576-6360
Michigan Department of Commerce, Corporations and Securities Bureau	525 W. Ottawa Street Lansing, MI 48913	517-373-7117
Minnesota Minnesota Commissioner of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198	651-539-1600
New York Administrator: New York State Department of Law Investor Protection Bureau Agent for Service of Process Secretary of State	28 Liberty Street, 21 st Floor New York, NY 10005 99 Washington Avenue Albany, NY 1223	212-416-8222 212-416-8211
North Dakota North Dakota Securities Commissioner	600 East Boulevard Avenue, State Capital, 5th Floor Bismarck, ND 58505	701-328-2910
Rhode Island Department of Business Regulation	1511 Pontiac Avenue Cranston, RI 02920	401-462-9587
South Dakota Director of Division of Securities	124 S. Euclid Ave., Suite 104 Pierre, SD 57501-3185	605-773-3563
Virginia Clerk of the State Corporation Commission	1300 E. Main Street, 1 st Floor Richmond, VA 23219-3630	804-371-9051
Washington Dept. of Financial Institutions Securities Division	P.O. Box 9033 Olympia, WA 98501	360-902-8760

EXHIBIT “G” TO THE DISCLOSURE DOCUMENT

**FORM OF
FRANCHISE AGREEMENT**

FRANCHISE AGREEMENT

HYDRALIVE FRANCHISING LLC

FRANCHISE AGREEMENT

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Exhibit “G-Five”	Local Advertising and Marketing Services Agreement

HYDRALIVE FRANCHISING LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is effective as of the ____ day of _____, 20__ (the “Agreement Date”). The parties to this Agreement are Hydralive Franchising LLC, a Georgia limited liability company, with its principal business address at 3500 Independence Drive, Suite 200, Homewood, AL 35209 (referred to in this Agreement as “Franchisor,” “we,” “us” or “our”), and _____, whose principal business address is _____ (referred to in this Agreement as “Franchisee,” “you” or “your”).

1. Introduction.

1.1 Our Franchise.

We and our affiliate have expended considerable time and effort in developing our franchise system featuring a business that offers hydration therapy and related services to individuals for multiple purposes, including but not limited to, assistance in recovering from illnesses, athletic activities and hangovers and/or products we may designate from time to time. We operate under the Marks (defined below) and under distinctive business formats, methods, procedures, designs, layouts, signs, equipment, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (collectively, the “System”).

We use, promote and license certain trademarks, services marks and other commercial symbols in the operation of our Franchised Clinics, including the trade name, trademarks and service marks “Hydralive” and other associated designs, artwork and trade dress, which have gained and continue to gain public acceptance and goodwill, and we may create, use and license additional or substitute, trademarks, service marks and commercial symbols in conjunction with the operation of a Franchised Clinic (collectively, the “Marks”). We grant to persons who meet our qualifications and are willing to undertake the investment and effort to own and operate a Franchised Clinic offering the products and services we authorize and approve and utilizing the System. You have applied for a franchise to own and operate one Franchised Clinic.

1.2 Confirmations.

You confirm and agree that:

a. you understand and accept the terms, conditions and covenants contained in this Agreement as being necessary to maintain our high standards of quality and service and the uniformity of those standards at each Franchised Clinic and to protect and preserve the goodwill of the Marks;

b. you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by the Franchised Clinic may evolve and change over time;

c. in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such person as a result of this Agreement are solely between you and us;

d. we have provided to you a copy of our Franchise Disclosure Document at least 14 calendar days prior to the execution of the Franchise Agreement or our receipt of any consideration from you.

1.3 Representations.

You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. We have approved your request to purchase a franchise partially in reliance on all of your representations.

1.4 Business Organization and Ownership Information.

If you have obtained our prior approval and Franchisee is a corporation, partnership, Limited Liability Company or other form of legal entity, Franchisee and the owners agree, represent, and warrant and covenant that:

a. you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

b. your organizational or governing documents will recite that the issuance and transfer of any ownership interests by you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

c. Franchisee shall provide to Franchisor prior to the execution of this Agreement, true and correct copies, as applicable, of Franchisee's articles of incorporation, by laws, partnership agreement, articles of organization and limited liability company operating agreement, or limited liability company agreement and other governing documents and amendments thereto, as well as resolutions of the Board of Directors, partners or members authorizing entry into and performance of this Agreement. During the term of this Agreement, Franchisee shall promptly provide to Franchisor true and correct copies of any amendments or other changes to such governing documents. No such documents shall contain any provision that is contrary to or inconsistent with any provision of this Agreement;

d. you and your owners agree to revise the Principal Owner's Statement as may be necessary to reflect any ownership changes and to furnish such other information about your organization or formation as we may request (no ownership changes may be made without our approval, which shall not be unreasonably withheld);

e. a Principal Owner of the Business Entity (with ownership of at least 10% of its voting securities) must: (i) have management responsibility and authority over the Franchised Clinic on a day-to-day basis; (ii) oversee the Franchised Clinic operations; (iii) be bound by our then-current form of Confidentiality Agreement (or other form satisfactory to us); and (iv) satisfactorily complete our initial training program and any other training programs we request during the term.

f. each of your owners during the term of this Agreement will sign and deliver to us our standard form of Principal Owner's Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. A copy of our current form of Principal Owners Guaranty is attached to the Franchise Disclosure Document. The spouse of each of your owners will execute a spousal consent in the form attached hereto as Exhibit G-Three.

2. Grant and Term.

2.1 Term.

The term of the Franchise and this Agreement begins on the Agreement Date and expires 10 years and six months from the Agreement Date. This Agreement may be terminated before it expires in accordance with its terms.

2.2 Grant.

Subject to the terms of and upon the conditions contained in this Agreement, we grant you a franchise (the "Franchise") to: (a) operate one Franchised Clinic at the Site, and at no other location (temporary or permanent); (b) use the Marks solely in connection with operating the Franchised Clinic; and (c) use the System in its operation. Except as set forth in Paragraph 2.4 and its subparagraphs below, as long as you are in compliance with this Agreement, we will not grant a franchise to anyone else to operate, or ourselves operate, a Franchised Clinic within the Protected Territory.

2.3 Performance.

You agree that you will at all times faithfully, honestly and diligently perform your obligations, continuously exert your best efforts to promote and enhance the Franchised Clinic and not engage in any other business or activity that conflicts with your obligations to operate the Franchised Clinic in compliance with this Agreement. You may not operate the Franchised Clinic from any location other than the Site without our prior written consent. At all times, either you or one of your Principal Owners must meet our qualifications for management responsibility and authority over the operations of the Franchised Clinic. In addition, at all times the Franchised Clinic must be managed by a general manager who has satisfactorily completed our Initial Training program.

2.4 Rights We Reserve.

Notwithstanding any of the foregoing, we (and our affiliate) retain the right in our sole discretion to:

a. establish, and grant to other franchisees the right to establish, Franchised Clinics anywhere outside the Protected Territory, on such terms and conditions as we deem appropriate (even immediately outside the border of the Protected Territory), but not within the Protected Territory of your Franchised Clinic you open under this Agreement and continue to operate under it;

b. operate, and grant franchises to others to operate, businesses, whether inside or outside the Protected Territory, specializing in the sale of products or providing services, other than a Competitive Business or a Franchised Clinic, using certain of the Marks and pursuant to such terms and conditions as we deem appropriate;

c. operate, and grant franchises to others to operate, businesses or provide other services, whether inside or outside the Protected Territory, that do not use any of the Marks;

d. market and sell, inside and outside of the Protected Territory, through channels of distribution (like mail order, Internet or Intranet, website or other forms of e-commerce or retail or convenience clinics or kiosks), or through special purpose sites including military bases, public transportation facilities, race tracks, airports, or buildings on college or university campuses, amusement and theme parks, and through sites which are covered or closed traffic, malls, all of which are designated (“Sites We Reserve”). Sites We Reserve are not protected and are not part of your Protected Territory; and

e. you agree that we have the right, now, or in the future, to purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business regardless of the location of that chain’s or business’ facilities, and to operate, franchise or license those businesses and/or facilities as “a Franchised Clinic” operating under the Marks or any proprietary marks or any of their marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be within the “Protected Territory” or proximate thereto, or proximate to any of the Franchisee’s locations).

f. You acknowledge and agree that we own all business records and databases, whether in print, electronic or other form, related to the Hydralive franchised business, including without limitation, Customer List, Customer Data and all other Business Records Franchisee creates and maintains. Franchisor has the right to contact Franchisee’s former and current customers to ascertain their level of satisfaction. We hereby grant Franchisee a license to use the Business Records during the term of this Agreement. Franchisee may not use the Business Records for any purpose whatsoever other than in the normal conduct of the Hydralive franchised business, and Franchisee may not sell, loan or give the Business Records, including without limitation, Customer Data, to anyone without Franchisor’s written permission. Upon termination or expiration of this Agreement, Franchisee must promptly deliver to Franchisor all Business Records in Franchisee’s possession, including without limitation, any hard or electronic copies.

We will have the right to assign this agreement, and all of its rights and privileges under this agreement, to any person, firm, corporation or other entity.

You agree and affirm that we may sell our self, our assets, Marks or other proprietary marks and/or our System to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or other entities, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of Franchisor’s name(s), Marks, proprietary marks (or any variation thereof) and system and/or the loss of association with or identification of “Hydralive” as Franchisee under this Agreement. You specifically release any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

If we assign our rights in this Agreement, nothing herein shall be deemed to require us to remain in the same or similar business or any business which we now conduct or to offer to sell to you any items, products or services similar to those franchised hereunder.

3. Successor Terms.

3.1 Your Right to Acquire a Successor Franchise.

This Agreement expires 10 years from the Agreement Date. Upon expiration, if you (and each of your owners) have substantially complied with this Agreement during its term, and provided that:

a. you maintain possession of and agree to remodel and/or expand the Franchised Clinic, add or replace improvements, equipment and signs and otherwise modify the Franchised Clinic as we require to bring it into compliance with specifications and standards then applicable for clinic franchises; or

b. if you are unable to maintain possession of the Site, or if in our judgment the Franchised Clinic should be relocated, you must secure substitute premises accepted by us, develop such premises in compliance with specifications and standards then applicable for a Franchised Clinic and continue to operate the Franchised Clinic at the Site until operations are transferred to the substitute premises, then, subject to the terms and conditions set forth in this Section 3, you will have the privilege to apply for successor franchises to operate the then existing Franchised Clinic as a Franchised Clinic (each a "Successor Franchise"), for two additional 5-year periods for each successor franchise agreement on the terms and conditions of the franchise agreement we are then using in granting Successor Franchises for Franchised Clinics, which may contain materially different terms and conditions than this Agreement.

3.2 Grant of a Successor Franchise.

a. Your Election: You agree to give us written notice of your election to acquire a Successor Franchise during the first 90 days of the 10th year of this Agreement or during the first 90 days of the 5th year of the term of any 5-year Successor Franchise. We agree to give you written notice ("Response Notice"), not more than 90 days after we receive your notice, of our decision:

(i) to grant you a Successor Franchise;

(ii) to grant you a Successor Franchise on the condition that deficiencies of the Franchised Clinic, or in your operation of Franchised Clinics are corrected; or

(iii) not grant you a Successor Franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term.

b. Response Notice: If applicable, our Response Notice will:

(i) describe the remodeling and/or expansion of the Franchised Clinic and other improvements or modifications required to bring the Franchised Clinic into compliance with the applicable specifications and standards for Franchised Clinics; and

(ii) state the actions you have to take to correct operating deficiencies and the time period in which such deficiencies must be corrected.

If we elect not to grant a Successor Franchise, the Response Notice will describe the reasons for our decision. Your right to acquire a Successor Franchise is subject to your continued compliance with all of your terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in the Response Notice.

c. Deficiencies: If our Notice states that you must cure certain deficiencies of your Franchised Clinic or its operation as a condition to the grant of a Successor Franchise, we will give you written notice of a decision not to grant a Successor Franchise unless you cure such deficiencies, not less than 90 days prior to the expiration of this Agreement. However, we will not be required to give you such notice if we decide not to grant you a Successor Franchise due to your breach of this Agreement during the 90-day period prior to its expiration. If we fail to give you:

(i) notice of deficiencies pertaining to the Franchised Clinic, or in your operation of the Franchised Clinic, within 90 days after we receive your timely election to acquire a Successor Franchise; or

(ii) notice of our decision not to grant a Successor Franchise at least 90 days prior to the expiration of this Agreement, if such notice is required.

We may extend the term of this Agreement for such period of time as is necessary in order to provide you with either reasonable time to correct deficiencies or 90 days' notice of our refusal to grant a Successor Franchise.

3.3 Agreements/Releases.

If you satisfy all of the other conditions to the grant of a Successor Franchise, you and your owners agree to execute the form of franchise agreement and any ancillary agreements we are then customarily using in connection with the grant of Successor Franchises for Franchised Clinics. You and your owners further agree to execute general releases, in the form attached to the Franchise Disclosure Document, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns. Failure by you or your owners to sign such agreements and releases and deliver them to us for acceptance and execution within 60 days after their delivery to you will be deemed an election not to acquire a Successor Franchise.

3.4 Training and Refresher Programs.

Our grant of a Successor Franchise is also conditioned on the satisfactory completion by you (or and Operating Partner of yours approved by us) of any new training and refresher programs as we may reasonably/require. You are responsible for travel, living and compensation costs of attendees.

3.5 Subsequent Successor Franchises.

Any fees and other conditions for any later granting of subsequent Successor Franchises will be governed by the Successor Franchise agreement (then in existence).

3.6 Fees and Expenses.

We currently do not charge a fee for our Successor Franchise.

4. Site Selection and Development.

4.1 Site/Protected Territory.

You have applied for a franchise to own and operate one Franchised Clinic only at a location we have accepted (the "Site"). During the period ending on the 45th day following the date you sign

this Franchise Agreement (the “Site Selection Period”), you must identify, submit to us for acceptance, and obtain our acceptance of the Site. During the Site Selection Period, we will not ourselves, nor grant a franchise to someone else to, open and operate a Franchised Clinic at a fixed location inside the Site Selection Area. During the Site Selection Period, you must adhere to the following time schedule:

a. Site Selection Area:

During the first 15 days of the Site Selection Period, you must obtain our acceptance of an intersection of streets or other landmark that will form the center (the “Center”) of the Site Selection Area. The Site Selection Area (the “Site Selection Area”) will, following our acceptance of the Site, consist of the geographic area containing a minimum population of 75,000 people with a minimum annual income between \$60,000 to \$70,000 (as determined by our third party mapping software current demographics), or a radius of 3 miles whichever is less as assigned by us based upon your franchise business address approved by us. When the Site and Site Selection Area are determined, we will complete Exhibit “G-One” and provide a copy of it to you.

b. Site Identification:

Prior to the 45th day following the Agreement Date, you must identify your proposed Site (which must be located within the Site Selection Area) and submit it to us for our acceptance. If we notify you that we will not accept that proposed Site, you must, within the next 15 days of our notice rejecting that proposed Site (but prior to the expiration of the Site Selection Period), identify and submit to us an alternative proposed Site, for our review and acceptance within the Site Selection Area.

c. Site Acceptance:

We are not obligated to evaluate or accept any proposed Site submitted to us for acceptance after the expiration of the Site Selection Period or outside the Site Selection Area. Once you have identified the Site and we have accepted it, and the lease has been reviewed and is acceptable to us, we will complete Exhibit “G-Two” and provide it to you. If you have not identified and obtained our acceptance of a Site prior to signing this Agreement, you (with or without our assistance) must, within the Site Selection Period, identify, submit to us and obtain our acceptance (in our sole judgment) of a Site for your franchised location located within the Site Selection Area. However, if as of the expiration of the Site Selection Period we have yet to notify you whether we will accept or reject a Site that was submitted to us for review during the Site Selection Period, we will have 15 days following the end of the Site Selection Period to notify you of our decision to accept or reject that proposed Site. If we do not accept a Site during that 15-day period following the Site Selection Period, we will not be obligated to permit you to submit an alternative proposed Site to us.

d. Protected Territory:

Upon our acceptance of the Site and lease, we will designate the “Protected Territory” in Exhibit “G-Two” which is attached hereto and made a part hereof. After our acceptance of the Site, and the lease has been reviewed and is acceptable to us, we will insert that Site and the Protected Territory into in Exhibit “G-Two” hereto and send a copy to you.

4.2 Site Evaluation.

Each proposed Site must be evaluated by us or by a professional site analyst that we have

approved. The Site must meet our criteria, with which we will provide you, for demographic characteristics, traffic patterns, parking, competition from and proximity to other businesses and other Franchised Clinics, the nature of other businesses in proximity to the site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed site. We retain the right to accept or reject the floor plan for your site. We will accept or reject a Site you propose for a Franchised Clinic within 15 days. We may rely entirely on the site analysis in doing so. You acknowledge and agree that:

a. our recommendation or acceptance of the Site, the Site Selection Area, or the Protected Territory does not imply, guaranty, assure, warrant or predict profitability or success, express or implied;

b. our recommendation or acceptance of the Site indicates only that we believe that the Site, the Site Selection Area and the Protected Territory fall within the acceptable demographic and other criteria for site selection areas, sites and premises or protected territories that we have established as of the time of our recommendation or acceptance of the Site, Site Selection Area or Protected Territory;

c. application of criteria that we have developed for our System or have appeared effective with respect to other sites and premises may not accurately reflect the potential for all sites and premises, and, after our acceptance of a site, demographic and/or other factors included in or excluded from our criteria could change or alter the potential of a site and premises; and

d. the uncertainty and instability of such criteria are beyond our control, and we will not be responsible for the failure of a premises, Site and Protected Territory we accept.

4.3 Lease Agreement.

a. Lease of Site:

You agree that you must enter into an acceptable lease agreement for the approved site within 90 days from the execution of this Franchise Agreement. In order for us to accept the lease, you agree to deliver copies of the proposed lease agreement and related documents to us prior to signing them. You agree not to sign any lease agreement or related documents (or any renewal of it) unless we have previously approved them. Our approval, which will not be unreasonably withheld, will be limited to ensuring that the lease is consistent with this Agreement. If we approve the lease, you agree to deliver a copy of the signed lease to us within 15 days after its execution along with the Lease Assignment.

b. Lease Assignment:

When entering into such a lease, you and the lessor must sign our then-current form of Conditional Assignment and Assumption of Lease Agreement (the "Lease Assignment"). You will give the lessor our form of the Lease Assignment when you begin discussions with the prospective lessor. You agree not to sign any lease or renewal of a lease unless you have also obtained the Lease Assignment signed by the lessor.

c. Mandatory Lease Terms:

We may require that the lease or any renewal contain certain provisions, including the following:

(i) a provision which expressly permits the lessor of the Site to provide us with all revenue and other information lessor may have related to the operation of your Franchised Clinic as we may request;

(ii) a provision which requires the lessor to contemporaneously provide us with copies of any written notice of default under the lease sent to you and which grants to us, at our option, the right (but not the obligation) to cure any default under the lease (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default;

(iii) a provision which evidences your right to display the Marks in accordance with the specifications required by the Confidential Operating Manual(s), subject only to the provisions of applicable law;

(iv) a provision which requires that any lender or other person will not disturb your possession of the Site so long as the lease term continues and you are not in default (along with such documents as are necessary to ensure that such lenders and other persons are bound);

(v) a provision which expressly states that any default under the lease which is not cured within any applicable cure period also constitutes grounds for termination of this Agreement;

(vi) a lease term which is at least equal to the initial term of this Agreement, either through an initial term of that length or right, at your option, to renew the lease for the full term of this Agreement; and

(vii) the premises must be operated as a Franchised Clinic.

d. **No Warranty:**

You acknowledge that our approval of the lease for the Site does not constitute a guarantee or warranty, express or implied, of the successful operation or profitability of a franchise operated at the Site. Such approval indicates only that we believe that the Site and the terms of the lease fall within the acceptable criteria we have established as of the time of our approval. You further acknowledge that we have advised you to have an attorney review and evaluate the lease.

4.4 Ownership and Financing.

Instead of leasing a Site, you may propose to purchase, construct, own and operate a Franchised Clinic on real property owned by you or through an affiliate. You must meet certain conditions if you or an affiliate own a Site or at any time prior to acquisition, or subsequently, you or your affiliates propose to obtain any financing with respect to the Site or for your Franchised Clinic or for any Operating Assets in which any of such items are pledged as collateral securing your performance. The form of any purchase contract with the seller of a Site and any related documents, and the form of any loan agreement with or mortgage in favor of any lender and any related documents, must be approved by us before you sign them. Our consent to them may be conditioned upon the inclusion of various terms and conditions, including the following:

a. a provision which requires any lender or mortgagee concurrently to provide us with a copy of any written notice of deficiency or default under the terms of the loan or mortgage sent to you or your affiliates or the purchaser;

b. a provision granting us, at our option, the right (but not the obligation) to cure any deficiency or default under the loan or mortgage (should you fail to do so) within 15 days after the expiration of a period in which you may cure such default or deficiency; and

c. a provision which expressly states that any default under the loan or mortgage, if not cured within the applicable time period, constitutes grounds for termination of this Agreement and any default under this Agreement, if not cured within the applicable time period, also constitutes a default under the loan or mortgage.

5. Franchised Business Development, Décor and Operating Assets.

5.1 Development.

You are responsible for developing your Franchised Clinic. We will furnish you with access to prototype design plans, specifications, décor and layout including requirements for design, color scheme, image, interior, layout and Operating Assets (which include fixtures, equipment, signs, and furnishings). The floor plan layout you receive from us can be adapted to most spaces. You are obligated to have prepared all required construction plans and specifications to suit the shape and dimensions of the Site and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You agree to submit construction plans and specifications to us for approval before construction of the Franchised Clinic is commenced and, at our request, submit all revised or “as built” plans/specifications during the course of such construction. We may require that an architect designated by us oversee the finished plans before construction begins. At your request, to the extent we deem necessary, we will assist you in developing the Franchised Clinic by recommending contractors and architects and otherwise furnishing information to assist you in developing the franchised clinic in accordance with our specifications.

5.2 Development Expenses.

You agree, at your own expense, to do the following with respect to developing the Franchised Clinic at the Site:

a. have complete and detailed construction drawings approved by an architect (both the drawings and your architect are subject to our approval);

b. secure all financing required to develop and operate the Franchised Clinic;

c. obtain all building, utility, sign, health, sanitation, business and other permits and licenses required to construct and operate the Franchised Clinic and pay all assessed impact fees;

d. construct all required improvements to the Site and decorate the Franchised Clinic in compliance with the plans, specifications and schedule we have approved;

e. purchase or lease and install all Operating Assets required for the Franchised Clinic;
and

f. purchase an opening inventory of authorized and approved products, materials and supplies.

5.3 Décor.

You agree that all décor of your Franchised Clinic must be previously approved by us and must comply with our standards as described in the Confidential Operating Manual(s), which may be periodically revised. Your failure to maintain the Franchised Clinic décor in compliance with our System and the standards described in the Confidential Operating Manual(s) constitutes a material breach of this Agreement.

5.4 Operating Assets and Materials.

You agree to acquire all services, supplies, materials, items and products, Franchised Clinic supplies, Franchised Clinic furniture, and any item for use in connection with your Franchised Clinic we designate that you must acquire (collectively, the “franchised location Materials”) and you must further acquire all fixtures, furnishings, equipment, alarm system, Security System, Cameras, telephones, signs and electronic or computerized devices and services (including cash registers, computers, POS, e-mail, Intranet, Internet services, hardware and software) (the “Operating Assets”) we designate. You must purchase the franchised location Materials and Operating Assets from suppliers we have previously approved. We may add to, terminate or cancel, from time to time in our sole and absolute discretion, approved/required suppliers. We will only approve suppliers whose franchise location Materials and Operating Assets meet the quality standards that we establish from time to time. You agree to only place or display at the Site (interior and exterior) such signs, emblems, lettering, logos and display materials that we periodically approve. We may require that you purchase or lease Operating Assets and any item approved or required by us, through any affiliate supplier and/or form of a “business to business,” e-commerce, Internet supply network that we may designate, establish or participate in from time to time. You also agree that we or our agents, at any reasonable time, may remove any Operating Asset from the Materials, without compensation to you, if such Operating Assets are deemed by us or our agents to not be approved for use at the Franchised Clinic or be deemed to be a public health and/or safety risk. In the event such Operating Asset is removed, we may replace such Operating Asset or make arrangements to have such Operating Asset Serviced, repaired and/or cleaned at your expense. Any expense we incur will be due and payable by you to us upon demand.

5.5 Changes to Approved Suppliers.

If you want to propose a new supplier of the Materials or Operating Assets, you agree to submit to us the proposed supplier and complete our “Supplier Approval Form” and agree to pay us a Supplier Approval Fee of \$40.00 per hour to review the supplier and items proposed for approval. At the time you submit the “Supplier Approval Form”, you must provide sufficient written information about the proposed new supplier to enable us to approve or reject either the supplier or the particular item and to be responsible for any expenses incurred in the process by us or you. You will pay our hourly fee within ten (10) days after providing you the final amount due for our inspection. We will have 30 days from receipt of the information to approve or reject the proposed new supplier or items. We may consider in providing such approval not just the quality standards of the products or services, but their delivery capabilities, financing terms and ability to service our franchise system as a whole. We may terminate or withhold approval of any Materials or Operating Assets, or any supplier of such item that do not meet our quality standards by giving you written notice. If we do so, you agree to immediately stop purchasing from such supplier or using such Materials or Operating Assets in your Franchised Clinic until we notify you that such supplier or such

Franchised Clinic or Operating Assets meet our quality standards. At our request, you agree to submit to us sufficient information about a proposed supplier and samples of the proposed Materials or Operating Assets for our examination so that we can determine whether they meet our quality standards. We also have the right to require our representatives to be permitted to inspect the proposed supplier's facilities at your expense. We reserve the right, at our option, to re-inspect or re-test from time to time the facilities and products, Operating Assets or other items of any approved supplier and to revoke approval upon a supplier's failure to meet any of our then-current criteria. Nothing hereinabove shall be construed to require us to approve any particular supplier. Your failure to comply with the provisions of Paragraph 5.5 shall be deemed a material breach under this Agreement. We have and reserve the right to receive compensation or other consideration from approved suppliers and service providers based on our or our franchisees' purchases from these suppliers and on our designating the supplier as an approved supplier even if these suppliers include these fees in their prices to us or our franchisees.

5.6 Opening.

You agree not to open the Franchised Clinic for business until:

- a.** we approve the Franchised Clinic as developed in accordance with our specifications and standards;
- b.** pre-opening training of you and your personnel has been completed to our satisfaction including operator certification at our training facility or an approved training site;
- c.** the Franchise Fee and all other amounts then due to us have been paid;
- d.** we have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept;
- e.** we have received signed counterparts of all required documents pertaining to your acquisition of the Site;
- f.** if we, in our sole discretion approve you to be a business entity, we have received your Articles of Incorporation, Partnership Agreements and/or other organizational documents; and
- g.** any pre-opening marketing requirements have been completed to our satisfaction.

You agree to commence construction of (or remodeling in the case of your purchase of an existing building) the Franchised Clinic within 90 days after the date of this Franchise Agreement. You also agree that time is of the essence and except for unavoidable delay or failure to perform [Force Majeure] you must complete all Site Selection, Development and Opening obligations within 270 days from the date of this Franchise Agreement.

6. Fees.

6.1 Franchise Fee.

You agree to pay us a nonrecurring and nonrefundable initial franchise fee (the "Franchise Fee") in the amount of \$49,500, payable on the Agreement Date. The Franchise Fee is nonrefundable and is fully earned by us when paid. Franchisee agrees that the grant of this franchise constitutes the sole consideration for payment of the Franchise Fee.

6.2 Continuing License Fee.

Commencing ninety days after signing the Franchise Agreement, you shall pay us a weekly Continuing License Fee in the amount of 8% of your Franchised Clinic Gross Revenue. The Continuing License Fee is due and payable on or before the Friday following each prior full week and is calculated by Gross Revenue received from the full prior week (Sunday to Saturday). You are required to send us a weekly report of Gross Revenue each Tuesday following each prior full week (Sunday to Saturday).

6.2.1 Minimum Continuing License Fee

Notwithstanding anything to the contrary in Paragraph 6.2 above, if the amount of your Continuing License Fee paid to us in 6.2 above does not equal at least five hundred dollars (\$500) for any month, you will pay an amount equal to the difference paid weekly during the month, so that the amount of the Continuing License Fee paid during any monthly period is a minimum of five hundred dollars (\$500).

6.3 Electronic Funds Transfer and Payment Procedure.

We require you to pay all payments of the Continuing License Fee or any other amounts due us under this Agreement to us by electronic funds transfer. We will designate the day of each semi-monthly period (the "Payment Day") for the Continuing License Fee payment or payment of other amounts due us under this Agreement. We may designate different Payment Days for different amounts due us under this Agreement (e.g. Continuing License Fee, Brand Fund fee, etc.). You agree to comply with the procedures we specify in our Confidential Operating Manual(s) and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method. You will give us authorization, in a form that we designate, to initiate debit entries or credit correction entries to the Franchised Clinic bank operating account (the "Account") for payments of Continuing License Fees, Brand Fund fees and other amounts due under this Agreement, including any applicable interest charges. You will make the funds available in the Account for withdrawal by electronic transfer no later than the Payment Day. The amount actually transferred from the Account to pay semi-monthly Continuing License Fees and the Brand Fund fee will be based on Gross Revenue reported to us. If you have not reported the Franchised Clinic Gross Revenue for any reporting period, we will transfer from the Account an amount calculated in accordance with our reasonable estimate of the Franchised Clinic Gross Revenue during any such reporting period, provided, however that the minimum amount will be Five Hundred Dollars (\$500) per semi-monthly period that we will debit if you have not reported Gross Revenue in the reporting period. If we determine at any time that you have under-reported Gross Revenue or underpaid Continuing License Fees or other amounts due to us, we will be authorized to immediately initiate a transfer from the Account in the appropriate amount in accordance with the foregoing procedures, including applicable interest and late charges. Any overpayment will be credited to the Account through a credit, effective as of the first reporting date after you and we determine that such credit is due. A fee of one hundred dollars (\$100) per occurrence will be due to us for each insufficient electronic funds transfer.

6.4 Definition of "Gross Revenue".

As used in this Agreement, the term "Gross Revenue" means all revenue you derive from operating the Franchised Business, including, but not limited to, all amounts you receive at or away from the Franchised Clinic Site from any activities or services whatsoever including any that are in

any way associated with the Marks, the System, and whether from cash, check, barter, credit or debit card or credit transactions, including memberships and the redemption value of gift certificates redeemed by you regardless of whether such gift certificates are issued by you or someone else; but excluding (1) all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority and (2) customer refunds, adjustments, credits and allowances actually made by the Franchised Clinic. Gross Revenue also includes the aggregate of revenues from any service and the sale of goods, wares, services, and products from all sources in connection with the franchise business whether from delivery service sales, retail, special functions, etc. and sales of all products whether associated with the Marks or not.

6.5 Interest on Late Payments.

All amounts which you owe us will bear interest after their due date at the annual rate of 18% or the highest contract rate of interest permitted by law, whichever is less. You acknowledge that we do not agree to accept any payments after they are due nor commit to extend credit to, or otherwise finance your operation of, the Franchised Clinic. Your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 16 of this Agreement.

6.6 Late Payment Penalties.

All Continuing License Fees, Brand Fund fees, amounts due for purchases by you from us, and any interest accrued thereon, and any other amounts which you owe us, or our affiliate, are subject to a late payment fee of 10% of the amount due. The late payment fee is due immediately on any delinquent payments. The provision in this Agreement concerning late payment fees survives termination or expiration of this Agreement and does not mean that we accept or condone late payments, nor does it indicate that we are willing to extend credit to, or otherwise finance the operation of, your Franchised Clinic.

6.7 Application of Payments.

Notwithstanding any designation you might make, we have sole discretion to apply any of your payments to any of your past due indebtedness to us. You acknowledge and agree that we have the right to set off any amounts you or your owners owe us against any amounts we might owe you or your owners.

6.8 Payment Offsets.

We may set off from any amounts that we may owe you any amount that you owe to us for any reason whatsoever, including without limitation, Continuing License Fees, Brand Fund fee, late payment penalties and late payment interest, amounts owed to us for purchases or services or for any other reason. Thus, payments that we make to you may be reduced, in our discretion, by amounts that you owe to us from time to time. In particular, we may retain any amounts that we have received for your account as a credit and payment against any amounts that you may owe to us at any time. We will notify you monthly if we do so.

6.9 Discontinuance of Service.

If you do not pay amounts due to us timely under this Agreement, we may discontinue any services to you, without limiting any of our other rights in this Agreement.

6.10 Software Fee.

We currently require you to use at your Franchised Clinic, software which has been customized for the franchising system to meet the business functions of POS, Customer Relations, Digital Forms & Marketing. You will pay us a monthly fee for use of the software which currently is \$850.00 per month. The software fee will be paid to us by electronic funds transfer in the manner described above in 6.3 “Electronic Funds Transfer and Payment Procedure” and will be payable on the monthly Payment Date we designate.

We may in the future modify the software and/or require you to obtain software from other vendors. You agree to incur such cost in connection with modifications, additions or substitutions to any software and required computer hardware to operate the software. Within (30) thirty days after you receive notice from us, you agree to obtain and/or modify the software or hardware as we may require from time to time. You are responsible for all fees and costs related to your computer hardware and software modifications or additions required by us. You further agree that we have the right to increase the monthly cost for use of the software upon a (30) thirty day written notice to you.

6.11 Medical Director Fee.

You must engage a qualified and licensed Medical Director to oversee all medical standing orders, protocols and decisions made at your Clinic. Currently, if you are in the states of Alabama and Georgia you must engage our Medical Director(s), and pay the Medical Director(s) the then current fee for medical supervision, which is currently \$500 per month or 1% of your monthly Gross Revenue whichever is greater. If your Clinic is in a state where our Medical Director(s) is (are) not licensed, you must comply with the laws of the state where your Clinic is located, including if required by the state, a medical license of a medical doctor. You must also pay our Medical Director(s) an indirect supervision fee of \$250 per month. All fees under Paragraph 6.11 are due and payable by the tenth (10th) day of each consecutive month.

6.12 National Conference Fee.

You or your Operating Manager are required to attend our National Conference every year. You will pay us a National Conference Fee of \$75 per calendar month. The National Conference Fee will be paid to us by electronic funds transfer in the manner described in 6.3 “Electronic Funds Transfer and Payment Procedure” and will be payable on the monthly payment date we designate. The National Conference will be held at such times and places as we designate.

6.13 Accounting Services Fee.

You are required to establish and maintain at your expense a bookkeeping and record keeping system and required reporting which conforms to the requirements and formats we prescribe from time to time. You are further required to use the accounting firm then approved by us and pay their ongoing monthly accounting fees.

7. Training and Assistance.

7.1 Training.

Before the Franchised Clinic opens, we or our designee will furnish the initial 44 hours Classroom Training and 41 hours of On-The-Job Training (“Initial Training”) to the majority owner and/or operating partner, and/or general manager, and/or assistant manager, and operating manager, (the “Operating Manager”). The Operating Manager of the Franchised Clinic must successfully and

fully complete the Initial Training and pass the training certificate process (the “Training Certificate”) conducted at our affiliate location in Alabama, or such other location as we may designate, if more than one we will designate the location. Although we, or our designee, will furnish the Initial Training to the Operating Manager, Franchisee at no additional fee or other charge, you will be responsible for all travel and living expenses which the Operating Manager and/or employees incur in connection with the training. Franchisee must pay us a fee in the amount of \$350 per day for each replacement Trainee trained by us, or our designee, or each person provided the Initial Training by us, or our designee, other than the initial trainees.

7.2 Opening On-Site Assistance.

We, or our designee, will provide supervision and at the opening of your Franchised Clinic (the “Opening On-Site Assistance”). We, or our designee, will provide one (1) day of Opening On-Site Assistance. You must pay for our hotel, transportation and expenses incurred with the provision of such services.

7.3 Ongoing Assistance.

We will provide continuing advisory assistance to you in the operation, and promotion of the Franchised Clinic as we deem necessary. We, or our designee, will also provide additional or refresher training programs for you and your employees as we deem appropriate. We will provide you, from time to time with advice and materials concerning techniques of managing and operating the Franchised Clinic. At your request, we will make additional or refresher training in form and content as we deem appropriate available at your Franchised Clinic or at other locations we designate for an additional fee (the “Additional Training Fee”) at the rate of \$500 per day plus travel and living expense, minimum of 1- day charge.

7.4 Additional Training.

If, at any time after the Franchised Clinic opens, you hire additional management personnel or replace one or more of your Operating Partners, you must ensure that such new employees are satisfactorily trained and certified at an approved training location at your expense. You agree to pay us \$500 per day and furnish meals to our, or our designee’s, training personnel during the time when your Franchised Clinic is in operation when they are at your Franchised Clinic, at no cost to us. We may require the Trainees and/or other previously trained and experienced managers or employees to attend periodic refresher training courses at such times and locations that we designate. You must pay to us, or our designee, the Additional Training Fee set forth in Paragraph 7.3.

7.5 General Guidance.

We will advise you from time to time regarding the operation of the Franchised Clinic based upon reports you submit to us or inspections we make. In addition, we will furnish guidance to you with respect to:

- a.** standards, specifications and operating procedures and methods utilized by Franchised Clinics;
- b.** purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies;
- c.** preparation of all products, services or items for sale, methods, and items;

- d. use of suppliers, approved products, volume buying;
- e. advertising and marketing programs;
- f. employee training; and
- g. administrative, bookkeeping and accounting procedures.

Such guidance will, at our discretion, be furnished in our Confidential Operating Manual(s), bulletins or other written materials and/or during telephone consultations and/or additional training.

8. Marks.

8.1 Ownership and Goodwill of Marks.

Your right to use the Marks is derived solely from this Agreement and limited to your operation of the Franchised Clinic at the Site pursuant to and in compliance with this Agreement and all System Standards we prescribe from time to time during its term. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Franchised Clinic in compliance with this Agreement). All provisions of this Agreement apply to any additional proprietary trade and service marks and commercial symbols we authorize you to use.

8.2 Limitations on Your Use of Marks.

You agree to use the Marks as the sole identification of the Franchised Clinic, except that you agree to identify yourself as the independent owner in the manner we prescribe in the Confidential Operating Manual(s) or otherwise. We may place a conspicuous notice at a place we designate in your Franchised Clinic location identifying you as its independent owner and operator. You agree not to remove, destroy, cover or alter that notice without our prior consent. If you do not do so, we may accomplish the notice or identification as we see fit, and you agree to reimburse us for doing so. You may not use any Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with any social media networking, including but not limited to, any postings on a social media site or social media network sites nor with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning the transfer, sale or other disposition of the Franchised Clinic or an ownership interest in you. You agree to display the Marks prominently in the manner we prescribe at the Franchised Clinic, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law.

8.3 Notification of Infringements and Claims.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate

and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trade Mark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

8.4 Discontinuance of Use of Marks.

If we deem it advisable at any time in our sole control for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We will not be obligated to reimburse you for any direct or indirect loss, including loss of revenue attributable to any modified or discontinued Mark or for any expenditure you make to promote a modified or substitute trademark or service mark.

8.5 Signage.

Signage must comply with all state and local laws, ordinances and any covenants agreed to within your lease. You must limit your signage to “**Hydralive**” or such name or verbiage as we may designate in your Confidential Operating Manual. The use of any other language is forbidden. If you employ any signage that does not comply with this Agreement, you will be in material breach of this Agreement. The signage must also incorporate the specific letter style/color and curvature associated with “Hydralive” logo or other mark or logo we may, in our sole discretion, designate in writing from time to time. You must not use a sign that deviates from the standard logo unless and until you have submitted a request for such deviation to us in writing with drawings and we have approved such deviation in writing.

8.6 Protection Against Social Media Networking.

You understand and agree that you are strictly prohibited from promoting or using the Marks in any manner on any social and/or networking websites, including but not limited to Facebook, LinkedIn, My Space, Twitter, Instagram, Vine, Tumblr, and Snapchat, or any other platform, including but not limited to any online advertising, digital marketing and sponsorships, without our prior written consent.

8.7 Copyrights.

All right, title and interest in and to all materials, artwork, and designs used with the Marks or in association with the System are our sole and exclusive property and cannot be replaced or replicated either during or after this Agreement. You have no right to make any direct or indirect use of Copyright Materials except as permitted under this Agreement.

9. Confidential Information.

9.1 Types of Confidential information.

We possess (and will continue to develop and acquire) certain confidential information (the “Confidential Information”) relating to the development and operation of Franchised Clinics which includes (without limitation):

- a. the System and the know-how related to its use;
- b. specifications, size and physical characteristics of Franchised Clinics;
- c. site selection criteria;
- d. methods in obtaining licensing and meeting regulatory requirements;
- e. sources, design and methods of use of equipment, furniture, forms, materials, supplies, websites, Internet, “business to business” or “business to customer” networks or communities and other e-commerce methods of business;
- f. any marketing (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships), advertising and promotional programs for Franchised Clinics;
- g. staffing and delivery methods and techniques for personal services;
- h. the selection, testing and training of managers and personnel for Franchised Clinics;
- i. the recruitment, qualification and investigation methods to secure employment for employment candidates;
- j. any computer software we make available in the future or recommend for Franchised Clinics;
- k. methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation, advertising, marketing and franchising of Franchised Clinics;
- l. knowledge of specifications for and identities of and suppliers of certain products, materials, supplies, furniture, furnishings and equipment;
- m. preparation methods and servicing techniques and methods; and pricing recommendations, purchase agreement and contracts.

9.2 Disclosure and Limitations on Use.

We will disclose much of the Confidential Information to you and personnel of the Franchised Clinic by furnishing the Confidential Operating Manual to you and by providing training, guidance and assistance to you. In addition, in the course of the operation of your Franchised Clinic, you or your employees may develop ideas, concepts, methods, techniques or improvements (“Improvements”) relating to your Franchised Clinic or the System, which you hereby agree to disclose to us. We will be deemed to own the Improvements, and the Improvements will constitute Confidential Information. We may use the Improvements and authorize you and others to use them in the operation of your Franchised Clinic or any other aspect of the System.

9.3 Confidentiality Obligations.

You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your Franchised Clinic as we see fit, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential

Information is proprietary, includes trade secrets belonging to us, and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you:

- a. will not use the Confidential Information in any other business or capacity;
- b. will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;
- c. will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Confidential Operating Manual(s); and
- d. will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information.

9.4 Exceptions to Confidentiality.

The restrictions on your disclosure and use of the Confidential Information will not apply to the following:

- a. disclosure or use of information, processes, or techniques which are generally known and used in the business (as long as the availability is not because of a disclosure by you), provided that you have first given us written notice of your intended disclosure and/or use; and
- b. disclosure of the Confidential Information in judicial, administrative or arbitration proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

10. Exclusive Relationship.

You acknowledge and agree that we would be unable to protect Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among Franchised Clinics if franchisees of clinics were permitted to hold interests in or perform services for a Competitive Business (defined below). You agree that, during the term of this Agreement, neither you nor any of your owners (nor any of your or your owners' spouses or children) will:

- a. have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, other than the Franchised Clinic;
- b. have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business, wherever located; or
- c. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located.

The term "Competitive Business" as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, for hydration therapy, cryotherapy, massage therapy and therapy using nutritional and herbal supplements and/or

any related services to individuals for multiple purposes, including but not limited to, assistance from recovery from illnesses, athletic activities, hangovers and/or products designated by us from time to time for our Franchised Clinics.

11. Operation and System Standards.

11.1 Confidential Operating Manual(s).

During the term of this Agreement, we will allow you access, in electronic or in another format we designate, to our manuals (the "Manuals"), consisting of such materials that we generally furnish to franchisees from time to time for use in operating a Franchised Clinic. The Manuals contain mandatory and suggested specifications, standards, operating procedures and rules ("System Standards") that we prescribe from time to time for the operation of a Franchised Clinic and information relating to your other obligations under this Agreement and related agreements. You agree to follow the System Standards and other standards, specifications and operating procedures we establish periodically for the System that are described in the Manuals. We also reserve the right to make the Manuals accessible to you on-line via computer systems or other electronic formats (like Internet, CD-ROM, websites or e-mail). You also must comply with all updates and amendments to the System as described in newsletters or notices we distribute, including via computer systems e.g., Internet, CD or other media we select. Any form of the Manuals we make accessible to you on-line will be deemed our Confidential Information. You agree to maintain the Manuals as confidential and maintain the information in the Manuals as secret and confidential. The Manuals may be modified, updated and revised (in written or electronic format) by us from time to time to reflect changes in System Standards. You agree to keep your copy of the Manuals, if any, current and in a secure location at the Franchised Clinic. In the event of a dispute relating to its contents, the master copy of the Manuals we maintain at our principal office will be controlling. However, in the event we utilize on-line Manuals, the most recent on-line Manuals will control any disputes between the on-line version and printed copies of the Manuals. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manuals. If your copy of the Manuals is lost, destroyed or significantly damaged, you agree to obtain a replacement copy at our then applicable charge (unless we have made on-line Manuals accessible to you. If so, you may utilize the on-line Manuals instead of purchasing other printed Manuals.)

11.2 Compliance with System Standards.

You acknowledge and agree that your operation and maintenance of the Franchised Clinic in accordance with System Standards is essential to preserve the goodwill of the Marks at all Franchised Clinics. Therefore, at all times during the term of this Agreement, you agree to operate and maintain the Franchised Clinic's location in accordance with each and every System Standard, as we periodically modify and supplement them during the term of this Agreement. System Standards may regulate any one or more of the following with respect to the Franchised Clinic:

a. design, layout, décor, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; televisions; services; periodic painting; and use of interior and exterior signs, emblems, lettering and logos, and illumination;

b. types, models and brands of required fixtures, furnishings, equipment, signs, software, materials and supplies;

- c.** types, content, size, materials and standards for signage;
- d.** required or authorized products and product categories including each supplier of products;
- e.** designated or approved suppliers of fixtures, furnishings, equipment, signs, software, products, materials and supplies, approved distributors and/or distribution systems and approved trade accounts;
- f.** terms and conditions of the sale and delivery of, and terms and methods of payment for, products, materials, supplies and services, including direct labor, that you obtain from us, unaffiliated suppliers or others;
- g.** sales, marketing (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships), advertising and promotional programs and materials and media used in such programs;
- h.** use and display of the Marks;
- i.** staffing levels for the Franchised Clinic, and qualifications, training, dress and appearance of employees;
- j.** days and hours of operation and items and services provided or sold at the Franchised Clinic;
- k.** participation in market research and testing and product and service development programs and customer satisfaction programs;
- l.** acceptance of credit cards, corporate and other franchisee issued gift certificates, memberships for any Franchised Clinic, coupons (including those from other franchisees), frequent user programs, gift cards, special programs and payment systems and check verification services;
- m.** bookkeeping, accounting, data processing and record keeping systems, including software, and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us;
- n.** types, amounts, terms and conditions of insurance coverage required to be carried for the Franchised Clinic location and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for the Franchised Clinic location at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;
- o.** complying with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with clients, suppliers and us; and notifying us if any action, suit or proceeding is commenced against you or the Franchised Clinic;
- p.** regulation or such other aspects of the operation and maintenance of the Franchised Clinic that we determine from time to time to be useful to preserve or enhance the efficient operation,

image or goodwill of the Marks and the Franchised Clinic ;

q. your use of, or mandatory or recommended participation in any e-commerce, Intranet, Internet or website communities, systems or processes, website and compliance with any Internet, Intranet or e-commerce policies or procedures which we may establish from time to time; and

You agree that System Standards prescribed from time to time in the Manuals, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement include all System Standards as periodically modified.

11.3 Modification of System Standards.

We may periodically modify System Standards, which may accommodate regional or local variations as we determine. Such modifications may obligate you to invest additional capital in the Franchised Clinic (“Capital Modifications”) and/or incur higher operating costs. However, such modifications will not alter your fundamental status and rights under this Agreement. We will not obligate you to make any Capital Modifications when such investment cannot in our reasonable judgment be amortized during the remaining term of this Agreement, plus all eligible successor periods, unless we agree to extend the term of your franchise so that such additional investment, in our reasonable judgment, may be amortized; unless such investment is necessary in order to comply with applicable laws. We agree to give you up to 90 days to comply with Capital Modifications we require. However, if a Capital Modification requires an expenditure of more than \$20,000 we agree to give you up to 180 days from the date such request is made to comply with such Capital Modification. You are obligated to comply with all modifications to System Standards, including Capital Modification, within the time period we specify. In no event will we require you to spend in any 12-month period in excess of 25% of our high estimate of the cost of the sum of leasehold improvements and furniture, fixtures and equipment from our Franchise Disclosure Document during the term of this Agreement in connection with Capital Modifications.

11.4 Interior and Exterior Upkeep.

You agree at all times to maintain the Franchised Clinic’s interior and exterior and the surrounding area in the highest degree of cleanliness, orderliness and sanitation and comply with requirements regarding the upkeep of the Franchised Clinic established in the Manuals and by federal, state and local laws.

11.5 Hours of Operation.

Unless we have otherwise approved in advance in writing, you agree to operate the Franchised Clinic, at a minimum, between the hours of 10:00 AM and 6:00 PM every day of the week. You must establish specific hours of operation and submit those hours to us for our written approval. System-wide holidays allow for closing of the Franchised Clinic on specified holidays set forth in the Confidential Operating Manual. For any day the Franchised Clinic is not open, except as permitted hereinabove, you will be charged \$250 per day unless you have obtained, in writing, permission from us to close for the day(s) not permitted hereinabove. Any amount owed hereinabove will be due and payable upon demand to us and such amount due may be collected by us through electronic funds transfer and will not constitute a waiver of your default and our right to terminate the Franchise Agreement pursuant to Section 16 Paragraph 16.1 hereinafter.

11.6 Accounting, Computers and Records.

It is your responsibility to obtain accounting services and any required hardware or software related to them. You will at all times maintain the records reasonably specified in the Manuals, including, without limitation, sales, inventory and expense information. To the extent we require support for accounting software used by you, such support will only be provided with respect to the accounting software then used by us in the operation of our own (or our affiliate's own) Franchised Clinic.

11.7 Computer and Software Systems.

You agree to use in developing and operating the Franchised Clinic the computer equipment and operating software (and related training and periodic software support) (the "Computer System") that we periodically specify. We may require you to obtain specified computer hardware or software and may modify specifications for and components of the Computer System from time to time. We currently require you to use the Zenoti Point of Sale (POS) system and Zenoti customer relations management, scheduling, and intake system, and ADP payroll system. You must also pay the vendor a yearly service fee for each Franchised Clinic. Our modifications and specifications for components of the Computer System may require you to incur cost to purchase, lease or license new or modified computer hardware or software and to obtain service and support for the Computer System during the term of this Agreement. You agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (any additions or modifications). Within 60 days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and require. We have the right to charge you for any computer usage costs that we incur as a result of your use of the Computer System. The Computer System must be capable of connecting with our Computer System so that we can review the results of your Franchised Clinic operations. We also have the right to charge you a reasonable systems fee for modifications of and enhancements made to any proprietary software that we may license to you and other maintenance and support services that we or our affiliate may furnish to you related to the Computer System. You are responsible for all ISP and other connectivity related fees and costs relating to your use of the Computer System. You agree to maintain an active e-mail address at all times and inform us of it. If we adopt a different computer system, POS system or other system in the future, you must adopt it at your expense. You must maintain, modify and upgrade all such items at your sole expense and as we may require from time to time. You must provide us full 24-hour, 7-day-a-week access including online access, and the right to "upload" or "download" information to and from all POS, computer and other systems, and to the information through your computer, POS or other systems. You must use software we designate from time to time. You agree that you will not make any claim against us or our affiliates for any loss, damage, liability or expense caused by or related to failures, errors, acts, omissions, or otherwise of any computer, POS, hardware or software system.

11.8 Trade Accounts and Taxes.

You agree to maintain your trade accounts in a current status and seek to resolve any disputes with trade suppliers promptly. You agree to timely pay all taxes incurred in connection with your Franchised Clinic operations. If you fail to maintain your trade accounts in a current status, timely pay such taxes or any other amounts owing to any third parties or perform any non-monetary obligations to third parties, we may, but are not required to, pay any and all such amounts and perform such obligations on your behalf. If we elect to do so, then you agree to reimburse us for such amounts. You agree to repay us immediately upon receipt of our invoice. We may also set-off the amount of

any such reimbursement obligations against all amounts which we may owe you.

11.9 Proprietary Materials.

You agree to purchase from us or approved manufacturers or suppliers all items used in operating the Franchised Clinic operations, some of which may bear the Marks. These items include, but are not limited to, employee clothing (such as shirts) (collectively, the “Proprietary Materials”), at then prevailing prices, plus freight, taxes and delivery costs. The items may also include products like clothing, hats, tee shirts, etc. For retail sale to customers.

11.10 Approved Products.

You agree not to sell any products, services or other items at the Franchised Clinic operations that we have not previously approved for sale. You agree to only use and/or display only those products, items, services and goods that have been prescribed or approved (except for prices) in advance by us. You agree to sell all the products, items, services and goods that are included and no others. You agree to strictly follow all of our procedures in our Manuals or otherwise which have been incorporated in our Franchise System as such are specified from time to time in the Manuals or otherwise. You agree not to, without our prior written consent, sell, dispense, give away or otherwise provide products or other items except by means of retail sales. You will immediately implement changes to the products, items, services and goods requested by us. You agree to maintain an inventory of products and other designated items sufficient to meet the daily demands of the Franchised Clinic.

11.11 Management.

You (or your Operating Partner) and one of your managerial employees that has satisfactorily completed our training program must assume responsibility for the Franchised Clinic day-to-day management and operation and supervision of the Franchised Clinic personnel. You or your Operating Partner must work a minimum of 40 hours per week (other than vacation periods). During all hours of operations, the Franchised Clinic must be under the direct supervision of you (or your Operating Partner) and a management-level employee who has satisfactorily completed our Initial Training Program or otherwise been trained by you if you have received our Training Certificate for Initial Training and meets our qualifications for a Franchised Clinic Manager. Each of your managerial employees must sign our Confidentiality Agreement attached to the Franchise Disclosure Document, or other agreements satisfactory to us.

11.12 Personnel.

All employees must be trained and supervised in accordance with the specifications set forth in the Manuals. All personnel must meet every requirement imposed by applicable federal, state and local law as a condition to their employment.

11.13 Insurance.

For your protection and ours, you agree to maintain the following insurance policies: (i) “all risk” property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Business, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost; (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Franchised Clinic,

containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$3,000,000 in the aggregate; (iii) medical malpractice insurance against claims for bodily and personal injury and death caused by or occurring in conjunction with the operation of your Franchised Clinic, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$3,000,000 in the aggregate; (iv) automobile liability and property damage insurance covering all loss, liability, claim or expense of any kind whatsoever resulting from the use, operation, or maintenance of any automobiles or motor vehicles, owned, leased, or used by you, or your officers, directors, employees, partners or agents, in the operation of your Business, containing minimum liability protection of \$1,000,000 combined single limit per occurrence; (v) worker's compensation insurance and employer's liability insurance as required by law; and (vi) any other insurance that we specify in the Manual from time to time. You agree to provide us with proof of coverage prior to opening, within 10 days of any renewal of a policy and at any other time on demand. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Clinic. All insurance policies must be endorsed to: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 10 days prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon 10 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all costs and premiums that we incur. You shall further carry any additional insurance covering such additional risks or providing higher limits as we may reasonably request.

If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we at our option and in addition to its other rights and remedies hereunder, may, but shall not be required to, obtain such insurance coverage on behalf of you, and you shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us plus an administrative fee of 15% of the amount paid.

11.14 Adequate Reserves and Working Capital.

You must at all times maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under this Agreement and to cover the risks and contingencies of the Franchised Business for at least three months. These reserves may be in the form of cash deposits or lines of credit.

11.15 Variation of Terms.

You acknowledge that because uniformity under many varying conditions may not be possible or practical, we reserve the right to materially vary our standards or franchise agreement terms for any Franchised Clinic, based on the timing of the grant of the franchise, the peculiarities of

the particular protected territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which we consider important to the successful operation of the Franchised Clinic. You will have no right to require us to disclose any variation or to grant the same or a similar variation to you.

11.16 Coupons, Certificates, Memberships and Vouchers.

Except as otherwise permitted by Franchisor in writing, Franchisee shall honor all coupons, gift certificates, Memberships and vouchers sold by Franchisor or other Franchisees authorized in writing by Franchisor and upon redemption thereof shall be entitled to credit the retail price of the item provided against Gross Revenue. Any coupons offered or proposed by Franchisee must be approved in writing by Franchisor prior to being extended.

11.17 Customer Complaints.

In the event your customer(s) contact(s) us to report a complaint about your Franchised Clinic, you agree that we may in our sole discretion, compensate your customer in a manner we determine to be appropriate, and you agree to reimburse us for such compensation. Payment of such amount paid to the customer (the "Customer Comment Reimbursement Fee") is due upon demand by us.

11.18 Memberships and Package Sales.

All Franchised Clinics must honor membership purchases by all customers. A customer who purchases a membership from your Franchised Clinic may redeem services or receive discounted pricing at another Franchised Clinic franchise. Similarly, a customer who purchases a membership from another Franchised Clinic may redeem the services or receive discounted pricing at your Franchised Clinic. You agree to comply with all policies and procedures that we specify from time to time relating to clients who services from multiple Franchised Clinics as part of a membership purchase. We may implement new software to monitor sales and allocate payments to the Franchised Clinic where services are provided (either in whole or on a percentage basis), in which case we may require that the clients pay us for the membership. We may also adopt policies regarding cooperation between franchises relating to clients who purchase membership or package services from multiple locations. You agree to comply with all policies and procedures that we specify and we may modify these policies and procedures at any time.

11.19 Caregivers.

You must employ or contract with licensed medical professionals who are authorized under the laws of your state to administer the medical treatments and perform the medical procedures offered at your Franchised Clinic. You represent and warrant that you or your owners are licensed medical professionals or you have employed or entered into agreements with licensed medical professionals in compliance with applicable law to perform all medical treatments and procedures in connection with your Franchised Clinic. You understand that compliance with applicable law may involve entering into a management services agreement, rental agreement or similar agreement and that you may be required to hire a licensed healthcare attorney to assist you in structuring these relationships. We strongly recommend that you engage a healthcare attorney to provide this advice before purchasing the franchise. You, through your personnel, are solely responsible for, and have complete authority, responsibility, supervision and control over, the provision of all treatments, procedures performed for clients at your Franchised Clinic, including, all treatments, procedures and

other professional health care services, as such personnel deem appropriate in their discretion. You will determine the assignments and scheduled hours of work for your caregivers. You must cause such personnel to provide the medical treatments in full compliance with applicable standards, laws, rules and regulations. You shall have sole discretion regarding the method and manner in which you (if licensed to do so) and your caregivers provide the treatments and procedures, including, without limitation: (a) determining the need for referrals to or consultation with another medical professionals or specialist; (b) responsibility for the ultimate overall care of the client, including treatment options available to the client; and (c) determining how many clients you will see in a given period of time or how many hours you or the licensed medical professionals you employ must work. We shall not in any way control or exert any influence over, not shall we have the right to control or exert any influence over, any licensed medical professionals that you employ or retain pertaining to provision of medical treatments and procedures. You acknowledge that our franchise training and support programs shall not include any training or support regarding the approved medical treatments or procedures.

11.20 Medical Director Services.

Franchisee must engage the services of Franchisor's Medical Director(s) for review of Franchisee's client assessments in those states where the Medical Director(s) is (are) licensed to practice medicine. Franchisee must pay the Medical Director(s) in such states where the Medical Director(s) is (are) licensed (currently – Alabama and Georgia), the Medical Director(s) then current charges for services, which as of the date of this Agreement are \$500.00 per month. In states where our Medical Director(s) is (are) not licensed to practice medicine, Franchisee may be required to contract with a licensed medical professional authorized under the laws of that state to administer medical treatments and perform medical procedures authorized under the laws of your Franchised Clinic location. You must comply with federal, state and local laws and regulations that apply to the operations of your clinic including obtaining all required licenses, permits and authorization. It is your responsibility to comply with such laws and regulations and not Franchisor's.

11.21 Distribution Activities.

Except as we may in writing otherwise agree, you may not make any sales of products or services outside of the franchised Hydralive location or use vendor relationships that you establish through your association with us for any other purpose beside the operation of the franchised Hydralive location.

11.22 Your Purchases.

We or an affiliate may derive revenue from the sale of required purchases of products, items, goods and services through mark-ups in prices charged by us or our affiliate. We or an affiliate may receive compensation and discounts from suppliers for your purchase of items. You agree that we and/or our affiliates are entitled to such fees and/or other consideration. Any monies paid to us for products, goods or services are non-refundable.

12. Advertising, Marketing and Promotion.

12.1 Establishment of Brand Fund.

a. You agree to pay us a Brand Fund ("Fund") fee of one percent (1%) of your monthly Gross Revenue when we establish the Fund. The Fund may be increased in any increment up to 2% of your monthly Gross Revenue upon a thirty (30) day written notice. We must receive the Fund fee

by the fifth day of each month. We require you to pay the Fund fee by electronic funds transfer. You agree to comply with the procedures we specify in our Confidential Operation's Manual and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method. You will give us authorization in a form we designate to initiate debit entries or credit correction entries to your bank account for each month's Fund fee payment and any interest charges due.

b. We will direct all advertising, marketing (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships) and technology programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation of Fund advertising. You acknowledge that the Fund is intended to further general public recognition and acceptance of the Proprietary Marks for the benefit of the Franchise System and other benefits derived from web based media Manager/Consumer website we develop or utilize. You further acknowledge that we and our designees undertake no obligation in administering the Fund to make expenditures for you which are equivalent or proportionate to your contributions, to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or to ensure that any advertising impacts or penetrates your Protected Territory. The Fund is not a trust and we are not a fiduciary with respect to the Fund.

c. The Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national or regional or local advertising, including (without limitation): television, radio, magazine, newspaper and worldwide web/Internet advertising campaigns; other advertising, marketing and public relations materials; point-of-purchase materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Franchise System website; reviewing any advertising material you propose to use (as provided below); search engine optimization; establishing a third party facility for customizing local advertising materials; the creative development of signage, posters and unit décor items; the development and creative activity associated with loyalty programs, promotions and public relations events; accounting for Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; other activities that we in our business judgment believe are appropriate to enhance, promote and/or protect the Franchise System or any component thereof; and, engaging advertising agencies to assist in any or all of the foregoing activities, including fees to have print, broadcast and/or Internet advertising placed by an agency, and all other advertising agency and public relations fees.

d. We need not maintain the sums paid by franchisees to the Fund, or income earned from the Fund, in a separate account from our other funds, but we may not use these amounts under any circumstance for any purposes other than those provided for in this Agreement. We may, however, expend monies from the Fund for any reasonable administrative costs and overhead that we may incur in activities reasonably related to the administration or direction of the Fund and advertising marketing and technology programs for franchisees including, without limitation, preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of contributions to the Fund and the annual statement of Fund contributions and expenditures provided for below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the Fund. Our right to expend monies from the Fund to reimburse us for such activities is exclusive of any advertising agency or public relations fees which the Fund must expend to secure the services of an advertising agency or public relations firm or to have print, broadcast or Internet advertising placed by an agency.

e. Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing Fund income and expenses for the calendar year just ended, a copy of which statement will be sent to you upon request.

f. We expect to expend most contributions to the Fund for advertising during the calendar year when the contributions are made. If we expend less than the total sum available in the Fund during any fiscal year, the excess amount will be carried forward to the following fiscal year to be used as provided for in subsection g. If we advance and expend an amount greater than the amount available in the Fund in any calendar year (in addition to any sum required to be expended because we did not expend all the sums in the Fund during the preceding year), we will be entitled to reimburse ourselves from the Fund during the following fiscal year for all such advanced sums, with interest payable on such advanced sums at the greater rate of 1.5% per month or the maximum commercial contract interest rate permitted by law (with interest accruing the first calendar day following the day on which we advance and expend any such sum).

g. We reserve the right to use any media, create any programs and allocate advertising funds to any regions or localities in any manner we consider appropriate in our business judgment. The allocation may include rebates to individual franchisees of some or all of their Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total Fund contributions collected from all franchisees is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Fund contributions to franchisees on a pro rata basis. Franchisees must expend any rebate on the types of local advertising and media that we determine. All rebate advertising expenditures must be documented to us in a monthly rebate advertising expenditure report form which we will furnish.

h. Although the Fund is intended to be a perpetual duration, we maintain the right to terminate the Fund, but will not do so until all of the monies in the Fund have been expended for advertising and promotional purposes.

i. The Fund will not be used for any activity whose sole purpose is the sale of franchises; provided, however, that the design and maintenance of our Web site (for which Fund monies may be used) may include information and solicitations for prospective franchisees and public relations and community involvement activities which may result in greater awareness of the franchised location brand and the franchise opportunity.

j. No clinic which we or our affiliate own or operate will be required to participate in or contribute to the Brand Fund or other advertising programs provided for in this Paragraph 12.1 and sub-paragraphs thereof, unless it determines to participate in a regional or joint franchise advertisement setting forth the names, addresses and/or telephone numbers of Franchised Clinics, including clinics owned and operated by us or our affiliate. If we or our affiliate decide to participate in any joint or regional advertising of this type, then we or our affiliate will contribute our or its proportionate share of the cost of the advertisement to the franchisee group sponsoring the advertisement.

k. We or our designee will direct all programs financed by the Brand Fund, with sole control over the allocation and any Internet or Intranet websites, networks or communities it operates or participate in, or which requires your participation. You agree that the Brand Fund may be used to pay the costs associated directly or indirectly with the operation, maintenance, hosting or development of the website bearing our marks; or establishing Internet, Intranet, website or other

forms of e-commerce communities, networks, systems, methods, processes, databases or monitoring systems, which may include our establishing one or more Internet or Intranet websites for purposes of: linking this Agreement; our sharing or selling information to third parties; our establishing business to business or business to customer e-commerce; promoting the development and growth of franchises or soliciting franchisees; or your reporting of Continuing License Fees, Gross Revenue or other information as we designate from time to time. The Brand Fund may be used for defraying administrative hosting, development maintenance costs and overhead incurred by us or our designees in connection with the Brand Fund. The Fund may periodically furnish you with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges.

12.2 Local Advertising and Marketing Services.

Simultaneously with signing this Agreement, you must sign the Local Advertising and Marketing Services Agreement attached hereto as Exhibit "G-Five" incorporated herein and made a part hereof. The Local Advertising and Marketing Services Agreement covers, among other things, the terms for the payment of the Local Advertising and Marketing Fees. You are required to spend Two Thousand Dollars (\$2,000) per month on Advertising and Marketing mediums that are directed and executed through our Local Advertising and Marketing Services Program or a vendor specified by us. We currently use a third party vendor to execute the Local Advertising and Marketing Services Program. This fee is currently collected by us. Local Advertising and Marketing Services costs that are not executed by our current preferred vendor cannot be used to meet the spending requirements. We have the right to formulate and design the content of the local advertising and marketing initiatives. If we determine in our sole and absolute discretion, to no longer provide this local advertising and marketing service, we will use our best efforts, but have no obligation, to find a replacement company to provide similar services for you. If we, in our sole discretion, determine there is a more effective alternative method of advertising and marketing, we may discontinue the local advertising and marketing services and require you to undertake, at your cost, other advertising and marketing as we direct. You shall have the right, but not the obligation, to spend more than the Local Advertising and Marketing Services requirement on local advertising and marketing. All advertising and promotional materials produced by any party other than Franchisor must be previously approved by us and you shall report all advertising and marketing expenditures to us upon our request, within ten (10) days. You agree that we shall have the right to require your local advertising and marketing be combined with one or more franchisees in an area designated by us, and we shall have the sole right to approve the media selection format.

12.3 Directory Listings.

In addition to your obligation to participate in the Brand Fund and conduct local advertising, at your expense, you agree to obtain telephone directory listing in the online white and yellow pages as approved by us. If other franchisees operate Franchised Clinics in the market area serviced by the online directories, then you will participate in and pay your pro rata share (based on number of Franchised Clinics) of the cost of such listings and advertising.

12.4 Websites.

You acknowledge and agree that any website constitutes "advertising" under this Agreement. Any website you develop or utilize must meet all other terms and conditions for advertising described

in this Agreement. For this purpose, a “website” means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate that refers to your Franchised Clinics, The Marks, us, and/or the System. The term website also includes Internet, Intranet and World Wide Web home pages or e-mail address sites. You must not establish any website without our prior written approval of its form, content and information presented due to our substantial interest in protecting the Marks, the System and the Confidential Information. We may require you to participate in a centralized website operated by us, without any compensation to you. We may refuse, in our sole discretion, to permit you to operate or establish any website. We reserve the right to establish one or more Internet, Intranet or other forms of e-commerce websites, networks or communities for purposes of: promoting the development, growth, sales and solicitation of franchises; our establishing or participating in, and requiring or authorizing your participation in, or in connection with: e-commerce; establishing purchasing, supply or referral programs, networks or communities in which you must participate; or monitoring your performance under this Agreement and other purpose we designate from time to time which we deem to promote the development and operation of the System. From time to time we will establish and notify you of our establishment of website policies and other forms of e-commerce policies, which will become part of our System Standards and be provided in the Operations Manual or other written communication by you. We own all right, title and interest in and to information compiled from, derived from or obtained by us via your or our use of websites or our establishment of an Intranet, Internet or other forms of e-commerce networks or communities. Furthermore, you agree to the following:

a. you agree that we may establish electronic links from our website to your website (if we agree that you may have your own website), and that other franchisees may establish electronic links to your website from their websites; without any compensation to you. We may prohibit you from linking any website to your website for any reason without compensation to you;

b. you must not use any mark as part of any URL domain name, Internet or e-mail address, or any other identification of you in any electronic medium or with any prefix, suffix or other modifying words, terms, designs, or symbols, or in any modified form, without our written consent;

c. if this Agreement expires or terminates for any reason, you must immediately stop using any website that utilizes any of the Marks or the System, or that are linked to any of our websites or the website of any of our franchisees. You must also then remove and change any website, domain names, Internet or Intranet addresses, e-mail addresses or other identification that utilize any of the Marks;

d. you agree to establish, maintain and notify us of your active e-mail address, and notify us of any change in your e-mail address within 3 business days of the change; and

e. you agree that we have the right (but no obligation) to develop an Intranet which we and our franchisees can communicate by e-mail or similar electronic means. If we develop an Intranet, you agree to use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that we include in the Manuals (including, without limitation, standards, protocols, and restrictions relating to encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements). We may, in our sole discretion charge a fee for Intranet usage, which fee shall be paid in accordance with our invoice or pursuant to Paragraph 6.3, through Electronic Funds Transfer.

12.5 Opening Advertising.

You agree to spend any amount designated to you by us between \$2,500 to \$3,000 on a Opening advertising campaign to promote the opening of your Franchised Clinic as directed by us. One-half of the Opening advertising amount must be spent comprising thirty (30) days before and one-half, thirty (30) days after your Franchised Clinic opens to the public. Your Opening advertising campaign must be approved by us before you may begin it, and we may require that your campaign include promotional giveaways.

13. Records, Reports and Financial Statements.

13.1 Accounting System.

You agree to establish and maintain at your own expense a bookkeeping and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You agree to use the software we designate for your accounting system. We require you to use approved accountants (currently Cobb CPA Services) and pay their then current monthly services fee. We further require you to use approved computer hardware, software and websites in order to maintain certain sales data and other information we designate from time to time. This may include the updating of Manuals and for communication purposes. You agree that we may have access to such sales data and other information through the computer system at all times.

13.2 Reports.

You agree to furnish to us on such forms that we prescribe from time to time:

- a.** following the Agreement Date, and weekly thereafter until your Franchised Clinic opens, a report of your progress in the development and opening of your Franchised Clinic;
- b.** at our request, within 5 days after their filing, copies of all sales tax returns, for the Franchised Clinic and copies of the canceled checks for the required sales taxes;
- c.** a semi-monthly report on the Franchised Clinic Gross Revenue due on or before the 5th and 20th day (or next business day) of each calendar month;
- d.** within 15 days after the end of each calendar quarter, a profit and loss statement for the Franchised Clinic for the immediately preceding calendar month and year-to-date and a balance sheet as of the end of such month;
- e.** within 15 days after the end of the Franchised Clinic's fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for the Franchised Clinic as of the end of such fiscal year; and
- f.** within 10 days after our request, exact copies of federal and state income and other tax returns and such other forms, records, books and other information we may periodically require.

We may require that any of the reports described in this Paragraph 13.2 or any information you are required to provide us under this Agreement or our System Standards be provided to us in electronic format via a secure website (Internet or Intranet) at times and in the manner we designate, from time to time.

13.3 Access to Information.

You agree to verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data derived from such reports without identifying you or the location of the Franchised Clinic. We also have the right to require you to have reviewed or audited financial statements prepared on a calendar year (12 month) basis if we reasonably believe that the reports are incorrect. Moreover, we have the right as often as we deem appropriate (including on a daily basis) to access, electronically or otherwise, all computer registers and other computer systems that you are required to maintain in connection with the operation of the Franchised Clinic and to retrieve electronically or otherwise, all information (including sales, items sold, product mix or other information) relating to the Franchised Clinic operations.

13.4 Copies of Reports.

You agree to furnish us with a copy of all sales, income and other tax returns relating to your Franchised Clinic, at our request. You will also send us copies of any sales or other reports sent to any landlord or governmental agency, at our request.

14. Inspections and Audits.

14.1 Our Right to Inspect the Franchised Location.

To determine whether you and the Franchised Clinic are complying with this Agreement and all System Standards, we and our designated agents have the right at any time during your regular business hours without prior notice, to:

- a. inspect the Franchised Clinic;
- b. observe, photograph and videotape the operations of the Franchised Clinic for such consecutive or intermittent periods as we deem necessary;
- c. remove samples of any products, materials or supplies for testing and analysis;
- d. interview personnel and clients of the Franchised Clinic; and
- e. inspect and copy any books, records and documents relating to your operation of the Franchised Clinic.

You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal, interviews and electronic (Internet or Intranet) record access. You agree to present to your clients such evaluation forms that we periodically prescribe and to participate and/or request your clients to participate in any surveys performed by us or on our behalf. You agree to correct or repair any unsatisfactory conditions we specify within 5 days.

14.2 Our Right to Audit.

We have the right at any time during your business hours to inspect and audit, or cause to be inspected and audited, your Business Entity (if you are a Business Entity) and the Franchised Clinic business, bookkeeping and accounting records, purchasing records, advertising and marketing records and expenditures, sales and income tax records and returns and other records. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. If our inspection or audit is made necessary by your failure to furnish reports,

supporting records or other information we require, or to furnish such items on a timely basis, or if the information is not accurate (i.e., your Gross Revenue is understated by 2% or more), you agree to reimburse us for the cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. You also must pay us any shortfall in the amounts you owe us, including late fees and interest (1.5% per month), within 10 days of our notice. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law, which may include termination of this Agreement.

15. Transfer.

15.1 By Us.

This Agreement is fully transferable by us, and inures to the benefit of any transferee or other legal successor to our interests, as long as such transferee or successor agrees to be bound by, and assumes all of our continuing obligations under, this Agreement.

15.2 By You.

You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a Business Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (nor any interest in it) nor any ownership or other interest in you or the Franchised Clinic may be transferred without our prior written approval. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "transfer" includes your (or your owners') voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) you; (b) this Agreement; or (c) the Franchised Clinic.

An assignment, sale, gift or other disposition includes the following events:

- i. transfer of ownership of capital stock or a partnership interest;
- ii. merger or consolidation or issuance of additional securities or interest representing an ownership interest in you;
- iii. any issuance or sale of your stock or any security convertible to your stock;
- iv. transfer of an interest in you, this Agreement or the Franchised Clinic in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law;
- v. transfer of an interest in you, this Agreement or the Franchised Clinic, in the event of your death or the death of one of your owners, by will, declaration of or transfer in trust or under the laws of intestate succession; or
- vi. pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Franchised Clinic or your transfer, surrender or loss of possession, control or management of the Franchised Clinic.

15.3 Conditions for Approval of Transfer.

If you (and your owners) are in full compliance with this Agreement, then subject to the other

provisions of this Section 15, we will not unreasonably withhold approval of a transfer that meets all the applicable requirements of this Section. The proposed transferee and its direct and indirect owners must be individuals of good character and otherwise meet our then applicable standards for Franchised Clinic franchisees. A transfer of ownership, possession or control of the Franchised Clinic may only be made if the transferee enters into a new Franchise Agreement. If the transfer is of your franchised location or a controlling interest in you, or is one of a series of transfers which in the aggregate constitutes the transfer of your Franchised Clinic or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of any transfer:

- a.** the transferee has sufficient business experience, aptitude and financial resources to operate the Franchised Clinic and has been approved as a franchisee;
- b.** you have paid all Continuing License Fees, Brand Fund fees, amounts owed for purchases from us and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;
- c.** the transferee (or its Operating Partner) and its managerial employee (if different from your manager) have completed our training program;
- d.** the transferee has agreed to enter into a new Franchise Agreement;
- e.** you or the transferee pays us a transfer fee of Ten Thousand Dollars (\$10,000) (the "Transfer Fee"). We may provide training to your employees, other than Trainees. If we agree to do so, you must pay us a fee not to exceed \$500 per day, up to ten (10) days, and additionally all expenses including meals, mileage and lodging if training is at your Franchised Clinic. You must pay all travel and living expenses for you, other trainees and your employees to attend the training. This subsection will not apply if the proposed transferee is among your owners, but the transferee is required to reimburse us for any administrative costs we incur in connection with the transfer;
- f.** the transferee agrees to pay the costs required to bring the Franchised Clinic into compliance with the then current System Standards;
- g.** you (and your transferring owners) have executed a general release, in the form attached to the Franchise Disclosure Document, of any and all claims against us and our shareholders, officers, directors, employees and agents;
- h.** we have approved the material terms and conditions of such transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the Franchised Clinic;
- i.** if you or your owners finance any part of the sale price of the transferred interest, you and/or your owners have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your owners have reserved in the Franchised Clinic are subordinate to the transferee's obligation to pay Continuing License Fees, Brand Fund fees and other amounts due to us and otherwise to comply with this Agreement;
- j.** you and your transferring owners have executed a non-competition covenant in favor of us and the transferee agreeing to be bound, commencing on the effective date of the transfer, by the post-term competitive restrictions otherwise contained in this Agreement; and
- k.** you and your transferring owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other Franchised Clinics you own and

operate) identify yourself or themselves or any business as a current or former franchisee or Franchised Clinic, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of a Franchised Clinic in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us.

15.4 Transfer to a Business Entity.

Notwithstanding the foregoing, if you are in full compliance with this Agreement, we may permit you to transfer this Agreement to a Business Entity that conducts no business other than the Franchised Clinic and, if applicable, other Franchised Clinics so long as you own, control and have the right to vote all issued and outstanding ownership interests (like stock or partnership interests) and you guarantee its performance under this Agreement. All other owners are subject to our approval. The organizational or governing documents of the Business Entity must recite that the issuance and transfer of any ownership interests in the Business Entity are restricted by the terms of this Agreement, are subject to our approval, and all certificates or other documents representing ownership interest in the Business Entity must bear a legend referring to the restrictions of this Agreement. As a condition of our approval of the issuance or transfer of ownership interests to any person other than you, we may require (in addition to the other requirements we have the right to impose) that the proposed owner execute an agreement, in a form provided or approved by us, agreeing to be bound jointly and severally by, to comply with, and to guarantee the performance of all your obligations under this Agreement.

15.5 Transfer Upon Death or Disability.

Upon your death or disability or, if you are a Business Entity, the death or disability of the owner of a controlling interest in you, you or such owner's executor, administrator, conservator, guardian or other personal representative must transfer your interest in this Agreement or such owner's interest in you to a third party. Such disposition of this Agreement or the interest in you (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed 6 months from the date of death or disability, and will be subject to all of the terms and conditions applicable to transfers contained in this Section. A failure to transfer your interest in this Agreement or the ownership interest in you within this period of time constitutes a breach of this Agreement. For purposes of this Agreement, the term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an owner of a controlling interest in you from managing and operating the Franchised Clinic.

15.6 Operation Upon Death or Disability.

If, upon your death or disability or the death or disability of the owner of a controlling interest in you, the Franchised Clinic is not being managed by a trained manager, you or such owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed 15 days from the date of death or disability, appoint a manager to operate the Franchised Clinic, such manager will be required to complete training at your expense. Pending the appointment of a manager as provided above or if, in our judgment, the Franchised Clinic is not being managed properly any time after your death or disability or after the death or disability of the owner of a controlling interest in you, we have the right, but not the obligation, to appoint a manager for the Franchised Clinic. All funds from the operation of the Franchised Clinic during the

management by our appointed manager will be kept in a separate account, and all expenses of the Franchised Clinic, including compensation, other costs and travel and living expenses of our manager, will be charged to this account. We also have the right to charge a reasonable management fee (in addition to the Continuing License Fees and Marketing and Development Fund contributions payable under this Agreement) during the period that our appointed manager manages the Franchised Clinic. Operation of the Franchised Clinic during any such period will be on your behalf, provided that we only have a duty to utilize our best efforts and will not be liable to you or your owners for any debts, losses or obligations incurred by the Franchised Clinic or to any of your creditors for any products, materials, supplies or services the Franchised Clinic purchases during any period it is managed by our appointed manager.

15.7 Effect of Consent to Transfer.

Our consent to a transfer of your Franchised Clinic or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Franchised Clinic or transferee or a waiver of any claims we may have against you (or your owners).

15.8 Our Right of First Refusal.

If you (or any of your owners) at any time determine to sell, assign, or transfer for consideration an interest in your Franchised Clinic or an ownership interest in you, you (or such owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror (including lists of the owners of record and all beneficial owners of any corporate or limited liability company offeror and all general and limited partners of any partnership offeror) and immediately submit to us a true and complete copy of such offer, which includes details of the payment terms of the proposed sale and the sources and terms of any financing of the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be denominated in a dollar amount. The offer must apply only to an interest in the Franchised Clinic and may not include an offer to purchase any of your (or your owners') other property or rights. However, if the offeror proposes to buy any other property or rights from you (or your owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to us, and the price and terms of purchase offered to you (or your owners) for the interest in you or the Franchised Clinic must reflect the bona fide price offered and reflect any value for any other property or rights.

We have the right, exercisable by written notice delivered to you or your selling owner(s) within 30 days from the date of the delivery to us of both an exact copy of such offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that:

- a.** we may substitute cash for any form of payment proposed in such offer (with a discounted amount if an interest rate will be charged on any deferred payments);
- b.** our credit will be deemed equal to the credit of any proposed purchaser;
- c.** we will have not less than 60 days after giving notice of our election to purchase to prepare for closing; and
- d.** we are entitled to receive, and you and your owners agree to make, all customary

representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

- (i) ownership and condition of and title to stock or other forms of ownership interest and/or assets;
- (ii) liens and encumbrances relating to the stock or other ownership interest and/or assets; and
- (iii) validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for a period of 2 years commencing on the date of the closing, you and they will be bound by the post-term competitive restrictions otherwise described in this Agreement.

If we do not exercise our right of first refusal, you or your owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as otherwise provided in this Agreement, provided that, if the sale to such purchaser is not completed within 120 days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30-day period following either the expiration of such 120-day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms at our option.

16. Termination of Agreement.

16.1 By Us.

We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if we, in our sole discretion, determine to cease all franchise operations or if:

- a.** you (or any of your owners) have made any material misrepresentation or omission in connection with your purchase of the Franchise; or
- b.** you or, if applicable, the required Operating manager or approved Manager fail to successfully complete Initial Training to our satisfaction or you have not fulfilled all of the conditions for management of the Franchised Clinic; or
- c.** you (i) fail to obtain our approval of the Site within the required time periods or fail to open the Franchised Clinic to the public within 180 days from the execution of this Franchise Agreement, or (ii) fail to obtain our approval of the Lease for the Site or to provide a Conditional Assignment and Assumption of Lease clearly signed by the Landlord or fail to commence construction of the Franchised Clinic within 90 days of the Agreement Date; or You abandon or fail to actively operate the Franchised Clinic for 2 or more consecutive business days, unless the Franchised Clinic has been closed for a purpose we have approved or because of casualty or government order; or

d. you surrender or transfer control of the operation of the Franchised Clinic without our prior written consent; or

e. you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony or other serious crime or offense that is likely to adversely affect your reputation, our reputation or the reputation of any other Franchised Clinic; or

f. you (or any of your owners) engage in any dishonest or unethical conduct which may adversely affect the reputation of the Franchised Clinic or another Franchised Clinic or the goodwill associated with the Marks; or

g. you (or any of your owners) make an unauthorized assignment of this Agreement or of an ownership interest in you or the Franchised Clinic; or

h. in the event of your death or disability or the death or disability of the owner of a controlling interest in you, this Agreement or such owner's interest in you is not assigned as required under this Agreement; or

i. you lose the right to possession of the Site; or

j. you (or any of your owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manuals in violation of this Agreement; or

k. you violate any health, safety or sanitation law, ordinance or regulation and do not begin to cure the noncompliance or violation immediately, and correct such noncompliance or violation within 5 days, after written notice is delivered to you, except we may require the immediate shut down of your Franchised Clinic in the event we deem such violation to be a health threat to anyone; or

l. you fail to make payments of any amounts due to us or our affiliate under this Agreement or any other agreement that you have with us, and do not correct such failure within 10 days after written notice of such failure is delivered to you; or

m. you fail to make payments of any amounts due to approved suppliers of products or services and do not correct such failure within 10 days after written notice of such failure is delivered to you by such supplier; or

n. you fail to pay when due any federal or state income, service, sales or other taxes due on the operations of the Franchised Clinic, unless you are in good faith contesting your liability for such taxes; or

o. you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct such failure within 30 days after written notice of such failure to comply is delivered to you; or

p. you (or any of your owners) fail on 2 or more separate occasions within any period of 12 consecutive months or on 3 occasions during the term of this Agreement to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you; or

q. you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; the Franchised Clinic is attached, seized, subjected to a writ or distress warrant or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of you or the Franchised Clinic is not vacated within 30 days following the entry of such order. You are required to notify us in writing within 10 days of any of the above events; or

r. you misuse or make an unauthorized use of the Marks or materially impair the goodwill associated with the Marks.

s. use of any controlled substance at the Franchised Clinic or connected in any way or manner to the Franchised Clinic.

Notwithstanding the provisions described in Paragraph 16.1 and sub-sections “a-s”, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over the Franchise and the parties to this Franchise Agreement shall limit our rights of termination or shall require a longer notice period than set forth above, this Franchise Agreement is deemed amended to conform to such rules and regulations.

16.2 Your Failure to Pay Constitutes Your Termination of This Agreement.

Your failure to timely cure any breach of your obligation to make payments of Continuing License Fees, Brand Fund fee or any other monies due and owing to us under this Agreement, or to timely cure any other material breach of this Agreement committed by you, in either instance following our notice to you that you have committed a breach of this Agreement and granting you an opportunity to cure said breach, will be irrevocably deemed to constitute your unilateral rejection and termination of this Agreement and all related agreements between you and us or our affiliate, notwithstanding that a formal notice of such termination(s) ultimately issues from us, and you shall never contend or complain otherwise.

16.3 Cross-Default.

Any default or breach by you, an affiliate which has been approved by us, and/or any guarantor of yours of any other agreement between us and you and/or such other parties will be deemed a default under this Agreement, and any default or breach of this Agreement by you and/or such other parties will be deemed a default or breach under any and all such other agreements between us and you, your affiliates and/or any guarantor of yours. If the nature of the default under any other agreement would have permitted us (or our affiliate) to terminate this Agreement if the default had occurred under this Agreement, then we will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof. Your “affiliates” means any persons or entities controlling, controlled by or under common control with you.

16.4 Options Prior to Termination.

Prior to the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliate, or fail to comply with any term of this Agreement, then in addition to any right we may have to terminate this Agreement or to bring a claim for damages, we will have the option to:

- a.** Remove the listing of the Franchised Clinic from all advertising we may publish or approve;
- b.** Remove the listing of the Franchised Clinic from our Website;
- c.** Prohibit you from attending any meetings or seminars we hold or sponsor or that take place on our premises; and/or
- d.** Suspend all services we provide to you under this Agreement or otherwise, including, but not limited to inspections, training, marketing assistance, and sale of products and supplies.

Our actions, as outlined in this Paragraph 16.4, may continue until you have brought your accounts current, cured any default, and complied with our requirements, and we have acknowledged the same in writing. You acknowledge that our taking of any of these actions would not prevent you from continuing to operate the Franchised Clinic (unless and until this Agreement has been terminated), and therefore would not constitute constructive termination of this Agreement. The taking of any of the actions permitted in this Paragraph will not suspend or release you from any obligation that would otherwise be owed to us or our affiliate under the terms of this Agreement or otherwise.

17. Rights and Obligations Upon Termination.

17.1 Payment of Amounts Owed to Us.

You agree to pay us within 15 days after the effective date of termination or expiration of this Agreement, or on such later date that the amounts due to us are determined, such Continuing License Fees, Brand Fund fees, amounts owed for purchases from us, interest due on any of the foregoing and all other amounts owed to us which are then unpaid.

17.2 Marks and De-Identification.

Upon the termination or expiration of this Agreement:

- a.** You may not directly or indirectly at any time or in any manner (except with respect to other Franchised Clinics you own and operate) identify yourself or any business as a current or former Franchised Clinics, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark or other indicia of a Franchised Clinic in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that indicates or suggests a connection or association with us. Within thirty (30) days of termination or expiration you are to deliver to us, at your own expense, all signs, sign-faces, sign-cabinets, marketing materials, forms and other materials containing any mark or otherwise identifying or relating to our Franchised Clinics. You agree to allow us, if we notify you, without liability to you or third parties, to remove all such items from the Franchised Clinic. In our sole judgment, we may waive this requirement in writing provided that you provide a sworn Certificate of Destruction/De-identification detailing your

compliance with these terms;

b. You agree to take such action as may be required to cancel all fictitious or assumed name or equivalent registrations or licenses relating to your use of any Mark;

c. If we do not have or do not exercise an option to purchase the Franchised Clinic, you agree that, after, as applicable, the effective date of expiration/terminations of this Agreement or the Notification Date, you will promptly and at your own expense make such alterations we specify to distinguish the Franchised Clinic clearly from its former appearance and from other Franchised Clinics so as to prevent confusion by the public, including, without limitation, removing all exterior and interior signage bearing the Franchised Clinics name or logo; removing all furnishings bearing the Franchised Clinics name or logo; removing all memorabilia and décor items including pictures or any notation of any type that includes the Franchised Clinics name or logo; removing and ceasing to use all our private labeled items including any proprietary items, removing all retail merchandise bearing the Franchised Clinic name or logo; repainting of the interior of the Franchised Clinic to reflect a change in the basic color scheme so as to clearly distinguish from its former appearance/concept and from other Franchised Clinics so as to prevent confusion by the public and all other alterations we specify to distinguish the Franchised Clinic clearly from its former appearance;

d. If we do not have or do not exercise an option to purchase the Franchised Clinic, you must return to us all proprietary manuals including the Confidential Operations Manual. These items are to be returned to us via ground delivery service, shipped no later than the day of closing, and a copy of the bill of lading/shipping order provided to us;

e. If we do not have or do not exercise an option to purchase the Franchised Clinic, you must destroy all remaining unused gift certificates, gift cards, memberships and coupons. You must provide a signed and notarized statement attesting to the quantity (dollar amount) of unredeemed gift certificates, gift cards and coupons outstanding and a method for reimbursement to franchisees of the Franchised Clinic system for a period of one year from date of clinic closing. Reimbursement must be guaranteed by funds held in escrow or other form acceptable to us in our sole discretion;

f. If we do not have or do not exercise an option to purchase the Franchised Clinic you agree that, after, as applicable, the effective date of expiration/termination of this Agreement or the Notification Date, you will notify the telephone company and all telephone, facsimile or other numbers and any regular, classified or other telephone directory listings to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify. You further appoint an officer of Franchisor as your attorney in fact, to direct the telephone company and any listing agencies to transfer any telephone numbers and listing to us should you fail to voluntarily do so, and the telephone company and all listing agencies shall accept such direction of this Agreement as conclusive of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct their transfer; and

g. You agree to furnish us, within 30 days after, as applicable, the effective date of expiration or termination of this Agreement or the Notification Date, with evidence satisfactory to us of your compliance with the foregoing obligations.

17.3 Confidential Information.

You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Manuals and any other confidential materials that we have loaned to you.

17.4 Competitive Restrictions.

Upon termination or expiration of this Agreement for any reason whatsoever, you agree that, for a period of 2 years commencing on the Effective Date of termination or expiration neither you nor any of your owners will have any direct or indirect interest (including through a spouse, child or other family member) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, member, manager, representative or agent or in any other capacity in any Competitive Business operating:

- a. At the Site or within the Protected Territory; or
- b. Within 50 miles of the Site or Protected Territory; or
- c. Within 15 miles of any other Franchised Clinic in operation or under construction on the later of the effective date of the termination or expiration.

If any person restricted by this Section refuses voluntarily to comply with the foregoing obligations, the 2-year period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision. You expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive you or your owners of your or their personal goodwill or ability to earn a living.

All persons with an ownership or voting interest in you if you are a Business Entity franchisee, all individual franchisees if you are not a Business Entity and any person employed by or under an independent contractor relationship with you who receives or will receive any training by us or you which is directly or indirectly related to the System or involves any of the Confidential Information must execute the Confidentiality, Non-solicitation and Non-competition Agreement attached to the Franchise Disclosure Document no later than ten days following the effective date of this Agreement (or, if any individual or entity attains such status after the effective date of this Agreement, within ten days following such individual or entity's attaining such status).

17.5 Our Right to Purchase.

a. **Exercise of Option.** Upon our termination of this Agreement in accordance with its terms and conditions, we have the option, exercisable by giving written notice to you within 60 days from the date of such termination, to purchase the Franchised Clinic from you, including the leasehold right to the Site. (The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the "Notification Date"). We have the unrestricted right to assign this option to purchase the Franchised Clinic. We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

b. **Leasehold Rights.** You agree at our election:

- (i) to assign your leasehold interest in the Site to us;
- (ii) to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease; or
- (iii) to lease to us if you own the Site in accordance with the Agreement to Lease.

c. **Purchase Price.** The purchase price for the Franchised Clinic will be its fair market value, determined in a manner consistent with reasonable depreciation of the Franchised Clinic equipment, signs, inventory, materials and supplies provided that the Franchised Clinic will be valued as an independent business and its value will not include any value for:

- (i) the Franchise or any rights granted by the Agreement;
- (ii) the Marks; or
- (iii) participation in the network of Franchised Clinics.

Your Franchised Clinic's fair market value will include the goodwill you developed in the market of the Franchised Clinic that exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Site will also be considered in determining the Franchised Clinic fair market value.

We may exclude from the assets purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Franchised Clinic operation or that we have not approved as meeting standards for Franchised Clinics, and the purchase price will reflect such exclusions.

The purchase price will be paid at the closing of the purchase, which will take place not later than 90 days after determination of the purchase price. We have the right to set off against the purchase price, and thereby reduce the purchase price by any and all amounts you or your owners owe to us. At the closing, you agree to deliver instruments transferring to us the following:

- (i) Good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interest acceptable to us), with all sales and other transfer taxes paid by you;
- (ii) All licenses and permits of the Franchised Clinic which may be assigned or transferred; and
- (iii) The leasehold interest and improvements in the Site.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. You and your owners further agree to execute general releases, in the form attached to the Franchise Disclosure Document, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns.

17.6 Liquidated Damages

You acknowledge that in the event of termination of this Agreement the parties cannot determine the exact amount of damages resulting from termination prior to the expiration of a term. Accordingly, you agree that if we terminate this Agreement, in addition to all the other remedies and causes of action and claims for relief available to us you will pay us liquidated damages in addition

to amounts due to us accruing under this Agreement prior to termination. The amount of liquidated damages shall equal the average monthly royalties for the twenty-four (24) months preceding the date of termination multiplied by the lesser of thirty-six (36) months or the number of months remaining that would have remained for the term of this Agreement at the time of termination. The imposition of liquidated damages pursuant to this Paragraph 17.6 shall be at our sole option and we may in addition to or in lieu thereof, pursue all or any of our remedies under this Agreement. You and we agree that liquidated damages under Paragraph 17.6 is a reasonable estimate of actual damages which we will sustain as a result of a breach of this Agreement and is not a penalty. Liquidated damages pursuant to this Paragraph will constitute neither a waiver of your obligation to comply with the foregoing Section 17 – “Rights and Obligations Upon Termination” nor a license to use the System.

18. Relationship of the Parties/Indemnification.

18.1 Independent Contractors.

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, personnel and others as the owner of the Franchised Clinic under a franchise we have granted and to place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as we may require from time to time. If you do not do so, we may place the notices and accomplish the foregoing as we see fit, and you must reimburse us for doing so.

18.2 No Liability for Acts of Other Party.

You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized. Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Franchised Clinic’s operation or the business you conduct pursuant to this Agreement.

18.3 Taxes.

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or the Franchised Clinic, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes is your responsibility.

18.4 Indemnification

You agree to indemnify, defend and hold us, our affiliate and our respective shareholders, directors, officers, employees, agents, successors and assignees (the “Indemnified Parties”) harmless from and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any and all taxes arising from the operation of your Franchised

Clinic, and any and all claims and liabilities directly or indirectly arising out of the Franchised Clinic operation (even if our negligence is alleged, but not proven); any element of your development, opening and operation of your Franchised Clinic, including (without limitation) any personal injury, death or property damage suffered by any customer, visitor, operator, employee or guest of the Franchised Clinic; crimes committed on or near your Franchised Clinic or vehicles used by your Franchised Clinic; all acts, errors, neglects or omissions engaged in by you, your contractors or subcontractors, as well as any third party, arising out of or related to the design, construction, conversion, build-out, outfitting, remodeling, renovation or upgrading of your Franchised Clinic, whether or not any of the foregoing was approved by us; defects in any Franchised Clinic you construct and/or operate, whether or not discoverable by you or by us; all acts, errors, neglects or omissions of you or the Franchised Clinic and/or the owners, officers, directors, management, employees, agent, servants, contractors, partners, proprietors, affiliates or representatives of you or the Franchised Clinic (or any third party acting on your behalf or at your direction), whether in connection with the Franchised Clinic or otherwise; all liabilities arising from or related to your offer, sale and/or delivery of products and/or services as contemplated by this Agreement; and, any action by any customer of yours or visitor to your Franchised Clinic or any other facility of your Franchised Business; or your breach of this Agreement.

For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountant's, arbitrator's, attorney's and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

19. Enforcement.

19.1 Severability and Substitution of Valid Provisions.

Except as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, un-appealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and binding upon the parties hereto, although any portion held to be invalid shall be deemed not to be part of this Agreement from the date the time for appeal expires, if you are a party thereto, or upon your receipt of a notice of non-enforcement thereof from us. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to allow you a Successor Franchise to this Agreement than is required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard

or operation procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the notice requirements hereof, and we shall have the right, in our sole discretion to modify such invalid or unenforceable provision, specification, standard or operation procedure to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdiction unless we elect to give them greater applicability and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

19.2 Waiver of Obligations.

Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor, and such approval shall be obtained in writing. We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you by granting any waiver, approval or consent to you, or by reason of any neglect, delay or denial of any request therefor. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked, in our sole discretion, at any time and for any reason, effective upon receipt by you of ten (10) days prior written notice. We shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, our right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate this Franchise prior to the expiration of its term), by virtue of any custom or practice of the parties at variance with the terms hereof; any failure by us or you to demand strict compliance with this Agreement, any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature against other franchisees of us or the acceptance by us of any payments due from you after failure to comply with any provision of this Agreement, nor acceptance by us of any payment by you or failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations, hereunder, including without limitation, any mandatory specification, standard or operating procedure, shall not constitute a waiver of any provision of this Agreement.

19.3 Franchisee May Not Withhold Payment Due Franchisor.

You agree that you will not, on grounds of the alleged nonperformance by us of any of our obligations hereunder, withhold payment of any Continuing License Fees, Brand Fund fees, and amounts due to us for items or products purchased by you or any other amounts due from you to us.

19.4 Force Majeure.

If the performance of any obligation under this Franchise Agreement is prevented or delayed, in whole or in part, by reason of force majeure, or the consequence thereof, affecting the parties hereto or the rights granted hereunder, such force majeure to include but not be limited to acts of God, fire, flood, governmental restrictions, lockouts or labor disputes, then the affected party shall be given such additional time as is reasonable to perform in view of the nature and extent of the force majeure.

19.5 Governing Law.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) and the United States Arbitration Act which may also be designated the

Federal Arbitration Act, this Agreement and the franchise shall be governed by the laws of Alabama.

Franchisee waives any and all rights, actions or claims for relief under the Federal Act entitled "Racketeer Influenced and Corrupt Organizations", 18 U.S.C. Section 1961, *et seq.*

19.6 Binding Effect.

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, legal representatives, assigns and successors in interest.

The parties hereto agree that this Agreement may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this Agreement and all Riders, Amendments or Addenda hereto. You are not entitled to challenge the validation or authenticity of the electronic signature or the document on the ground that it is not the original.

19.7 Construction.

The preambles are a part of this Agreement, and together with the Manual(s), all exhibits, attachments and addenda constitute the entire agreement of the parties, and, with the exception, if applicable, of a lease or sublease for the premise of the Franchised Clinic between us and you, there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the Sections and Paragraphs hereof are for convenience only and do not define, limit or construe the contents of such Sections or Paragraphs. The term "you", "your" or "Franchisee" as used herein is applicable to one or more persons, a corporation, partnership, limited liability company or other legal entity, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. Reference to Franchisee, and "assignees" and "transferees" which are applicable to an individual or individuals shall mean the principal owner or owners of the equity or operating control of Franchisee or any such assignee or transferee if Franchisee or such assignee or transferee is a corporation, partnership, Limited Liability Company or other legal entity. This Agreement may be executed in multiple copies, each of which shall be deemed an original. Time is of the essence of this Agreement.

19.8 Judicial Enforcement, Injunction and Specific Performance.

Notwithstanding the provisions of Paragraphs 19.9 and 19.10, we shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to Franchisee's use of the Marks, the obligations of Franchisee upon termination or expiration of the franchise, and assignment of the Franchise and ownership of Franchisee. If we secure any such injunction or order of specific performance, Franchisee agrees to pay to us an amount equal to the aggregate of our costs of obtaining such relief, including, without limitations, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, and any damages incurred by us as a result of the breach of any such provision.

19.9 Mediation.

The parties hereto agree that before resorting to binding arbitration, that if any dispute arises between the parties hereto, any affiliated companies thereof or any of their officers, directors, partners, joint ventures, employees, agents, representatives or those in active concert with any of such parties, relating to anything other than the matters set forth in Section 10 and Paragraphs 17.4 and 19.8, the parties hereto agree to first try in good faith before resorting to arbitration, to settle the dispute by mediation in Jefferson County, Alabama, administered by the American Arbitration Association under its Commercial Mediation Rules and initiated at and supervised by the American Arbitration Association regional office for the Jefferson County, Alabama area, unless agreed otherwise by the parties. Disputes subject to mediation shall be all controversies, claims, and matters from the beginning of time, whether contractual or tort in nature, except for those matters specifically excluded in Section 10 and Paragraphs 17.4 and 19.8. The party who seeks resolution of a controversy, claim or dispute or other matter in question shall notify the other party and the American Arbitration Association office in writing of the existence and subject matter of such controversy, claim or dispute. Unless mutually agreed otherwise, the parties shall meet with the mediator within thirty (30) days after the recipient party has received notice of the dispute, and agree to utilize their best efforts and all expediency to resolve the matters in dispute. The mediation shall not continue longer than one (1) hearing day without the written approval of both parties. Neither party shall be bound by any recommendation of the mediator; however, any agreement reached during mediation shall be final and conclusive. The expense of mediation shall be shared equally by both parties. The parties' obligation to mediate will be deemed to be satisfied after one (1) hearing day or 60 days after a mediation demand has been made if any party fails to appear or participate in good faith in the mediation.

Franchisor and the Franchisee each agree that the mediation process is negotiation for the purpose of compromise. All offers, promises, conduct, and statements, whether oral or written, made in the course of the mediation process by any of the parties, their agents, employees, experts and attorneys, shall be confidential. Franchisee acknowledges that Franchisor may require the Franchisee to execute a confidentiality agreement pertaining to the mediation process. Notwithstanding the foregoing, evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or not discoverable as a result of its use in the mediation process.

In the event the parties are unable to reach an agreement by mediation, then in that event all disputes, controversies, claims or causes of action shall be submitted to binding arbitration pursuant to Paragraph 19.10 hereinafter.

19.10 Arbitration.

All disputes and claims relating to any provision of this Franchise Agreement (other than as set forth in Section 19, Paragraph 19.8 above, Franchisee's use of the Marks or the parties' Exclusive Relationship or the obligations of Franchisee upon termination or expiration of the franchise, and assignment of the Franchise and ownership of Franchisee), any specification, standard, operating procedure, or rule or any other obligation of Franchisee prescribed by Franchisor or any obligation of Franchisor, or the breach thereof (including, without limitation, any claim that this Agreement, any provision hereof, any specification, standard, operating procedure or rule or any other obligation of Franchisee or Franchisor is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by arbitration in Jefferson County, Alabama, or if Franchisor shall no longer maintain an office in Jefferson County, Alabama, then the home office of Franchisor.

Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq.*), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the arbitrator shall award, or include in his/her award, the specific performance of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. If a claim for amounts owed by Franchisee to Franchisor is asserted in the arbitration proceeding and if Franchisor shall prevail on such claim, Franchisor shall be entitled to so much of its cost and expenses including accounting and legal fees, as are attributable to the prosecution thereof. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of Franchisor or of Franchisee. During the pendency of an arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform and comply with the provisions of this Agreement. The parties intend and agree that any state laws attempting to prohibit arbitration or void out-of-state forums for arbitration are preempted by the Federal Arbitration Act and the arbitration shall be held as provided in Paragraph 19.10.

19.11 Third Party Beneficiaries.

Our officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the arbitration provisions in Paragraph 19.10, each having authority to specifically enforce the right to arbitrate claims asserted against such person(s) by Franchisee.

19.12 Class Claims.

Franchisee agrees that any arbitration between Franchisee and Franchisor will be Franchisee's individual claim and that the claim or claims subject to arbitration shall not be arbitrated on a class-wide basis.

19.13 Entire Agreement.

This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us. Notwithstanding the foregoing, nothing in the Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us.

19.14 Certain Definitions.

The term "family member" refers to parents, spouses, offspring and siblings, and the parents and siblings of spouses. The term "affiliate" means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person. The terms "franchisee," "franchise owner," "you" and "your" are applicable to one or more persons, or a Business Entity, as the case may be. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. The term "person" includes individuals, corporations, partnerships (general or limited), limited liability companies, and all artificial or legal entities. The term "Section" refers to a Section or Subsection of this Agreement. The word "control" means the power to direct or cause the direction of management and policies. The word "owner" means any person holding a direct or indirect, legal or beneficial ownership interest or voting right in another person (or a transferee of this Agreement or an interest in you),

including any person who has a direct or indirect interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets.

19.15 Time Is of the Essence.

It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words “from “and “commencing on” (and the like) mean “from and including”; and the words “to”, “until” and “ending on” (and the like) mean “to but excluding.” Indications of time of day mean Birmingham, Alabama time.

19.16 Anti-Terrorism Compliance.

You agree to comply with, and/or assist us to the fullest extent possible in our efforts to comply with, Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, the Foreign Terrorist Organizations Sanctions Regulations, the Cuban Assets Control Regulations and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war (the “Anti-Terrorism Laws”). In connection with such compliance you certify, represent and warrant that none of your property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that you are not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by you or your employees or any “blocking” of your assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements you have entered into with us or any of our affiliate, in accordance with the termination provisions of this Agreement.

19.17 Our Withholding of Consent Your Exclusive Remedy.

In no event may you make any claim for money damages based on any claim or assertion that we have unreasonably withheld or delayed any consent or approval under this Franchise Agreement. You waive any such claim for damages. You may not claim any such damages by way of setoff, counterclaim or defense. Your sole remedy for the claim will be mediation and arbitration proceedings in accordance with Paragraphs 19.9 and 19.10 respectively to enforce the Agreement provisions, for specific performance or for declaratory judgment.

19.18 Notices.

All written notices and reports permitted or required under this Agreement or by the Manuals will be deemed delivered:

- a. 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or
- b. 3 business days after placement in the United States mail by certified mail, return receipt requested, postage prepaid.

All such notices must be addressed to the parties as follows:

If to Us: Hydralive Franchising LLC

3500 Independence Drive Suite 200
Homewood, AL 35209

If to You: _____

Attention: _____

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least 2 days prior to such date, or in which the receipt from the commercial courier service is not dated prior to 2 days prior to such date) will be deemed delinquent.

20. Spousal Consent.

If you have obtained our approval and the Franchisee is a corporation, partnership, limited liability company or other form of legal entity, then the spouse of each of your owners, or, for, an individual(s), or subsequent to execution hereof you marry or you assign this Agreement to an individual(s), then in either event, the spouse(s) hereby jointly and severally personally and unconditionally guarantee(s) without notice, demand or presentment, the payment of all of your monetary obligations under this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such spouses further agree to be bound by restrictions upon your activities upon transfer, termination or expiration of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such spouses must execute a spousal consent in the form attached hereto as Exhibit "G-Three". In the event of divorce and re-marriage, or

subsequent marriage, you covenant and agree to provide Franchisor with a properly executed spousal consent and guarantee, in the form prescribed by Franchisor.

Intending to be bound, you and we sign and deliver this Agreement in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

Dated: _____

“You”; “Your”; “Franchisee”

If a corporation or other entity:

(Name of Corporation or Other Entity)

By: _____

Its: _____

Title: _____

Printed Name

Attest: _____

Dated: _____

If an individual:

Witness/Date

(Signature)

(Print Name)

(Signature)

(Print Name)

Dated: _____

“We”; “Us”; “Our”; “Franchisor”

Hydralive Franchising LLC

Attest: _____

By: _____

(Print Name)

Its: _____

(Title)

EXHIBIT "G-ONE" TO THE FRANCHISE AGREEMENT

CENTER AND SITE SELECTION AREA

EXHIBIT "G-ONE" TO THE FRANCHISE AGREEMENT

CENTER AND SITE SELECTION AREA

1. Your Site Selection Area prior to approval of the Site is the geographic area described below (the "Center"):

2. If the Site Selection Area is to be determined after the Agreement Date, check this box .

When we accept the Center, we will complete the description of the Site Selection Area at that time.

EXHIBIT "G-TWO" TO THE FRANCHISE AGREEMENT

PROTECTED TERRITORY

EXHIBIT “G-TWO” TO THE FRANCHISE AGREEMENT

PROTECTED TERRITORY

Your “Site” for the Franchised Clinic is located at:

Your Protected Territory is the geographic area consisting of a minimum population of 75,000 people (as determined by our third party mapping software current demographics) with a minimum income between \$60,000 to \$70,000, or a radius of three (3) miles, whichever is the lesser area as described as follows:

Or if appropriate, check the box here for a map describing the Protected Territory and attach the map to this Exhibit “G-Two”.

EXHIBIT "G-TWO" TO THE FRANCHISE AGREEMENT

(Continued)

One Clinic location is authorized to be opened within the Protected Territory unless otherwise specified below:

EXHIBIT "G-THREE" TO THE FRANCHISE AGREEMENT

SPOUSAL CONSENT

EXHIBIT "G-THREE" TO THE FRANCHISE AGREEMENT

SPOUSAL CONSENT

The undersigned person(s) hereby represent(s) to Hydralive Franchising LLC that he/she is the spouse of the individual franchisee(s) who has executed a Hydralive Franchising LLC Franchise Agreement dated the __ day of _____, 20__ or that he/she is the spouse of one of the Owners of the legal entity who executed the Hydralive Franchising LLC Franchise Agreement of the same date. In consideration of the grant by Hydralive Franchising LLC to the Franchisee as herein provided, each of the undersigned spouses agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, will be firmly bound by all of the terms, provisions and conditions of the foregoing Hydralive Franchising LLC Franchise Agreement, that they and each of them jointly and severally do hereby unconditionally guarantee the full and timely performance by the Franchisee of each and every obligation of the Franchisee under the aforesaid Franchise Agreement, including, without limitation, any indebtedness of the Franchisee arising under or by virtue of the aforesaid Franchise Agreement. The undersigned jointly and severally further agree(s) to be bound by the in-term and post-term covenants set forth in Section 10 and in Paragraph 17.4 of the aforesaid Franchise Agreement.

WITNESS

Signature: _____

Printed Name: _____

EXHIBIT "G-FOUR" TO THE FRANCHISE AGREEMENT

STATE AMENDMENT TO FRANCHISE AGREEMENT

EXHIBIT "G-FIVE" TO THE FRANCHISE AGREEMENT

LOCAL ADVERTISING AND MARKETING SERVICES AGREEMENT

LOCAL ADVERTISING AND MARKETING SERVICES AGREEMENT

THIS LOCAL ADVERTISING AND MARKETING SERVICES AGREEMENT (this “Agreement”) is entered into as of the ___ day of _____, by and between HYDRALIVE FRANCHISING LLC (“Franchisor”) and _____ (“Franchisee”). All capitalized terms not defined herein have the meanings ascribed to them in the Franchise Agreement (defined below).

WHEREAS, Franchisee and Franchisor are parties to that certain Franchise Agreement dated the date hereof (“Franchise Agreement”);

WHEREAS, pursuant to the terms of the Franchise Agreement, the Franchisee is required to purchase Local Advertising and Marketing Services from Franchisor;

WHEREAS, the parties desire to memorialize the terms and conditions of their agreement;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1) Term. Unless sooner terminated as provided herein, the term of this Agreement shall be commensurate with the term of the Franchise Agreement.

2) Local Advertising and Marketing Service Fees. Franchisee shall pay to Franchisor a local advertising and marketing service fee (“Advertising Fee”) no less than the amount that Franchisee is contractually required to spend on local advertising and marketing mediums, as outlined in Paragraph 12.2 of the Franchise Agreement. The current Advertising Fee is \$2,000 per month. Franchisee must pay Franchisor, in arrears, on the 10th of each month for the prior month the non-refundable Advertising Fee. Franchisee must pay the Advertising Fee by electronic funds transfer, or such other method as Franchisor may designate from time to time. Franchisor reserves the right to change the direction and allocation of the Advertising Fee to reflect changes in the cost of design, production, purchasing costs, and anticipated profit. Franchisor also reserves the right to modify the method and timing of payment of the Advertising Fee.

3) Franchisor’s Obligations. If Franchisee is current in its obligations to Franchisor, Franchisor shall produce, direct and execute local advertising and marketing initiatives, which may include digital advertising mediums, direct mail, and other digital or non-digital mediums. In addition, Franchisee may request that (a) Franchisor produce additional advertising on Franchisee’s behalf, and that (b) Franchisor direct additional local advertising and marketing fees on Franchisee’s behalf. Franchisee will pay Franchisor’s then-current rates for additional advertising purchased or produced pursuant to this Section.

4) Payment Terms. The Advertising Fee is subject to the payment terms set forth in Section 6 of the Franchise Agreement.

5) Termination. This Agreement shall automatically terminate upon the termination or expiration of the Franchise Agreement. In addition, Franchisor shall have the right to terminate this Agreement if the Franchisee is in default under any of the terms and conditions of the Franchise Agreement, or under any of the terms and conditions of this Agreement, and such default continues for a period of ten (10) days after written notice to Franchisee. Further, a default under this Agreement constitutes a default under the Franchise Agreement. In addition to the foregoing, if

Franchisor, in its sole business judgment, determines that there is a more effective method of advertising for the System, Franchisor shall have the right to discontinue the local advertising and marketing services program and terminate this Agreement by providing written notice to Franchisee.

6) Pre-Termination Options Relating to Local Advertising and Marketing Services. If Franchisee is in default of its obligations under this Agreement or the Franchise Agreement, Franchisor may suspend all or some of the local advertising and marketing services for Franchisee. This remedy is in addition to any other remedies available at law or in equity to Franchisor.

7) Mailing Lists and Delivery. Franchisor may develop a direct mail campaign as a component of the Local Advertising and Marketing Services Program. In addition to Franchisor's own scheduling software generated database systems, Franchisor may obtain mailing lists and identify qualified households from third-party data compilation and demographic information service provider(s) that Franchisor selects. Franchisor makes no representation or warranty regarding the accuracy of any such mailing lists or demographic information related to qualified households, which Franchisor uses to perform its obligations hereunder. Further, Franchisor is unable to represent or warrant that the actual direct mail produced by it on Franchisee's behalf and delivered to the United States Postal Service (or other mail delivery service specified by Franchisor) will be delivered by the postal carrier to qualified households in Franchisee's Territory.

8) Assignment. This Agreement is fully assignable by Franchisor. This Agreement may not be assigned by Franchisee without the prior written consent of Franchisor.

9) Miscellaneous. The choice of law, choice of forum/venue and dispute resolution provisions set forth in the Franchise Agreement apply to the parties' dealings under this Agreement. Franchisee acknowledges and agrees that this Agreement does not become effective until this Agreement is counter-signed by Franchisor. If Franchisor institutes any action against Franchisee to collect amounts owed hereunder, Franchisor will be entitled to recover from Franchisee all attorneys' fees that Franchisor incurs in connection with such action, together with court costs and expenses of suit, such as investigation, audit, professional fees and witness fees or charges.

The parties hereto agree that this Agreement may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this Agreement. You are not entitled to challenge the validation or authenticity of the electronic signature or the document on the ground that it is not the original.

[Signatures on page that follows.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Dated: _____

Attest: _____

“You”; “Your”; “Franchisee”

If a corporation or other entity:

(Name of Corporation or Other Entity)

By: _____

Its: _____

Title: _____

Printed Name

Dated: _____

Witness/Date

If an individual:

(Signature)

(Print Name)

(Signature)

(Print Name)

Dated: _____

Attest: _____

“We”; “Us”; “Our”; “Franchisor”

Hydralive Franchising LLC

By: _____
(Print Name)

Its: _____
(Title)

EXHIBIT “H” TO THE DISCLOSURE DOCUMENT

**FORM OF
AREA DEVELOPMENT AGREEMENT**

HYDRALIVE FRANCHISING LLC

AREA DEVELOPMENT AGREEMENT

Effective Date: _____

Name of Developer: _____

Address of Developer: _____

Summary of Description of Territory: See Exhibit "H-One"

HYDRALIVE FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT

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HYDRALIVE FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this “Agreement”) is effective on _____, 20__ (the “Agreement Date”). The parties to this agreement are **Hydralive Franchising LLC**, a Georgia limited liability company, with its principal office located at 3500 Independence Drive, Suite 200, Homewood, Alabama 35209 (referred to in this Agreement as “we,” “us” or “our”) and _____ whose principal address is _____ (referred to in the Agreement as “you,” “your” or “Developer”).

1. Introduction.

1.1 Hydralive System. We and our affiliate have expended considerable time and effort in developing a Hydralive business that offers hydration therapy and related services to individuals for multiple purposes, including but not limited to, assistance in recovering from illnesses, athletic activities and hangovers and/or products we may designate from time to time offered by the franchise business (“Hydralive”). Hydralive clinics operate under distinctive business formats, methods, procedures, designs, layouts, signs, equipment, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (the “System”).

We use, promote and license certain trademarks, service marks and other commercial symbols in the operation of a franchised Hydralive clinic, including the trademarks, service marks and commercial symbols, “**Hydralive**”, and other associated designs, artwork and trade dress, which have gained and continue to gain public acceptance and goodwill, and may create, use and license additional trademarks, service marks and commercial symbols in conjunction with the operation of Hydralive clinics (collectively, the “Marks”). We grant to persons who meet our qualifications and are willing to undertake the investment and effort, the right to develop and operate multiple franchised Hydralive clinics located within a defined geographic area.

1.2 Confirmations. You confirm and agree to the following:

- (a) you have read this Agreement and our Franchise Disclosure Document;
- (b) you understand that we may modify our current form of franchise agreement from time to time; however, any modifications of the franchise agreement during the term of this Agreement will not vary the amount of Franchise Fees or license fees to be paid by you;
- (c) you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality service and the uniformity of those standards at every franchised Hydralive clinic in order to protect and preserve the goodwill of the Marks;
- (d) you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by franchised Hydralive clinics may evolve and change over time;
- (e) as an inducement to our entry into this Agreement, you have made no misrepresentations in obtaining the development rights granted in this Agreement; and

(f) we have provided to you a copy of our Franchise Disclosure Document and an executable copy of the Franchise Agreement at least 14 calendar days prior to the execution of the Franchise Agreement or our receipt of any consideration from you.

1.3 Business Organization.

If you are at any time a business organization (“Business Entity”) (like a corporation, limited liability company or partnership) you agree and represent that:

(a) you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(b) your organizational or governing documents will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(c) the Principal Owner’s Statement will completely and accurately describe all of your Owners and their interests in you. A copy of our current form of Principal Owner’s Statement is attached to the Franchise Disclosure Document;

(d) you and your Owners agree to revise the Principal Owner’s Statement as may be necessary to reflect any ownership changes and to furnish such other information about your organization or formation as we may request (no ownership changes may be made without our approval, which will not be unreasonably withheld);

(e) each of your Owners during the term of this Agreement will sign and deliver to us our standard form of Principal Owner’s Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. A copy of our current form of Principal Owner’s Guaranty is attached to our Franchise Disclosure Document; and

(f) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your Owners and agents (like articles of incorporation or organization, and partnership, operating or shareholder agreements).

2. Term and Succession.

2.1 Term of Agreement. This Agreement commences on the Agreement Date and expires on the earlier of: (i) the last day of the Development Schedule; or (ii) the Certificate of Occupancy of the last franchised Hydralive clinic specified in the Development Schedule. This Agreement may be terminated before it expires in accordance with Section 9 of this Agreement. Upon expiration or termination of this Agreement, you will not have any further rights to acquire franchises to operate Hydralive clinics; but you may continue to own and operate all existing franchised Hydralive clinics subject to the franchise agreements (the “Franchise Agreement(s)”) with us in accordance with their terms.

This Agreement will expire when you have opened the last of the Franchised Locations you are permitted to open under this Agreement, or seven (7) years from the date of this Agreement, whichever occurs first. There are no renewal or successor rights extended to Developer in this Agreement.

2.2 Rights on Expiration or Termination. Upon expiration or termination of this agreement we may then operate or grant other persons' franchises to operate Hydralive clinics within the Designated Territory set forth in Exhibit "H-One" attached hereto and made a part hereof. You may continue to own and operate each franchised Hydralive clinic then in operation under Franchise Agreements that you have executed with us, subject however, to the terms and conditions of each Franchise Agreement.

3. Development Rights, Obligations and Designated Territory.

3.1 Development Rights – Right of First Refusal. If you are in full compliance with all of the provisions of this Agreement and all of the franchise agreements, then during the term of this Agreement, we will grant to you, pursuant to the terms and conditions of this Agreement, the non exclusive right to enter into franchise agreements with us (the "Franchise Agreements") to open a total number of Franchised Locations within the development territory set forth by map or written description in Exhibit "H-One" of this Agreement (hereinafter "Designated Territory"), and to use our System, Marks and Methods solely in connection with those businesses, at specific locations to be designated in separate Franchise Agreements signed as provided herein and pursuant to the Development Schedule described in Paragraph 3.3.2 of this Agreement ("the Development Schedule"). Each Franchised Location to be developed will be located in the Designated Territory set forth in Exhibit "H-One".

3.2 Rights Retained. Your Designated Territory is non exclusive and we retain the right in our sole and absolute discretion to:

(a) establish and grant our affiliate, subsidiaries or parent entity the absolute right to establish Hydralive clinics at a specific location or an area within the Designated Territory or to grant other franchisees the right to establish franchised Hydralive clinics within the Designated Territory, but if other franchisees desire to enter into a Franchise Agreement for a franchised Hydralive clinic at a specific location or an area within the Designated Territory we will offer you a right of refusal to open your next scheduled franchised Hydralive clinic at that specific location or area within the Designated Territory ("Right of Refusal Area") provided however if your Area Development Agreement for the Designated Territory was executed first in time (the first Area Development Agreement signed within the Designated Territory), your right of refusal shall be a First Right of Refusal for the specific location or area within the Designated Territory. If you entered into an Area Development Agreement second in time for the Designated Territory, your right of refusal shall be a Second Right of Refusal and you will not be offered the Right of Refusal Area unless the Developer with the First Right of Refusal did not accept the Right to Develop the Hydralive clinic within the Right of Refusal Area. If there are any Developers which entered into an Area Development Agreement subsequent in time to a preceding Developer, they will be offered a right of refusal for the Right of Refusal Area only if the preceding Developer refused the opportunity to develop the franchised Hydralive clinic for the Right of Refusal Area.

You will have seven (7) days from the date of our notice offering you the right to develop your next franchised Hydralive clinic in the Right of Refusal Area, to provide us with your written commitment to accept the obligation to open your next franchised Hydralive clinic within the Right of Refusal Area and in addition, find a site within ninety (90) days which is acceptable to us and further enter into our Franchise Agreement for the location. After your written acceptance and signing the Franchise Agreement you will have two hundred seventy (270) days from the date of the Franchise Agreement to open the Franchised Location. If the number of franchised Hydralive

clinics in Section 4 of this Agreement is two, then the second location must be opened within twelve (12) months of the Opening Date of the first location. If the number of franchised Hydralive clinics in Section 4 of this Agreement is greater than two, then each Clinic location required to be developed must be opened within twelve (12) months of the Opening Date for each of the preceding franchised Hydralive clinics you are required to open in Section 4 of this Agreement;

(b) establish and grant to other franchisees the right to establish franchised Hydralive clinics anywhere inside or outside the Designated Territory, on such terms and conditions as we deem appropriate (but not within the Protected Territory specified in the Franchise Agreement of any franchised Hydralive clinic you operate under this Agreement and continue to operate);

(c) operate and grant franchises to others to operate businesses, whether inside or outside the Designated Territory, specializing in the sale of products or provision of services, other than a Competitive Business or a franchised Hydralive clinic, using certain of the Marks and pursuant to such terms and conditions as we deem appropriate;

(d) operate and grant franchises to others to operate businesses, or provide other services, whether inside or outside the Designated Territory, that do not use any of the Marks;

(e) market and sell, inside and outside of the Protected Territory, through channels of distribution other than full service franchised locations (like mail order, Internet or Intranet, Website or other forms of e-commerce, retail or convenience medspas or kiosks), or through special purpose sites including military bases, public transportation facilities, sport facilities, race tracks, airports, student unions or similar buildings on college or university campuses, amusement and theme parks, special events, and through other sites which are covered/closed traffic malls, all of which are designated ("Special Sites"), such Sites We Reserve are not protected and are not part of your Designated Territory; and

(f) purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks other than, while this Agreement is in effect, the Marks, regardless of the location of these businesses and/or facilities, which may be within the Designated Territory or immediately outside its border.

3.3 Development Obligations. During the term of the Agreement, you will at all times faithfully, honestly and diligently perform your obligations and continuously exert your best efforts to promote and enhance the development of franchised Hydralive clinics within the Designated Territory. Without limiting the forgoing obligations, you agree to do the following:

3.3.1 Separate Agreements. You must sign separate Franchise Agreements for each of the Franchised Locations to be opened by you pursuant to and according to the Development Schedule set forth in Paragraph 3.3.2. Each Franchise Agreement to be signed by you will be the then current form of Franchise Agreement used by us in the sale of franchises.

3.3.2 Schedule of Openings. You will sign your first Franchise Agreement at the same time you sign this Agreement and you will have two hundred seventy (270) days from the date of that Franchise Agreement to open your first Franchised Location. The second Franchised clinic location must be opened within twelve (12) months of the Opening Date of the first Hydration clinic location. If the number of Hydralive clinics in Section 4 is greater than two, then each subsequent franchised Hydralive clinic location required to be developed must be opened within

twelve (12) months of the Opening Date for each of the preceding franchised Hydralive clinics until you have opened the total number of Franchised Locations for which you have made payment in accordance with the requirements described in Section 4 of this Agreement. However, you may not acquire a site for any Franchised Location, or otherwise begin construction or improvement of any site for a Franchised Location, until you have signed a Franchise Agreement for that location. Further, notwithstanding any provision of this Agreement, we will not be required to sign a Franchise Agreement with you at any time in which you are in default of any provision of this Agreement or of any previously signed Franchise Agreement.

Your franchised Hydralive clinics will not count towards meeting the Development Quota for any Development Period until they have been fully constructed, developed and have opened operations in accordance with their respective franchise agreements with us. We determine if any franchised Hydralive clinic has opened for purposes of meeting the Development Schedule and any Development Quota for any Development Period. If a franchised Hydralive clinic is permanently closed after having been opened, you agree to develop and open a substitute franchised Hydralive clinic within one (1) year from the date of its permanent closing separate and apart from the Development Schedule.

3.3.3 Designated Operations Executive. Within thirty (30) days after the execution of this Agreement, you must designate one individual as an "Operations Executive." This person will be obligated to devote his or her full time, best efforts and constant personal attention to your Hydralive clinic franchise operations. The Operations Executive must have full authority from you to implement our System and Methods at each Franchised Location. Your designation of the Operations Executive will be subject to our approval, which we will not arbitrarily or unreasonably withhold. The Operations Executive must attend our training program as described in the Franchise Agreements to learn the techniques of operating franchised Hydralive clinics, furnished by us at the place and time we may designate.

3.4 Effect of Failure. Strict Compliance with the Development Schedule is the essence of this Agreement. If you do not timely meet your Development Quota as of the end of any Development Period shown on the Development Schedule, you will be in default of your obligations under this Agreement. If such a default occurs, it will constitute a material breach of this Agreement and we may then, in our sole discretion, elect to:

- (a) terminate this Agreement; or
- (b) have the right to operate (directly or through affiliates) or grant franchises for the operation of franchised Hydralive clinics within the Designated Territory; or
- (c) reduce the Designated Territory and the Development Schedule to a size and magnitude that we estimate you are capable of operating otherwise in accordance with this Agreement.

4. Development Fee.

If you are qualified and enter into an Area Development Agreement with us, you must pay a Development Fee when you sign the Area Development Agreement together with the Franchise Agreement for your first location. The amount of the Development Fee depends upon the number of franchised Hydralive clinics to be opened. The Development Fee for two (2) franchised Hydralive clinics under the Area Development Agreement is \$91,500. The Development Fee for

three (3) franchised Hydralive clinics under the Area Development Agreement is \$129,500. The Development Fee for four (4) franchised Hydralive clinics under the Area Development Agreement is \$165,500. The Development Fee for five (5) franchised Hydralive clinics under the Area Development Agreement is \$199,500. The Development Fee for six (6) franchised Hydralive Clinics under the Area Development Agreement is \$231,500. In special circumstances we may consider the sale of further Hydralive franchises for an additional fee of \$30,000 for each franchise to be developed after the 6th franchised Hydralive clinic. The second location must be opened within twelve (12) months from the Opening Date of the first location. The third, fourth and subsequent franchised Hydralive clinic locations must be opened within twelve (12) months of the Opening Date for each of the preceding franchised Hydralive clinics and you will sign a separate then current franchise agreement for each location to be opened. The Development Fee is payable in a lump sum, is uniform, non-refundable and fully earned upon receipt.

By your signature immediately below in this Section 4, you are promising to open and operate a total of ___ franchised Hydralive clinic locations and you agree to pay a total Development Fee of \$_____ when you sign this Agreement.

 Developer's Signature Developer's Printed Name Date of Signature

You agree that the grant of rights to you under this Agreement constitute the sole consideration for payment of the Development Fee and that the fee is fully earned by us when due and is nonrefundable.

5. Site Selection/Franchises.

Subject to the provisions of this Agreement, we will grant franchises to you for the operation of franchised Hydralive clinics to be located within the Designated Territory on the following conditions:

5.1 Site Reports. You agree to submit to us a complete report (containing such information and collateral materials as we require from time to time) for each Site at which you propose to establish and operate a franchised Hydralive clinic, before you acquire any interest in it (by lease or purchase). A complete site report should contain demographic, commercial and market feasibility studies, a site plan, photographs and such other information as we determine appropriate. Each Site you submit must be based on your belief that it conforms to the site criteria we establish from time to time.

5.2 Site Evaluation. We will evaluate all proposed Sites and all Sites are subject to our prior written acceptance. In evaluating a Site that you propose, we will consider such matters as demographic characteristics of the proposed site, traffic patterns, land use and zoning, licensing and regulatory concerns, residential and recreational quality, parking, character of the neighborhood, renovation and construction concerns, competition from other facilities in the area, the proximity to other facilities, the nature of other businesses and franchised Hydralive clinics (when applicable) in proximity to the Site and other commercial and residential characteristics (including the purchase price, rental obligations and other lease or acquisition terms for the proposed Site), and the size, appearance and other physical characteristics of the Site. You agree to obtain our prior written consent to the Site before you sign any lease for, or a binding purchase

agreement for, the proposed Site. Nothing prevents us from operating (directly or through an affiliate), or from granting a franchise for the operation of, a franchised Hydralive clinic at any Site outside of the Designated Territory.

5.3 Site Acceptance. We may withhold our consent to a Site for any reason we deem to be based on our good faith business judgment. We will, by delivery of written notice to you, accept or reject each Site proposed by you for the operation of a franchised Hydralive clinic. We agree to exert commercially reasonable efforts to notify you of our acceptance or rejection within 30 days after we have received the complete site report and other materials we have requested.

5.4 Effect of Acceptance. Our acceptance of the Site (including its location, appearance and size) indicates only that we believe it falls within the acceptable criteria we have established at that time. You acknowledge and agree that:

(a) our acceptance of the Site does not imply, assure, guaranty, warrant or predict profitability or success, express or implied;

(b) application of criteria that have been effective with respect to other Sites may not be predictive of the potential for all Sites and that, subsequent to our acceptance of a Site, demographic and/or economic factors included in, or excluding from, our criteria could change, thereby altering the potential of a Site;

(c) the uncertainty and instability of such criteria are beyond our control and we are not responsible for the failure of a Site approved by us to meet expectations as to potential revenue or operational criteria; and

(d) Your acceptance of a franchise for the operation of a franchised Hydralive clinic at a site you propose is based upon your own independent investigation of the suitability of that location and that Site even though we may provide guidance and assistance to you in selecting the Site for your franchised Hydralive clinic.

5.5 Franchise Agreement. If we have accepted, and you have obtained lawful possession of or a formal commitment for the Site, we will offer you a franchise to operate a franchised Hydralive clinic at the proposed Site by delivering to you a Franchise Agreement in a form ready for signing by you (or an affiliate). You understand and agree that we may modify the Franchise Agreement from time to time. You (or an affiliate) must sign and deliver the Franchise Agreement to us within 20-days after our delivery of the Franchise Agreement to you. If you (or your affiliate) do not timely sign and return the Franchise Agreement, we may revoke our offer to grant you a franchise to operate a franchised Hydralive clinic at the proposed Site. Contemporaneously with the signing of the Franchise Agreement, each of your direct or indirect Owners must sign and deliver to us a Principal Owner's Guaranty in the form attached to the Franchise Agreement.

6. Management of Business.

6.1 Management. You (or, if you are a Business Entity), a person having management rights and powers (e.g., officers, managers, partners, etc.) (the "Operating Partner(s)"), agree to:

(a) supervise the development and operation of Hydralive clinics franchised pursuant to this Agreement;

(b) attend such training programs, meetings and conventions which we may offer during the term of this Agreement; and

(c) pay and bear all expenses incurred by you and your Operating Partners(s) in attending such meetings, programs or conventions.

6.2 Management Personnel.

(a) **Ownership Interest:** As a developer of multiple Hydralive clinics, you may not be in a position to have direct, personal day-to-day management responsibility for the franchised Hydralive clinics that you will own and operate. However, you understand and acknowledge that each of the franchised Hydralive clinics that you (or your affiliates) own and operate must be under the oversight, supervision and direction of an Operating Partner who has a direct economic ownership interest (at least 10%) in such franchised Hydralive clinic (or the Business Entity that owns and operates it). Accordingly, you agree that each Hydralive clinic will be under the oversight and direction of an Operating Partner/Principal who meets all the following qualifications and conditions:

(i) Has ownership interest of at least 10% of the economic interest in such franchised Hydralive clinic or Business Entity;

(ii) Has a sufficient amount of experience in managing and operating Hydralive clinics in terms of duration, operational responsibilities and previous training and who has satisfactorily completed our training programs so that such person can demonstrate to our satisfaction that he/she is capable of overseeing the operations of a franchised Hydralive clinic;

(iii) Has oversight responsibility and authority over the franchised Hydralive clinic on a day-to-day basis;

(iv) Is bound by our then-current form of confidentiality and non-competition agreement (or other form of contract satisfactory to us); and

(v) Satisfactorily completes our initial training program, certification and any other training programs we request from time to time.

You will provide to us a copy of the organizational and governing documents for the Business Entity(ies) that demonstrates that the Operating Partner has the requisite ownership interest.

6.3 Joint and Several. If two or more persons are at any time the Developer under this Agreement, their obligations to us are joint and several and the term “you” refers to all of them.

7. Confidential Information/Exclusive Relationship.

7.1 Types of Confidential Information. We possess certain confidential information relating to the development and operation of franchised Hydralive clinics, which includes but is not limited to the following (collectively, the “Confidential Information”):

(a) the System and the know-how related to its use;

(b) plans, specifications, size and physical characteristics of franchised Hydralive clinics;

(c) site selection criteria, land use and zoning techniques and criteria;

(d) sources, design and methods of use of equipment, furniture, forms, materials, supplies, Internet or Intranet, “business to business” or “business to customer” networks or communities and other e-commerce methods of business;

(e) marketing (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships), advertising and promotional programs for franchised Hydralive clinics;

(f) staffing and delivery methods and techniques for personal services;

(g) the selection, testing and training of managers and other employees for franchised Hydralive clinics;

(h) the recruitment, qualification and investigation methods to secure employment for employment candidates;

(i) the Computer software we make available or recommend for franchised Hydralive clinics;

(j) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of Hydralive clinics;

(k) knowledge of specifications for and identities of and suppliers of certain products, materials, supplies, furniture, furnishings and equipment;

(l) formulas, preparation methods and serving techniques;

(m) knowledge of operating results and financial performance of franchised Hydralive clinics other than those operated by you (or your affiliates); and

(n) pricing, purchase agreements and contracts.

We will disclose certain Confidential Information to you through various manuals and in providing training, guidance and assistance to you from time to time.

7.2 Nondisclosure Agreement. You acknowledge and agree that:

(a) you will not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of franchised Hydralive clinics under the Franchise Agreements during the term of this Agreement, and that the duplication or use of the Confidential Information in any other business would constitute an unfair method of competition; and

(b) the Confidential Information is proprietary, may involve our trade secrets and is disclosed to you solely on the condition that you agree that:

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

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

(iii) you will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Manuals; and

(iv) you will adopt and implement all reasonable procedures that we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information including, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information.

7.3 Competitive Restrictions. You agree and acknowledge that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among franchised Hydralive clinics if owners of franchised Hydralive clinics were permitted to hold any interest in any business or facility owning, operating, managing franchising or licensing, featuring hydration therapy and related services and/or products we may designate from time to time including medications and vitamins to replenish depleted fluids in the body and electrolytes for complete hydration and comfort (other than a franchised Hydralive clinic under a franchise agreement with us or our affiliate, “Competitive Business”). You also acknowledge that we have entered into this Agreement with you in part upon consideration of and in reliance on your agreement to deal exclusively with us. Therefore, you agree as follows:

(a) **Noncompetition and Non-solicitation:** During the term of this Agreement neither you nor any of your Owners if you are a Business Entity (a “Restricted Person”) will:

(i) engage in a Competitive Business or perform services for a Competitive Business, directly or indirectly, as a director, owner, proprietor, officer, manager, employee, consultant, representative, agent, independent contractor or otherwise, except under a franchise agreement with us or our affiliate;

(ii) have any direct or indirect interest, as a disclosed or beneficial owner, in a Competitive Business, except under franchise agreements with us or our affiliate;

(iii) have any direct or indirect interest, as a disclosed or beneficial owner, in any entity which is granted or is granting franchises or licenses to others to operate any Competitive Business, except franchised Hydralive clinics under franchise agreements with us or our affiliate; or

(iv) directly or indirectly, on behalf of yourself or any other person, or as an employee, proprietor, owner, consultant, agent, contractor, employer, affiliate, partner, officer, director or associate, or stockholder of any other person or entity, or in any other capacity, solicit, divert, take away, or interfere with any of the business, customers, clients, contractors, referral sources, trade or patronage of ours, our affiliate or our franchisees as such may exist throughout the term of this Agreement.

(b) **Public Companies:** Notwithstanding the foregoing, any aggregate ownership of 5% or less of the issued and outstanding shares of any class of stock of a publicly traded company is not prohibited by the provisions of this Section.

(c) **Confidentiality, Non-solicitation and Noncompetition Agreement:** You must require and obtain, at your expense, execution and delivery to us of restrictive covenants, in the form of Confidentiality, Non-solicitation and Non-competition Agreement attached to the Franchise Disclosure Document from all of your Owners, and any person employed by or under an independent contractor relationship with you who receives or will receive any training by us or you which is directly or indirectly related to the System or involves any of the Confidential Information no later than ten days following the effective date of this Agreement (or, if any individual or entity

attains such status after the effective date of this Agreement, within ten days following such individual or entity's attaining such status).

8. Marks and Internet.

8.1 Ownership and Goodwill of Marks. Your right to use the Marks is derived solely from this Agreement and the Franchise Agreements and limited to your operation of the franchised Hydralive clinics at the Sites pursuant to and in compliance with the Franchise Agreements and all System Standards we prescribe from time to time during the term of the Franchise Agreements. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that neither this Agreement nor the Franchise Agreements confer any goodwill or other interests in the Marks upon you (other than the right to operate the franchised Hydralive clinics in compliance with the Franchise Agreements). All provisions of this Agreement and the Franchise Agreements applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols we authorize to use.

8.2 Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the franchised Hydralive clinics, except that you agree to identify yourself as the independent owner in the manner we prescribe in the Manual or otherwise. We may place or require you to place a conspicuous notice at a place we designate in each of your franchised Hydralive clinics identifying you as its independent owner and operator. You agree not to remove, destroy, cover or alter that notice without our prior consent. If you do not do so, we may accomplish the notice or identification as we see fit, and you agree to reimburse us for doing so. You may not use any Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning the transfer, sale or other disposition of any franchised Hydralive clinic or an ownership interest in you. You agree to display the Marks prominently in the manner we prescribe at each franchised Hydralive clinic, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law.

8.3 Notification of Infringements and Claims. You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise protect and maintain our interests in the Marks.

8.4 Discontinuance of Use of Marks. If it becomes advisable at any time in our sole

discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We will not be obligated to reimburse you for any direct or indirect loss, including loss of revenue attributable to any modified or discontinued Mark or for any expenditure you make to promote a modified or substitute trademark or service mark.

8.5 Signage. Your signage must comply with all state and local laws and ordinances. You are also to limit your signage to “**Hydralive**”. The use of any other language is forbidden. If you employ any signage that does not comply with this Agreement, you will be in material breach of this Agreement. The signage must also incorporate the specific letter style, curvature, approved colors and trademark associated with the franchised Hydralive clinic logo. You must not use a sign that deviates from the standard logo unless and until you have submitted a request for such deviation to us in writing with drawings and we have approved such deviation in writing.

8.6 Internet. You may not maintain a World Wide Web site or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with any franchised Hydralive clinic without our prior written approval, which we may withhold for any reason or no reason and in our sole discretion. You agree to submit to us for our approval, before use, true and correct printouts of all Web site pages you propose to use in your Web site connection with the business. You understand and agree that our right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with the Marks. You may only use material which we have approved. Should we grant you the right to establish a Web site in connection with the business authorized by this agreement, the franchised Hydralive clinic’s web site must conform to all of our Web site requirements, whether set forth in its Manual or otherwise. You agree to provide all hyperlinks or other links that we require. If we grant approval for a Web site, you may not use any of the Proprietary Information at the site except as we expressly permit. You may not post any of our proprietary, confidential or copyrighted material or information on the Web site without our prior written permission. If you wish to modify an approved site, all proposed modifications must also receive our prior written approval. You explicitly understand that you may not post on the Web site any material which any third party has any direct or indirect ownership interest in (including, without limitation, video clips, photographs, sound bites, copyrights, trademarks or service marks, or any other text or image which any third party may claim intellectual property ownership interests in). You agree to list on the Web site, should we ever grant you the right to have a Web site in connection with any aspect of this Agreement, any Web site maintained by us, and any other information we require in the manner we dictate. You agree to obtain our prior written approval for any Internet domain name and/or home page address. The requirement for our prior approval set forth in this Paragraph will apply to all activities on the Internet or other communications network to be conducted by you, except that you may maintain one or more E-mail addresses and may conduct individual E-mail communications with our prior written approval. You agree to obtain our prior approval as provided above if you propose to send advertising to multiple addresses via E-mail.

8.7 Protection Against Social Media Networking. You understand and agree that you are strictly prohibited from promoting or using the Marks in any manner on any social and/or networking websites, including but not limited to, Facebook, LinkedIn, My Space, Twitter, Instagram, Vine, Tumblr, and Snapchat, or any other platform, including but not limited to any online advertising, digital marketing and sponsorships without our prior written consent.

8.8 Copyrights.

All right, title and interest in and to all materials, artwork, and designs used with the Marks or in association with the System are our sole and exclusive property and cannot be replaced or replicated either during or after this Agreement. You have no right to make any direct or indirect use of Copyright Materials except as permitted under this Agreement.

9. Termination.

9.1 Termination Upon Notice.

We may terminate this Agreement, effective on delivery of notice of termination to you, if:

(a) you fail to meet your obligations in accordance with the Development Schedule (unless we exercise other remedies under Paragraph 3.4 (b)-(c));

(b) you (or, if you are a Business Entity, any Operating Partner/Principal or any Owner) make an unauthorized assignment or transfer of this Agreement, an ownership interest in you or any interest in any affiliate's franchised Hydralive clinic or Franchise Agreement granted pursuant to this Agreement;

(c) you (or, if you are a Business Entity, any Operating Partner/Principal or any Owner) have made any material misrepresentation or omission in your application for the development rights conferred by this Agreement;

(d) you (or, if you are a Business Entity, any Operating Partner/Principal or any Owner) are or have been convicted of, or plead, or have pleaded no contest, or guilty, to a felony or other serious crime or offense that is likely to adversely affect your reputation, our reputation or the reputation of any other franchised Hydralive clinic;

(e) you (or, if you are a Business Entity, any Operating Partner/Principal or any Owner) make any unauthorized use of the Marks, fail to comply with our Internet restrictions or any unauthorized use or disclosure of the Confidential Information;

(f) you fail to make payments of any amounts due to us or our affiliate under this Agreement or any other agreement that you have with us (including any Franchise Agreement), and do not correct such failure within 10 days after written notice of such failure is delivered to you;

(g) you fail to perform or observe any provision of any lease or sublease for any Site, any financing document for any Site or any lease or financing document for any of the approved Operating Assets or Hydralive Materials (as defined in the Franchise Agreement) and do not correct such failure within the applicable cure period;

(h) you fail to commence construction of your first franchised Hydralive clinic location within 90 days following the effective date of this Agreement;

(i) you do not enter into a franchise agreement within 15 days after you have obtained lawful possession of a lease for or a contract to purchase a Site;

(j) you, or one of your principal Owners, make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of

your property; your business, or a principal Owner's business, is attached, seized, subjected to a warrant or levied upon, unless such attachment, seizure, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of you, or a principal Owner, or the business of any of them is not vacated within 30 days following the entry of such order (You must notify us in writing within 10 days of any of the events listed in this Paragraph 9.1(j));

(k) you, or any of your principal Owners, engage in any dishonest or unethical conduct which may adversely affect the reputation of franchised Hydralive clinics or the goodwill associated with the Marks;

(l) you fail to comply with any other provision of the Agreement or any provision of any other agreement you have with us (including any Franchise Agreement), after we have notified you of the failure whether or not such failures to comply are corrected after notice of the failure is delivered to you;

(m) you fail on 2 or more separate occasions within any 12 consecutive month period or on 3 occasions during the term of this Agreement to comply with this Agreement or any other agreement you have with us (including any Franchise Agreement), after we have notified you of the failure whether or not such failures to comply are corrected after notice of the failure is delivered to you; or

(n) we have delivered to you (or an affiliate) a notice of termination of a Franchise Agreement in accordance with its terms and conditions or you (or your affiliates) have terminated a Franchise Agreement without cause, as defined in such agreement.

9.2 Cross-Default. Any default or breach by you, your affiliates and/or any guarantor of yours of any other agreement between us or our affiliate and you and/or such other parties will be deemed a default under this Agreement, and any default or breach of this Agreement by you and/or such other parties will be deemed a default or breach under any and all such other agreements between us or our affiliate and you, your affiliates and/or any guarantor of yours. If the nature of the default under any other agreement would have permitted us (or our affiliate) to terminate this Agreement if the default had occurred under this Agreement, then we will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof. Your "affiliates" means any persons or entities controlling, controlled by or under common control with you.

10. Effect of Termination and Expiration.

10.1 Continuing Obligations. All of the obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, until they are satisfied in full or by their nature expire. Within 5 days immediately following termination or expiration of this Agreement for any reason, you must pay to us all fees or other amounts due us under this Agreement, or any other agreement, note, or obligation between you and us.

10.2 Post-Term Competitive Restrictions. Upon termination or expiration of this Agreement for any reason, you and your Owners and guarantors agree that, for a period of 2 years commencing on the effective date of termination or expiration, no Restricted Person will have any direct or indirect interest (e.g. through a spouse, child, or other family member) as a disclosed or

beneficial owner, investor, partner, director, officer, employee, consultant, member, manager, representative or agent or in any other capacity in any Competitive Business operating:

- (a) at any Site or within the Designated Territory;
- (b) within 50 miles of any Site or the Designated Territory; or
- (c) within 15 miles of any other franchised Hydralive clinic in operation or under construction on the later of the effective date of the termination or expiration.

If any Restricted Person refuses voluntarily to comply with the foregoing obligations, the 2-year period will commence with the entry of an order of an arbitrator, or court if necessary enforcing this provision. Each Restricted Person expressly acknowledges that he/she possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living. You acknowledge and agree that the time and geographic restrictions contained in this Section are reasonable and necessary to protect our interests and investments and do not and will not unduly burden you or deprive you of your ability to earn a living. You acknowledge and agree that any claim you have, or may have arising from this Agreement, or otherwise have or may have against us will not constitute a defense to our enforcement of the restrictive covenants contained in this Agreement.

10.3 Grant of Franchises. Upon termination or expiration of this Agreement for any reason, your rights under this Agreement will terminate and you agree to immediately and permanently cease your development activities. We will then have no further obligation to grant you additional franchises for Hydralive clinics and will be free to operate, or grant other persons franchises to operate franchised Hydralive clinics within the Designated Territory.

10.4 Marks and Confidential Information. Except in connection with franchised Hydralive clinics you are then operating under Franchise Agreements, or with respect to which a Franchise Agreement has been signed, you agree to immediately and permanently cease use, by advertising or in any manner whatsoever, the Marks and the Confidential Information; slogan, trademarks, trade names, service marks, designs, trade dress or logos which are similar in nature to the Marks; or any equipment, materials, forms, confidential methods, procedures, and techniques associated with or similar to the System or which display the Marks or any other distinctive forms, slogans, signs, symbols, trade dress or devices associated with or belonging to us.

11. Transfers.

11.1 By Us. This Agreement is fully transferable by us and inures to the benefit of any assignee or other legal successor to our interest, as long as such assignee or successor agrees to be bound by, and assumes all of our continuing obligations under it.

11.2 By You. You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a corporation, limited liability company or partnership, your Owners) and that we have granted this Agreement in reliance upon our perceptions of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you (or, if you are a Business Entity, your Owners). Therefore, neither this Agreement (or any interest therein) nor any part or all of the ownership of you may be transferred by you or your Owners without our prior written approval. Any such transfer without our prior written approval constitutes a breach of this Agreement and will convey no rights, or interests, in

this Agreement. As used in this Agreement, the term “transfer” includes your (or your Owners’) voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) you; or (c) any of the Franchise Agreements.

11.3 Transfer to a Business Entity. Notwithstanding Paragraph 11.2, if you are in full compliance with this Agreement, we may permit you to transfer this Agreement to a Business Entity that conducts no business other than your franchised Hydralive clinics so long as you own, control and have the right to vote all of its issued and outstanding ownership interests (like stock or partnership interests) and you guarantee its performance under this Agreement. Furthermore, you may not transfer any ownership interest to anyone who does not meet our approval. All owners of every franchised Hydralive clinic and of any Business Entity must meet our approval. The organizational or governing documents of the business organization must recite that the issuance and transfer of any ownership interest in the business organization are restricted by the terms of this Agreement, are subject to our approval, and all certificates or other documents representing ownership interests in the business organization must bear a legend referring to the restriction of this Agreement. As a condition of our approval of the issuance or transfer of ownership interests to any person other than you, we may require (in addition to the other requirements we have the right to impose) that the proposed owner execute an agreement, in a form provided or approved by us, agreeing to be bound jointly and severally by, to comply with, and to guarantee the performance of, all of your obligations under this Agreement and sign a General Release used in the then current disclosure document.

11.4 Conditions for Approval of Transfer.

(a) Application: If you (or, if you are a Business Entity, your Owners) are in full compliance with this Agreement and all of the Franchise Agreements, we will not unreasonably withhold our approval of a transfer that meets all the applicable requirements of this Section. The proposed transferee and its owners must be individuals of good moral character and otherwise meet our then applicable standards for developers of franchised Hydralive clinics.

(b) Development Rights: If the transfer of the development rights granted under this Agreement or a controlling interest in the Developer, or is one of a series of transfers which in the aggregate constitute the transfer of the development rights granted under this Agreement or a controlling interest in the Developer, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

(i) the transferee must have sufficient business experience, aptitude and financial resources to operate your franchised business and develop the Designated Territory, and must either already own a franchised Hydralive clinic or is acquiring one or more of them in association with the transfer;

(ii) you agree to pay us all amounts owed to us or our affiliate, if any, which are then due and unpaid and submit all required reports and statements which have not yet been submitted, under this Agreement, any Franchise Agreement or any other agreement between you (or an affiliate) and us (or our affiliate);

(iii) the transferee and/or the transferee’s personnel must agree to complete our initial training program to our satisfaction;

(iv) the transferee must meet our current owner criteria and agree to be bound by and expressly assume all of the terms and conditions of this Agreement for the remainder of its term;

(v) you (and your Owners) must execute a general release, in the form attached to the Franchise Disclosure Document, of any and all claims against us and our officers, directors, employees and agents;

(vi) we must approve the material terms and conditions of such transfer including, without limitation, that the price and terms of payment are not so burdensome as to affect adversely the future development of the Designated Territory and the operation of franchised Hydralife clinics in it;

(vii) if the transferee finances any part of the sale price of the transferred interest, you (and your Owners) must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by you (or your Owners) must be subordinate to transferee's obligations to us to comply with this Agreement or Franchise Agreements executed by the transferee; and

(viii) all Restricted Persons must sign and deliver to us an agreement in which they will comply with the competitive restrictions contained in Paragraph 10.2 of this Agreement for 1 year commencing on the effective date of the transfer.

In connection with any transfer permitted under this Section, you agree to provide us with all documents to be signed by you and the proposed assignee or transferee at least 30 business days prior to signing.

11.5 Right of First Refusal. If you (or your Owners) at any time determine to transfer this Agreement (as defined above), you will obtain a bona fide, signed written offer, an earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed purchaser and submit an exact copy of such offer to us. The offer must apply only to an interest in this Agreement or you. It must not include the purchase of any other property or rights of you (or your Owners). The offer must completely describe the purchase price, payment terms, terms of the assumption of liabilities and all other material terms of the transfer (including all exhibits and other information so that we may readily determine the foregoing). Within 30 days from the date we receive the copy of such offer, we may purchase your rights under this Agreement and the assets of your business on the terms and conditions contained in the offer provided to us, except that:

(a) we may substitute cash for any form of payment proposed in the offer (with a discounted amount if an interest rate will be charged on any deferred payments);

(b) our credit will be deemed equal to the credit of any proposed purchaser;

(c) we will have no less than 90 days to prepare for a closing; and

(d) we are entitled to receive, and you and your Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or with the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

(i) ownership and condition of and title to stock or other forms of ownership interests and/or assets;

(ii) liens and encumbrances relating to the stock or other ownership interests and/or assets; and

(iii) validity of contracts and the liabilities contingent or otherwise of the corporation or other legal entity whose stock or ownership rights are being purchased.

The 30-day period will not commence until you have delivered to us full and complete documentation to enable us to fully evaluate the offer.

If we exercise our right of first refusal, you and your selling Owner(s) agree that, for a period of 2 years commencing on the date of the closing, you and they will be bound by the competitive restrictions contained in Paragraph 10.2 of this Agreement.

If we do not exercise our right of first refusal, you or your Owners may complete the transfer on the terms contained in the offer, subject to our approval of the transfer as described in this Section of this Agreement. If the transfer as described in the offer is not completed within 120 days after delivery of the offer to us, or if there is a material change in the terms of the transfer, we will again have the right of our first refusal as described in this Agreement.

11.6 Death or Permanent Disability. Upon your death or permanent disability or that of one of your Owners, the executor, administrator, conservator or other personal representative of such person must transfer his or her interest within a reasonable time, not to exceed 6 months from the date of death or permanent disability, to a third party approved by us. Such transfer, including, without limitation, transfer by devise or inheritance, is subject to all the conditions for transfers contained in Paragraph 11.4 and unless transferred by gift, devise or inheritance, subject to the terms of Paragraph 11.5. Failure to dispose of such interest within that time period constitutes a breach of this Agreement. Our consent to a transfer of any interest subject to the restrictions of this Section does not constitute a waiver of any claims we may have against the assignor; nor will it be deemed a waiver of our right to demand the assignee's exact compliance with any of the terms or conditions of this Agreement or any Franchise Agreements.

11.7 Public Offerings of Securities. Notwithstanding any other provisions of this Agreement, you agree not to, without our prior written consent, sell or offer to sell any of your securities if such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, and the rules and regulations pursuant thereto, or the securities laws of any other state or territory of the United States of America or of any other jurisdiction. All advertisements or promotional materials must be previously approved by us. You may not use any advertising or promotional materials that we have disapproved.

11.8 Franchise Transfers. A transfer of any franchised Hydralive clinic developed pursuant to this Agreement may be made only in connection with the transfer of the Franchise Agreement for such franchised Hydralive clinic, and a transfer of the Franchise Agreement for any such franchised Hydralive clinic may be made only in connection with the transfer of all interests of yours in such franchised Hydralive clinic (or the affiliate that owns such franchised Hydralive clinic). A transfer must comply with all of the requirements for a transfer set forth in the Franchise Agreement.

12. Relationship of the Parties/Indemnification.

12.1 Independent Contractors. You and we understand and agree that this Agreement does not create a fiduciary relationship between the parties. We and you are

independent contractors. Nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings as the owner of development rights granted under an Area Development Agreement with us in the ways we specify for doing so. You agree to place notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may require from time to time.

12.2 No Liability for Acts of Other Party. You agree not to employ any of the Marks in signing any contract or applying for any license or permit or in a manner that may result in our liability for any of your indebtedness or obligations. You agree to not use the Marks in any way not expressly authorized by this Agreement or the Franchise Agreements. Except as expressly authorized in writing, neither you nor we will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other or be obligated by or have any liability under any agreements or representation made by the other. We will not be obligated for any damages to any person or property directly or indirectly arising out of the operations of your business authorized by or conducted pursuant to this Agreement.

12.3 Taxes. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or your assets or upon us, arising in connection with the business conducted by you pursuant to this Agreement or any Franchise Agreement. Payment of all such taxes is solely your responsibility.

12.4 Indemnification. You agree to indemnify, defend and hold us, our affiliate and our respective shareholders, members, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") harmless from and against and to reimburse them for all claims, obligations and damages described in this Section, any and all taxes described in Paragraph 12.3 of this Agreement and any and all claims and liabilities directly or indirectly arising out of the operation of your business (even if our negligence is alleged, but not proven), your breach of this Agreement or your use of the Marks in any manner not in accordance with this Agreement. For purposes of this indemnification, "claims" means and includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties including, without limitation, reasonable costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. The Indemnified Parties have the right to defend any such claim against them in such manner as they deem appropriate or desirable in their sole discretion. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

13. Enforcement.

13.1 Severability; Substitution of Valid Provisions. Except as otherwise stated in this Agreement, each provision of this Agreement, and any portion of any provision, are severable. The remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. This

Agreement will be deemed automatically modified to comply with such governing law if any applicable law requires: (a) a greater prior notice of the termination of or refusal to renew this Agreement; or (b) the taking of some other action not described in this Agreement; or (c) if any System Standard is invalid or unenforceable. We may modify such invalid or unenforceable provision to the extent required to be valid and enforceable. In such event, you will be bound by the modified provisions.

13.2 Waivers. We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; or (b) we do not insist on your strict compliance with the terms of this Agreement; (c) there develops a custom or practice which is at a variance with the terms of this Agreement; or (d) if we accept payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else. Any waiver we may grant to you will, without any prejudice to you and without any obligation on our part to compensate you, be subject to our continuing review, and may be revoked by us, at any time and for any reason, effective upon our notice to you of our revocation of the waiver.

13.3 Limitation of Liability. Neither we nor you will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from:

- (a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof;
- (b) acts of God, terror, war or similar events; or
- (c) acts or omissions of a similar event or cause.

However, such events or delays do not excuse payments of amounts owed at any time.

13.4 Approval and Consents. Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. If we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you.

13.5 Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) and the United States Arbitration Act, this Agreement and our relationship shall be governed by the laws of Alabama.

Developer waives any and all rights, actions or claims for relief under the Federal Act entitled "Racketeer Influenced and Corrupt Organizations", 18 U.S.C. Section 1961, *et seq.*

13.6 Judicial Enforcement, Injunction, and Specific Performance. Notwithstanding the provisions of Paragraphs 13.7 and 13.8, we shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to your use of the Marks, your obligation upon termination or expiration of the Agreement, and any Transfer by you of this Agreement and ownership of Developer. If we secure any such injunction or order of specific performance, you agree to pay us an amount equal to the aggregate of our cost of obtaining such relief, including, without limitation, reasonable

attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, and any damages incurred by us as a result of the breach of any such provision.

13.7 Mediation. The parties hereto agree that before resorting to binding arbitration, that if any dispute arises between the parties hereto, any affiliated companies thereof or any of their officers, directors, partners, relating to anything other than the matters set forth in Paragraphs 7.3, 10.2 and 13.6, the parties hereto agree to first try in good faith before resorting to arbitration, to settle the dispute by mediation in Jefferson County, Alabama, administered by the American Arbitration Association under its Commercial Mediation Rules and initiated at and supervised by the American Arbitration Association, unless agreed otherwise by the parties. Disputes subject to mediation shall be all controversies, claims, and matters from the beginning of time, whether contractual or tort in nature, except for those matters specifically excluded in Paragraphs 7.3, 10.2 and 13.6. The party who seeks resolution of a controversy, claim or dispute or other matter in question shall notify the other party and the American Arbitration Association office in writing of the existence and subject matter of such controversy, claim or dispute. Unless mutually agreed otherwise, the parties shall meet with the mediator within thirty (30) days after the recipient party has received notice of the dispute, and agree to utilize their best efforts and all expediency to resolve the matters in dispute. The mediation shall not continue longer than one (1) day without the written approval of both parties. Neither party shall be bound by any recommendation of the mediator; however, any agreement reached during mediations shall be final and conclusive. The expense of mediation shall be shared equally by both parties. The parties' obligation to mediate will be deemed to be satisfied after one (1) hearing day or 60 days after mediation demand has been made if any party fails to appear or participate in good faith in the mediation.

We and you each agree that the mediation process is negotiation for the purpose of compromise. All offers, promises, conduct, and statements, whether oral or written, made in the course of the mediation process by any of the parties, their agents, employees, experts and attorneys, shall be confidential. You acknowledge that we may require you to execute a confidentiality agreement pertaining to the mediation process. Notwithstanding the foregoing, evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or not discoverable as a result of its use in the mediation process.

In the event the parties are unable to reach an agreement by mediation, then in that event all disputes, controversies, claims or causes of action shall be submitted to binding arbitration pursuant to Paragraph 13.8 hereinafter.

13.8 Arbitration. All disputes and claims relating to any provision of this Agreement (other than as set forth in Paragraph 13.6 above, "Judicial Enforcement, Injunction and Specific Performance"), any specification, standard, operating procedure, or rule or any other obligation of Developer prescribed by us or any obligation of us, or the breach thereof (including, without limitation, any claim that this Agreement, any provision hereof, any specification, standard, operating procedure, rule or any other obligation of Developer or us is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by arbitration in Jefferson County, Alabama, or if we shall no longer maintain an office in Jefferson County, Alabama, then our home office. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq.*), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the

arbitrator shall award, or include in his/her award, the specific performance of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. If a claim for amounts owed by Developer to us is asserted in the arbitration proceeding and if we shall prevail on such claim, we shall be entitled to so much of our cost and expenses including accounting and legal fees, as are attributable to the prosecution thereof. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of us or of Developer. During the pendency of an arbitration proceeding hereunder, the parties hereto shall fully perform and comply with the provisions of this Agreement.

13.9 Third Party Beneficiaries. Our officers, directors, shareholders, agents, and/or employees are express third party beneficiaries of the arbitration provisions in Paragraph 13.8, each having authority to specifically enforce the right to arbitrate claims asserted against such person(s) by Developer.

13.10 Class Claims. Developer agrees that any arbitration between Developer and us will be Developer's individual claim and that the claim or claims subject to arbitration shall not be arbitrated on a class-wide basis.

13.11 Binding Effect. This Agreement is binding on and will inure to the benefit of our successors and assigns. Except as otherwise provided in this Agreement, this Agreement will also be binding on your successors and assigns, and your heirs, executors and administrators.

The parties hereto agree that this Agreement may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this Agreement and all Riders, Amendments or Addenda hereto. You are not entitled to challenge the validation or authenticity of the electronic signature or the document on the ground that it is not the original.

13.12 Entire Agreement. This agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us. There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement. Notwithstanding the foregoing, nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us.

13.13 No Liability to Others; No Other Beneficiaries. We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement. Except as specifically described in this Agreement, no other party has any rights because of this Agreement.

13.14 Construction. The headings of the sections and paragraphs are for convenience only. If two or more persons are at any time operating as the Developer hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. This Agreement may be signed in multiple copies, each of which will be an original.

13.15 Certain Definitions. The term "family member" refers to parents, spouses, offspring and siblings, and the parents and siblings of spouses. The term "affiliate" means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person. The terms "developer, franchisee, franchise owner, you and

your” are applicable to one or more persons, a Business Entity, as the case may be. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. The term “person” includes individuals and Business Entities. The term “Section” or “Paragraph” refers to a section, subsection or paragraph of this Agreement. The word “control” means the power to direct or cause the direction of management and policies. The word “Owner” means: any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in another person (or a transferee of this Agreement or an interest in you), and the officers, directors, partners, members or holders of a beneficial interest in any person who has 5% or more direct or indirect beneficial interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself/herself any legal or equitable interest, in the revenue, profits, rights or assets.

13.16 Time is of the Essence. It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words “from” and “commencing on” (and the like) mean “to but excluding.” Indications of time of day mean Jefferson County, Alabama time.

13.17 Notices and Payments. All written notices and reports permitted or required under this Agreement or by the Manuals will be deemed delivered:

- (a) 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or
- (b) 3 business days after placement in the United States mail by certified mail, return receipt requested, postage paid.

We may direct notices to your affiliates or to you. All such notices must be addressed to the parties as follows:

If to Us: Hydralive Franchising LLC
 3500 Independence Drive, Suite 200
 Homewood, AL 35209

If to You: _____

Attention: _____

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least 2 days prior to such date, or in which the receipt from the commercial courier service is not dated prior to 2 days prior to such date) will be deemed delinquent.

14. Merger, Acquisition or Affiliation.

You agree that we have the right, now, or in the future, to purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other

business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "Hydralive clinics" operating under the Marks or any proprietary marks or any of their marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Developer acknowledges may be within its " Designated Territory", proximate thereto, or proximate to any of the Hydralive clinic locations).

We will have the right to assign this Agreement, and all of our rights and privileges under this Agreement, to any person, firm, corporation or other entity.

You agree and affirm that we may sell ourselves, our assets, name and Marks or other proprietary marks and/or our system to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claim, demand, or damages arising from or related to the loss of our name, and Marks, proprietary marks (or any variation thereof) and system and/or the loss of association with or identification of Hydralive under this Agreement. You specifically release any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

If we assign our rights in this Agreement, nothing herein shall be deemed to require us to remain in the Hydralive franchise business or any business which we now conduct or to offer to sell any food items, products, equipment or services to Developer or any franchised Hydralive clinic.

[Signatures on page that follows.]

The parties to this Agreement now sign and deliver this Agreement in 2 counterparts effective as of the date shown on page 1, regardless of the actual date of signature.

FRANCHISOR

DEVELOPER

HYDRALIVE FRANCHISING LLC

By: _____

By: _____

(Printed Name and Title)

(Printed Name and Title)

Date: _____

Date: _____

By: _____

(Printed Name and Title)

Date: _____

EXHIBIT "H-ONE" TO THE AREA DEVELOPMENT AGREEMENT

DESIGNATED TERRITORY

EXHIBIT “H-ONE” TO THE AREA DEVELOPMENT AGREEMENT

DESIGNATED TERRITORY

Description of Designated Territory:

or if appropriate check here for Map describing Designated Territory and attach the Map to this Exhibit H-One”

EXHIBIT "H-TWO" TO THE AREA DEVELOPMENT AGREEMENT

STATE AMENDMENT TO AREA DEVELOPMENT AGREEMENT

EXHIBIT "I" TO THE DISCLOSURE DOCUMENT

**FORM OF
CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS**

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS (this “**Assignment**”) is effective as of _____, 20__, between **HYDRALIVE FRANCHISING LLC**, A Georgia Limited Liability Company, with its principal place of business at 3500 Independence Drive, Suite 200, Homewood, AL 35209 (“**Franchisor**,” “**Assignee**,” “**we**,” “**us**,” or “**our**”) and _____ whose current place of business is _____ (“**Franchisee**,” “**Assignor**,” “**you**,” or “**your**”). You and we are sometimes referred to collectively as the “**parties**” or individually as a “**party**”.

BACKGROUND INFORMATION

We have simultaneously entered into a Franchise Agreement (the “**Franchise Agreement**”) dated as of _____, 20__ with you, pursuant to which you plan to own and operate a franchise to operate as a Hydralive Franchising LLC franchisee. We use, among other things, certain proprietary, procedures, formats, systems forms, printed materials, applications, methods, specifications, standards and techniques we authorize or develop (collectively the “**System**”). We identify Hydralive Franchising LLC franchises and various components of the System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively the “**Marks**”). In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings of the Hydralive Franchising LLC franchise if the Franchise Agreement is terminated.

OPERATIVE TERMS:

You and we agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.

2. **Conditional Assignment:** You assign to us, all of your right, title and interest in and to the following telephone numbers _____ (specified when obtained) and any other telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Numbers and Listings**”) associated with the Marks and used from time to time in connection with the operation of the Hydralive Franchising LLC Franchised Business. We will have no liability or obligation of any kind whatsoever arising from or in connection with the Assignment, unless we notify the telephone company and/or the listing agencies with which you have placed telephone directory listings (collectively, the “**Telephone Company**”) to effectuate the assignment of the Numbers and Listings to us. Upon termination or expiration of the Franchise Agreement we will have the right and authority to ownership of the Numbers and Listings. In such event, you will have no further right, title or interest in the Numbers and Listings and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the date on which the assignment is effective. As between the parties, upon termination or expiration of the Franchise Agreement, we will have the sole right to and interest in the Numbers and Listings.

3. **Power of Attorney:** You irrevocably appoint us as your true and lawful attorney-in-fact to: (a) direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us; and (b) sign on your behalf such documents and take such actions as may be necessary to effectuate the assignment. Notwithstanding anything else in the Assignment, however,

you will immediately notify and instruct the Telephone Company to effectuate the assignment described in this Assignment to us when, and only when: (i) the Franchise Agreement is terminated or expires; and (ii) we instruct you to so notify the Telephone Company. If you fail to promptly direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us, we will direct the Telephone Company to do so. The Telephone Company may accept our written direction, the Franchise Agreement or this Assignment as conclusive proof of our exclusive rights in and to the Numbers and Listings upon such termination or expiration. The assignment will become immediately and automatically effective upon Telephone Company's receipt of such notice from you or us. If the Telephone Company requires that you and/or we sign the Telephone Company's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our signature on such forms or documentation on your behalf will effectuate your consent and agreement to the assignment. At any time, you and we will perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement. The power of attorney conferred upon us pursuant to the provisions set forth in this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our consent.

4. **Indemnification:** You will indemnify and hold us and our affiliate, stockholders, directors, officers, members, and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company.

5. **Binding Effect:** This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns.

The parties hereto agree that this Agreement may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this Agreement and all Riders, Amendments or Addenda hereto. You are not entitled to challenge the validation or authenticity of the electronic signature or the document on the ground that it is not the original.

6. **Assignment to Control:** This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company.

7. **Attorneys' Fees, Etc.:** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "attorneys' fees" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. **Severability:** If any of the provisions of this Assignment or any section or subsection of this Assignment or any section or subsection of this Assignment is held invalid for

any reason, the remainder of this Assignment or any such section or subsection will not be affected, and will remain in full force and effect in accordance with its terms.

9. **Governing Law Forum:** This Assignment is governed by Alabama Law. The parties will not institute any action arising out of this Assignment against any of the other parties to this Assignment except in the state or federal court of competent jurisdiction in Birmingham, Alabama, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

ASSIGNOR:

ASSIGNEE:

HYDRALIVE FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS is accepted and agreed to by:

(TELEPHONE COMPANY)

By: _____

Name: _____

Its: _____

Date: _____

EXHIBIT “J” TO THE DISCLOSURE DOCUMENT

**FORM OF
CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE**

CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE (this “**Assignment**”) is made, entered into and effective as of the effective date of the Lease (as defined herein below), by, between and among **HYDRALIVE FRANCHISING LLC**, A Georgia Limited Liability Company with its principal business address located at 3500 Independence Drive, Suite 200, Homewood, AL 35209 (“**we,**” “**us**” or “**our**”), and _____ whose current principal place of business is _____ (“**you**” or “**your**”).

BACKGROUND INFORMATION

We entered into that certain Franchise Agreement (the “**Franchise Agreement**”) dated as of _____, 20__ with you, pursuant to which you plan to own and operate a Hydralive Franchising LLC franchise located at that certain location approved by us pursuant to the Franchise Agreement between you and us dated _____, 20__ (the “**Approved Office Location**” or “**Site**”). In addition, pursuant to that certain Lease Agreement (the “**Lease**”), you have leased or will lease certain space containing the Hydralive Franchising LLC franchise described therein from _____ (the “**Lessor**”). The Franchise Agreement requires you to deliver this Assignment to us as a condition to the grant of a franchise.

We and you agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information.
2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the lease.
3. **Indemnification of Us:** You agree to indemnify and hold us and our affiliate, if any, our members, directors, officers and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
4. **Assignment:** You grant to us a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Approved Location and the franchise relating to the Hydralive Franchising LLC franchise, and all of your rights, title and interest in and to the Lease as collateral for the payment of any obligation, liability or other amount owed by you or your affiliates (if permitted by us) to the Lessor arising under the Lease and for any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by you under the terms of the Lease, or, in the event we make any payment to the Lessor as a result of your breach of the Lease, then such payment by us, or such breach or default by you, will at our option be deemed to be an immediate default under the Franchise Agreement, and we will be entitled to the possession of the Site and to all of your rights, title and interest in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any of our other rights or remedies under any other Agreements or under other applicable laws or equities. This Assignment will constitute a lien on your interest in and to the Lease until satisfaction in full of all amounts owed by you to us. In addition, our rights to assume all obligations under the Lease provided

in this Assignment are totally optional on our part. You agree to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by us to perfect or document the interests and assignments granted herein.

5. **No Subordination:** You will not permit the Lease to become subordinate to any lien without first obtaining our written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for your operations on the Site and the agreements and other instruments referenced herein. You will not terminate, modify or amend any of the provisions or terms of the Lease without our prior written consent. Any attempt at termination, modification or amendment of any of the terms without such written consent is null and void.

6. **Exercise of Remedies:** In any case of default by you under the terms of the Lease or under the Franchise Agreement, we will be entitled to exercise any one or more of the following remedies:

(a) to take possession of the Approved Location, or any part thereof, personally, or by our agents or attorneys;

(b) to, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Approved Location, together with all your furniture, fixtures, inventory, books, records, papers and accounts;

(c) to exclude you, your agents or employees from the Approved Location;

(d) as your attorney-in-fact or in our own name, and under the powers herein granted, to hold, operate, manage and control the Hydralive Franchising LLC Franchised Business and conduct the business, if any thereof, either personally or by our agents, with full power to use such measures, legally rectifiable, as we may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to us to exercise each and every right or the rights, privileges and powers herein granted at any and all times hereafter;

(e) to cancel or terminate any unauthorized agreements or subleases entered into by you, for any cause or ground which would entitle us to cancel the same;

(f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site that may seem judicious;

(g) to insure and reinsure the same for all risks incidental to our possession, operation and management thereof; and/or

(h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of your rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of your default under the Lease.

7. **Power of Attorney:** You do hereby irrevocably appoint us as your true and lawful attorney-in-fact in your name and stead and hereby authorize us, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to manage and operate the Site and or rent or lease the Site to any person, firm, corporation or entity upon such terms and conditions as we may determine, and with the same rights and powers and immunities, exoneration

of liability and rights of recourse and indemnity as we would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon us pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our written consent.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to us and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the parties, but are deemed an additional remedy and are cumulative with the remedies therein and elsewhere granted to us, all of which remedies are enforceable concurrently or successively. No exercise by us or any of the rights hereunder will cure, waive or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by us will be construed as a waiver of any of our rights and remedies and no waiver by us of any such rights and remedies will be construed as a waiver by us of any future rights and remedies.

9. **Binding Agreements:** This assignment and all provisions are binding upon the parties, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words “we”, “us” or “our” or “you” and “your” “includes all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate or other legal entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder or member authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the lease.

11. **Attorney’s Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys’ fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing Party.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment is to be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the Parties have caused this Assignment to be executed as of the day and year first above written.

“YOU”:

By: _____
Name: _____
Title: _____
Date: _____

“US”
HYDRALIVE FRANCHISING LLC
By: _____
Name: _____
Title: _____
Date: _____

THIS CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE is accepted and agreed to by:

“LESSOR”

By: _____

Name: _____

Its: _____

Date: _____

EXHIBIT “K” TO THE DISCLOSURE DOCUMENT

**FORM OF
PRINCIPAL OWNER’S GUARANTY**

PRINCIPAL OWNER'S GUARANTY

This Guaranty must be signed by each of the principal owners (referred to as “you” or “your” for purposes of this Guaranty only) of _____ (the “**Business Entity**”) under the Franchise Agreement dated _____, 20__ (the “**Agreement**”) with HYDRALIVE FRANCHISING LLC (“**Franchisor**,” “we,” “us” or “our”).

1. **Incorporation of Terms.** Each term of the Agreement is incorporated into this Guaranty.

2. **Guaranty.** In consideration of and as an inducement to us signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally: guarantees to us and our successors and assigns that (a) the Business Entity will punctually pay and perform every obligation and obey every restriction and covenant set forth in the Agreement and each and every Agreement entered into by and between Us and the Business Entity; and (b) each of you jointly and severally agrees to be personally bound by, and personally liable for the breach of, each and every obligation, restriction and covenant in the Agreement.

3. **Payment.** If the Business Entity fails to make any payment when due or otherwise defaults under any of the terms of the Agreement, immediately upon demand, you will pay to us the full amount owed, plus any interest or penalty allowed under the Agreement. All payments are made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of you, except the defense that the Business Entity has paid all obligations in full.

4. **Waivers.** Each of you waives: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

5. **Consents and Agreements.** Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty is joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to the Business Entity or to any other person, including without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

6. **Enforcement Costs.** If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants’, attorneys’, attorney’s assistants’, arbitrators’

and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

7. **Effectiveness.** Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Each of you agrees that this “Principal Owners Guaranty” may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature with regard to this “Principal Owners Guaranty.” You are not entitled to challenge the validation or authenticity of the electronic signature or this document on the ground that it is not an original. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Alabama law and we may enforce your rights regarding it by arbitration in Birmingham, Alabama, or if we no longer maintain an office in Birmingham, Alabama then our home office. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq.*), if applicable, The Rules of the American Arbitration Association relating to the Arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration, provided that the arbitrator shall award, or include in his/her award, the specific performance of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. If a claim for amounts owed by you to us is asserted in the arbitration proceeding and if we shall prevail on such claim, we shall be entitled to so much of our cost and expenses including accounting and legal fees, as are attributable to the prosecution thereof. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of us or of you.

Each of you now signs and delivers this Guaranty effective as of the date of the Agreement regardless of the actual date of signature.

PERCENTAGE OF OWNERSHIP

GUARANTORS

DATE _____

EXHIBIT “L TO THE DISCLOSURE DOCUMENT

**FORM OF
PRINCIPAL OWNER’S STATEMENT**

PRINCIPAL OWNER'S STATEMENT

This form must be completed by you if you have multiple owners or if you, or your Franchised Business, is owned by a business organization (like a corporation, partnership or limited liability company). We are relying on the truth and accuracy of this form in awarding the Franchise Agreement to you.

1. **Form of Owner.** Franchisee is a (check one):

- (a) General Partnership
- (b) Corporation
- (c) Limited Partnership
- (d) Limited Liability Company
- (e) Other

Specify: _____

Franchisee was formed under the laws of _____.
(State)

2. **Business Entity.** Franchisee was incorporated or formed on _____, 20__, under the laws of the State of _____. Franchisee has not conducted business under any name other than your corporate, limited liability company or partnership name and _____. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

<u>Name of Person</u>	<u>Position</u>
_____	_____
_____	_____
_____	_____
_____	_____

3. **Owners.** The following list includes the full name and mailing address of each person who is one of your owners and fully describes the nature of each owner's interest. Attach additional sheets if necessary.

<u>Owner's Name and Address</u>	<u>Description of Interest</u>
_____	_____
_____	_____
_____	_____

4. **Governing Documents.** Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of the business organization (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.)

This Statement of Principal Owner's is current and complete as of _____, 20__.

You agree that this document may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this document. You are not entitled to challenge the validation or authenticity of the electronic signature or this document on the ground that it is not the original.

OWNER

INDIVIDUALS

[Signature]

[Print Name]

[Signature]

[Print Name]

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

[Name]

By: _____

Title: _____

EXHIBIT “M” TO THE DISCLOSURE DOCUMENT

**FORM OF
CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION
AGREEMENT FOR FRANCHISE AGREEMENT**

**CONFIDENTIALITY, NON-SOLICITATION AND
NON-COMPETITION AGREEMENT**

NAME: _____

FRANCHISEE: _____

HOME ADDRESS: _____

HOME TELEPHONE: _____

CLASSIFICATION: _____
(Owner, Shareholder, Officer, Director, Attorney, Employee, etc.)

_____ (“Franchisee”) is a franchisee of Hydralive Franchising LLC (“Franchisor”) pursuant to a Franchise Agreement entered into by Franchisee and Franchisor dated _____, 20__ (the “Franchise Agreement”). I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to, Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Franchisee and/or Franchisor.

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make them available to any unauthorized person. Upon the expiration or termination for any reason of my employment, or ownership participation in, association with or service to Franchisee, I agree to return to Franchisor or Franchisee, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my ownership, employment, association, service or participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following its expiration or termination for any reason, I will not, directly or indirectly engage or participate in any Competitive Business, as defined below. I agree that I am prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

The term “Competitive Business” as used in this Agreement means any business or facility

owning, operating or managing, or granting franchises or licenses to others to do so, or any goods or services or facility that features hydration and/or vitamin therapy, including but not limited to, assistance with recovery from: illnesses, athletic activities, hangovers and any other services similar to any offered by any Franchised Clinic of Franchisor, and includes also intravenous fluids, medications and vitamins. This exclusivity shall be construed in accordance with and/or is governed by (as applicable) the law of the State of Alabama without recourse to Alabama (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Alabama, and if the Franchised Business is located outside of Alabama and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of Alabama or any other state, which would not otherwise apply.

I further agree that all disputes and claims relating to this Agreement and of the Franchise Agreement (other than your engaging in a Competitive Business, as defined above, upon termination or expiration of the Franchise Agreement, the use of our name or trademarks) shall be settled by Arbitration in Birmingham, Alabama, or if Franchisor shall no longer maintain an office in Birmingham, Alabama, then the home office of Franchisor. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq.*), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the arbitrator shall award, or include in his/her award, the specific performance or injunction remedies of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of Franchisor, Franchisee or me as an owner, shareholder, officer, director, attorney, employee or any other relationship I have with the Franchisee. During the pendency of an arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform and comply with the provisions of this Agreement.

I hereby waive and covenant never to assert or claim that arbitration is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

I hereto agree that this document may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this document. You are not entitled to challenge the validation or authenticity of the electronic signature or this document on the ground that it is not the original.

Witness:

(Signature)

Date

(Printed Name)

EXHIBIT “N” TO THE DISCLOSURE DOCUMENT

**FORM OF
CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT
FOR
AREA DEVELOPMENT AGREEMENT**

**CONFIDENTIALITY, NONSOLICITATION
AND NONCOMPETITION AGREEMENT FOR
AREA DEVELOPMENT AGREEMENT**

NAME: _____

DEVELOPER: _____

HOME ADDRESS: _____

HOME TELEPHONE: _____

CLASSIFICATION: _____

**(Owner, Shareholder, Officer, Director, Attorney,
Employee, Etc.)**

_____ ("Developer") is a developer of Hydralive Franchising LLC ("Franchisor") pursuant to an Area Development Agreement entered into by Developer and Franchisor dated _____, 20__ (the "Area Development Agreement"). I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Area Development Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to, Developer, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Developer and/or Franchisor which may be communicated to me ("Confidential Information"), and I will not divert any business to competitors of Developer and/or Franchisor.

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Developer, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment, association, service or ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following its expiration or termination for any reason, I will not, directly or indirectly engage or participate in any Competitive Business, as defined below. I agree that I am prohibited from engaging in

any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

The term "Competitive Business" as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, or any goods or services or facility that features hydration and/or vitamin therapy, including but not limited to, assistance with recovery from: illnesses, athletic activities, hangovers and any other services similar to any offered by any Franchised Business of Franchisor, and includes also intravenous fluids, medications and vitamins. This exclusivity shall be construed in accordance with and/or is governed by (as applicable) the law of the State of Alabama without recourse to Alabama (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Alabama, and if the Franchised Business is located outside of Alabama and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of Alabama or any other state, which would not otherwise apply.

I further agree that all disputes and claims relating to this Agreement and of the Franchise Agreement or Area Development Agreement (other than your engaging in a Competitive Business, as defined above, upon termination or expiration of the Area Development Agreement or Franchise Agreement, the use of our name or trademarks) shall be settled by Arbitration in Jefferson County, Alabama, or if Franchisor shall no longer maintain an office in Jefferson County, Alabama then the home office of Franchisor. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq.*), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the arbitrator shall award, or include in his/her award, the specific performance or injunction remedies of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of Franchisor, Franchisee or me as an owner, shareholder, officer, director, attorney, employee or any other relationship I have with the Franchisee. During the pendency of an arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform and comply with the provisions of this Agreement.

I hereby waive and covenant never to assert or claim that arbitration is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

I hereto agree that this document may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this document. I shall not be entitled to challenge the validation or authenticity of the electronic signature nor this document on the ground that it is not the original.

[Signature on page that follows.]

Witness:

(Signature)

Date

(Printed Name)

EXHIBIT “O” TO THE DISCLOSURE DOCUMENT

**FORM OF
FRANCHISEE QUESTIONNAIRE**

HYDRALIVE FRANCHISING LLC
FRANCHISEE QUESTIONNAIRE

Prior to the final execution of a Franchise Agreement, this questionnaire must be completed in its entirety.

1. Full Name of Franchisee:

2. Franchisee Office Location:

3. Franchisee is: (check applicable box)

- Individual Corporation General Partnership Limited Partnership
 Limited Liability Company Other _____

4. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of the Franchisee: (check applicable box)

- Officer (insert title): _____
 General Partner
 Other (please explain): _____

5. Did Franchisee receive a Franchise Disclosure Document? Yes No

6. Name of our Company Representative who primarily worked with you on this sale:

7. Have you discussed the benefits and risks of operating a Hydralive Franchising LLC Franchise with an attorney, accountant or other professional advisor?

- Yes No

8. Do you understand the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes No

9. Has any Hydralive Franchising LLC employee or representative speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Hydralive Franchising LLC Franchise that we or our franchisees operate?

Yes No

10. Has any Hydralive Franchising LLC employee or representative speaking on our behalf made any statement or promise concerning a Hydralive Franchising LLC Franchise that is contrary to, or different from, the information contained in our Disclosure Document?

Yes No

11. Has any Hydralive Franchising LLC employee or representative speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Hydralive Franchising LLC Franchise?

Yes No

12. Has any Hydralive Franchising LLC employee or representative speaking on our behalf made any statement or promise concerning the total amount of revenue a Hydralive Franchising LLC Franchise will generate?

Yes No

13. Has any Hydralive Franchising LLC employee or representative speaking on our behalf made any statement or promise regarding the costs you may incur in operating a Hydralive Franchising LLC Franchise that is contrary to, or different from, the information contained in our Disclosure Document?

Yes No

14. Has any Hydralive Franchising LLC employee or representative speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Hydralive Franchising LLC Franchise?

Yes No

15. If you have answered “Yes” to the above questions, please provide a full explanation of your answer in the following blank lines. Attach additional pages, if necessary. If you answered “No”, leave the following lines blank.

EXHIBIT “P” TO THE DISCLOSURE DOCUMENT

**STATE SPECIFIC AND OTHER
ADDENDA AND RIDERS**

EXHIBIT “Q” TO THE DISCLOSURE DOCUMENT

**FORM OF
RELEASE**

FORM OF RELEASE

The following is our current general release form that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal, approved transfer or purchase by us of the assets of a franchisee's Hydralive Franchising LLC Franchise. We may periodically modify the release.

THIS RELEASE is given by _____ and their predecessors, agents, affiliates, legal representatives, successors, assigns, heirs, beneficiaries, executors and administrators (collectively, "**we,**" "**us**" or "**ours**"), to HYDRALIVE FRANCHISING LLC and all of its predecessors, affiliates, owners, officers, employees, legal representatives, agents, directors, successors and assigns, their heirs, beneficiaries, executors and administrators (sometimes hereafter collectively referred to as "**you**" or "**your**"). Effective on the date of this Release, we forever release and discharge you from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature or kind, in law or in equity, which we now have or ever had against you, including without limitation, anything arising out of that certain Franchise Agreement dated _____, 20__ (the "**Franchise Agreement**"), the franchise relationship between the parties, and any other relationships between you and us; except your obligations under the _____ Agreement. This Release is effective for: (a) any and all claims and obligations, including those of which we are not now aware; and (b) all claims we have from anything which has happened up to now; provided, however, that all liabilities arising under Indiana Code Sec. 23-2-2.7, the Maryland Franchise Registration and Disclosure Law and/or the Minnesota Franchise Act are excluded from this release, and that all rights enjoyed by us under the Franchise Agreement and any causes of action arising in our favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If we are domiciled or have our principal place of business in the State of California, then we hereby expressly waive and relinquish all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

We are bound by this Release. We freely and voluntarily give this Release to you for good and valuable consideration and we acknowledge its receipt and sufficiency.

We represent and warrant to you that we have not assigned or transferred to any other person any claim or right we had or now have relating to or against you.

In this Release, each pronoun includes the singular and plural as the context may require.

This Release is governed by Alabama law.

This Release is effective _____, 20__, notwithstanding the actual date of signatures.

IN WITNESS WHEREOF, the undersigned execute this Release:

By: _____

Name: _____

Title: _____

Date: _____

(STATE OF _____)

(COUNTY OF _____)

The foregoing instrument was acknowledged before me this the ____ day of _____, 20__, by _____, who is personally known to me or has produced _____ as identification.

Signature of Notary

Printed Name of Notary

My Commission Expires: _____

EXHIBIT “R” TO THE DISCLOSURE DOCUMENT

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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
(Retain this copy for your records)

This disclosure document summarizes certain provisions of the Franchise Agreement, Area Development Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Hydralive Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement for the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Hydralive Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency in Exhibit "F".

The franchisor is Hydralive Franchising LLC, located at 3500 Independence Drive, Suite 200, Homewood, AL 35209. Its telephone number is (205) 848-8829.

Issuance Date: July 18, 2023 As Amended December 18, 2023

The franchise seller for this offering is _____, whose principal business address and telephone number are 3500 Independence Drive, Suite 200, Homewood, AL 35209, (205) 848-8829.

Hydralive Franchising LLC authorizes the respective state agencies identified in Exhibit "F" to receive service of process for it in their particular state.

I received a disclosure document dated July 18, 2023 As Amended December 18, 2023 that included the following Exhibits:

- Exhibit A Financial Statements
- Exhibit B List of Franchisees
- Exhibit C List of Franchisees Who Have Left the System
- Exhibit D Form of Confidential Operating Manual Table of Contents
- Exhibit E Form of Key-Employee Manager Confidentiality Agreement
- Exhibit F List of State Agencies/Agents for Service of Process
- Exhibit G Form of Franchise Agreement
- Exhibit H Form of Area Development Agreement
- Exhibit I Form of Conditional Assignment of Telephone Numbers and Listings
- Exhibit J Form of Conditional Assignment and Assumption of Lease
- Exhibit K Form of Principal Owner's Guaranty
- Exhibit L Form of Principal Owner's Statement

- Exhibit M Form of Confidentiality, Non-Solicitation and Non-Competition Agreement for Franchise Agreement
- Exhibit N Form of Confidentiality, Non-Solicitation and Non-Competition Agreement for Area Development Agreement
- Exhibit O Franchisee Questionnaire
- Exhibit P State Specific and other Addenda and Riders
- Exhibit Q Form of Release
- Exhibit R Receipts

Date Received

Prospective Franchisee Signature

Print Name

RECEIPT

(Sign, Date, and return this copy to us)

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 Hydralive Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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- Exhibit P State Specific and other Addenda and Riders
- Exhibit Q Form of Release
- Exhibit R Receipts

Date Received

Prospective Franchisee Signature

Print Name