

FRANCHISE DISCLOSURE DOCUMENT



HealthSource Chiropractic, LLC
an Ohio limited liability company
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Avon, Ohio 44011
(440) 934-5858
Email: kwallace@healthsourcechiro.com
www.HealthSourceChiro.com
www.HealthSourceFranchise.com

HealthSource Chiropractic clinics are business-to-consumer franchises with an easy operating system that provide “progressive rehabilitation,” by offering physical therapy and chiropractic services together as a comprehensive solution for pain relief, restoration of function, wellness care, and other related services and products. We offer individual Clinic franchises for the right to develop and operate a single Clinic offering all of our franchised services and products in a designated area.

The total investment necessary to begin operation of a single, new start-up Clinic franchise ranges from **\$192,816 to \$344,917**. This includes the initial franchise fee of \$29,000 that must be paid to the franchisor. The total investment necessary to begin operation of an existing chiropractic clinic converted to a HealthSource Chiropractic Clinic franchise ranges from **\$61,116 to \$246,517**. This includes the initial franchise fee of \$29,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact HealthSource Chiropractic, LLC at 36901 American Way, Suite 7, Avon, Ohio 44011, (440) 934-5858.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer's Guide

to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 20, 2022

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
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 Exhibit D.
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 F 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 HealthSource Chiropractic 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 HealthSource Chiropractic franchisee?	Item 20 or Exhibit D lists 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 A.

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

Special Risks to Consider About *This* Franchise

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

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

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE
MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Should the prospective franchisee have any questions regarding the notice of this filing with the attorney general, such questions should be addressed to the Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Section, P.O. Box 30213, Lansing, MI 48909. (517) 373-7117.

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
<u>Item 1</u> THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES ...	3
<u>Item 2</u> BUSINESS EXPERIENCE	6
<u>Item 3</u> LITIGATION.....	8
<u>Item 4</u> BANKRUPTCY	9
<u>Item 5</u> INITIAL FEES.....	9
<u>Item 6</u> OTHER FEES	10
<u>Item 7</u> ESTIMATED INITIAL INVESTMENT.....	17
<u>Item 8</u> RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	21
<u>Item 9</u> FRANCHISEE'S OBLIGATIONS	25
<u>Item 10</u> FINANCING.....	26
<u>Item 11</u> FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	27
<u>Item 12</u> TERRITORY	38
<u>Item 13</u> TRADEMARKS	40
<u>Item 14</u> PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	43
<u>Item 15</u> OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	44
<u>Item 16</u> RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	45
<u>Item 17</u> RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	46
<u>Item 18</u> PUBLIC FIGURES.....	55
<u>Item 19</u> FINANCIAL PERFORMANCE REPRESENTATIONS	55
<u>Item 20</u> OUTLETS AND FRANCHISEE INFORMATION	60
<u>Item 21</u> FINANCIAL STATEMENTS	66

Item 22 CONTRACTS.....66

Item 23 RECEIPTS67

EXHIBITS

Exhibit A	State Administrators/Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Operations Manual Table of Contents
Exhibit D	List of HealthSource Chiropractic Franchisees
Exhibit E	Regional Developers/Independent Sales Agents
Exhibit F	Financial Statements
Exhibit G	General Release Agreement
Exhibit H	Transfer Agreement
Exhibit I	Supplemental Agreements
Exhibit J	Franchise Deposit Acknowledgment and Amendment
Exhibit K	Multi-State Addenda and Agreement Riders
Exhibit L	Sample Clinic Management Agreement

Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The franchisor is HealthSource Chiropractic, LLC. For ease of reference in this Disclosure Document, HealthSource Chiropractic, LLC will be referred to as “HealthSource Chiropractic,” “we,” or “us.” “You” means the franchisee, person, or legal business entity (including a corporation, partnership, limited liability company, or other legal entity (collectively, “legal entity”) and its owners, officers, and directors, that is buying the franchise.

We are an Ohio corporation incorporated on December 5, 2005. Effective March 15, 2022, we converted from an Ohio corporation into an Ohio limited liability company. We began offering HealthSource Chiropractic franchises in February 2006. Our principal business address is 36901 American Way, Suite 7, Avon, Ohio 44011. We operate under our legal entity name, HealthSource Chiropractic, LLC, the name “HealthSource Chiropractic,” and no other name. See Exhibit A for our agents for service of process.

We offer and sell the HealthSource Chiropractic franchises described in this Disclosure Document, have previously offered and sold HealthSource Chiropractic Regional Developer franchises described in the Disclosure Document for Regional Developer franchises, and have not conducted any other types of business. We have not operated, nor do we currently operate, any businesses like the franchises described in this Disclosure Document (or in the Disclosure Document for Regional Developer franchises), or in any other line of business. We have not offered, nor do we currently offer, franchises in any other line of business (except for HealthSource Chiropractic Regional Developer franchises).

Our Predecessors, Parents and Affiliates

We have no predecessors. We currently have three (3) affiliates. Our affiliate Octalean, LLC (“Octalean”), is an Ohio limited liability company that has the same principal business address as us, 36901 American Way, Suite 7, Avon, Ohio 44011. Octalean was incorporated in Ohio on April 29, 2010 and provides the services relating to the Masterminds program. Octalean has not offered or sold, and does not currently offer or sell, the HealthSource Chiropractic franchises described in this Disclosure Document or franchises in any other line of business, but reserves the right to do so in the future. Octalean does not operate any businesses of the type being franchised by HealthSource Chiropractic.

Our affiliate, Apex Longevity LLC (“Apex”), is an Ohio limited liability company that has the same principal business address as us, 36901 American Way, Suite 7, Avon, Ohio 44011. Apex was formed in Ohio on June 2, 2017 and offers a membership program through a discount medical plan organization where participants receive discounts at participating chiropractic clinics, including HealthSource Clinics. Apex has not offered or sold, and does not currently offer or sell, the HealthSource Chiropractic franchises described in this Disclosure Document or franchises in any other line of business, but reserves the right to do so in the future. Apex does not operate any businesses of the type being franchised by HealthSource Chiropractic.

Our affiliate, HealthSource Chiropractic International, LLC (“HSCI”), is an Ohio limited liability company that has the same principal business address as us, 36901 American Way, Suite 7, Avon, Ohio 44011. HSCI was incorporated in Ohio on March 2, 2010 and will in the future offer and sell HealthSource Chiropractic Clinics and Regional Developer franchises described in this Disclosure Document internationally. None of the HealthSource Chiropractic Clinic franchises offered or sold by HSCI will be within your Protected Territory (defined below), as HSCI does not offer or sell franchises in the United States of America. HSCI does not offer or sell franchises in any other line of business.

The name of our parent company is ZCS Holdings, Inc. (“Holdings”), whose owners are Smith Holdings Diversified, Ltd. (“Smith”) and MacAuley Holdings Diversified, Ltd., (“MacAuley”). Holdings is an Ohio corporation, and Smith and MacAuley are Ohio limited liability companies, each with principal business addresses located at 36901 American Way, Suite 7, Avon, Ohio 44011. Holdings, Smith and MacAuley do not offer or sell franchises in any line of business.

The Business

HealthSource Chiropractic businesses (individually, a “Clinic” or “Clinic,” and collectively, “Clinics” or “Clinics”) provide “progressive rehabilitation” therapy, combining chiropractic adjustments/chiropractic manipulative therapy with soft tissue rehabilitation to provide relief of pain as well as functional restoration and wellness care whenever possible for their patients. The term “Clinic” includes “Clinic Management Businesses” (as each are defined below). HealthSource Chiropractic Clinics use cutting-edge technology, including non-surgical Spinal Decompression therapy and photobiomodulation, to diagnose and treat issues causing pain and functional impairment for the patient. Patients are treated with the goal to restore lost function and make them pain-free, regardless of whether their pain is chronic or acute.

The Franchises Offered

We currently offer one type of franchise: Clinic franchises. In the past, we have offered Regional Developer franchises, and certain of those Regional Developer franchises continue to operate. This Franchise Disclosure Document is for our Clinic franchises. We have offered these franchises since February 2006.

Clinic Franchises. We franchise the right to operate a single Clinic that must be physically located in a designated geographic area (the “Protected Territory”) under the “HealthSource Chiropractic” name and other authorized names and marks (the “Marks”), using a system of distinctive operating procedures, methods, and standards that we have developed (the “System”). Clinic franchises will only be offered and sold to individuals licensed to practice or provide chiropractic care unless otherwise permitted by law, or unless you operate a Clinic as a Clinic Management Business (as defined below). You may purchase your franchise as a new, start-up Clinic (a “Start-Up Clinic”), or you may convert an existing chiropractic clinic to a HealthSource Chiropractic Clinic (a “Conversion Clinic”). You will sign our standard franchise agreement attached as Exhibit B (the “Franchise Agreement”) when you purchase your Clinic franchise. In the past, we have negotiated the terms of the Franchise Agreement with certain franchises. HealthSource Chiropractic, LLC will be the contracting party under the Franchise Agreement and

under no circumstances will our Regional Developer franchises sign the Franchise Agreement on our behalf.

In certain cases, where permitted by law, we may offer franchises to persons or legal entities that meet our qualifications but are not licensed to practice or provide chiropractic care, and are willing to undertake the investment and effort to own and operate a business that will manage a Start-Up or Conversion Clinic under the System; we refer to these businesses as “Clinic Management Businesses.” For example, certain states do not permit non-licensed persons to own and/or operate chiropractic practices, but some states do. In states that do not permit non-licensed persons to own or operate chiropractic practices, a Clinic Management Business may be offered. In states that do permit non-licensed persons to own and operate chiropractic practices, a Clinic Management Business Franchise is not necessary, but may be offered by us under certain circumstances. To operate a Clinic Management Business, you must enter into a Franchise Agreement with us and a Management Agreement with a “Licensed Provider” that will own and operate the Clinic. A general form of a Management Agreement, to serve as a starting point for satisfying this requirement is attached as Exhibit L, but the actual Management Agreement to be used must be approved by us, in our discretion, and must satisfy all requirements and limitations of applicable laws, rules, and regulations of the state in which the Clinic Management Business will be located. A “Licensed Provider” will be one or more licensed individuals, or a professional corporation or similar entity, such as a professional limited liability company, that is duly authorized to provide chiropractic services under local and state laws.

Notwithstanding the development or implementation of the System, or any training, advice or instruction we may provide from time to time, we do not supervise, direct, control or try to influence any Franchise’s (i) exercise of professional and/or medical judgment, treatment protocols, employee decisions, clinical advice, clinical training, clinical chiropractic care or relationships with patients, or (ii) relationships with its employees.

Regional Developer Franchises. We previously offered franchises for regional marketing opportunities granting the right, in a specific geographic area (the “Regional Territory”), to (i) solicit, recruit, screen, and interview prospective HealthSource Chiropractic Clinic franchisees for us and (ii) to provide training and support services to Clinic franchisees in a specified Regional Territory. Although we currently do not offer new Regional Developer franchises for sale, certain Regional Developer franchises continue to operate and we reserve the right to re-commence the offer and sale of Regional Developer franchises in the future.

As of December 31, 2021, we have four (4) Regional Developer franchises with territories operating in sixteen (16) states. We offered Regional Developer franchises from February 2006 until 2016. We are not currently offering Regional Developer franchises but may do so in the future.

The Market and Competition

Your HealthSource Chiropractic Clinic franchise must operate at a site we approve and according to our standards, specifications, operating procedures, and rules (the “System Standards”).

Your Clinic will compete with other businesses offering wellness, pain relief, functional restoration, physical therapy, and chiropractic services. These competitors may include chiropractic clinics, physical therapy specialists, hospitals, and other medical facilities and franchises. The healthcare sector is competitive in most markets. Despite this competition, we believe that HealthSource Chiropractic Clinics will appeal to customers because of the specific services offered, the pricing model, unique brand awareness, expert and family-friendly environment, and other distinctive characteristics. While you will provide your products and services to the general public, your target market will be persons suffering from back or neck pain, headaches, arm or leg pain, carpal tunnel, or fibromyalgia, regardless of age. HealthSource Chiropractic Clinics are typically located in high-traffic strip malls.

Industry-Specific Laws and Regulations

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your HealthSource Chiropractic franchise. For example, state licensing and certification requirements may apply to persons who perform services for you or at your Clinic location, or to the legal structure of your business. These laws and regulations may also impose restrictions on referrals for designated health services to entities with which you have financial relationships. Also, you must comply with any and all federal, state and/or local privacy laws pertaining to your care recipients, including but not limited to HIPAA and the HI-TECH Act and related laws, rules and regulations. In all cases, you must also comply with laws that apply generally to all businesses. You should investigate these laws and consult with a legal advisor about whether these and/or other requirements apply to your franchise. Violations of these laws and regulations may result in substantial civil or criminal penalties for individuals or entities. **The Franchise Agreement will in no way interfere, affect or purport to limit the independent exercise of medical judgment by you, or your employees, or agents. All medical and chiropractic related decisions, acts or omissions made by, or in connection with any person in any way associated with you or your franchise will be the decisions of the individual professionals involved and will not be affected by or attributed to us.**

Item 2

BUSINESS EXPERIENCE

Chief Executive Officer and Chairman: Chris Tomshack, D.C.

Dr. Tomshack has served as our President and Chief Executive Officer since our incorporation in November 2005, and as Chairman since February 2012.

Executive Vice President; Treasurer: Lisa Tomshack

Ms. Tomshack has been the Treasurer of HealthSource Chiropractic since its inception in November 2005, and was named Executive Vice President in 2016.

Chief Financial Officer: Kristen Wallace

Ms. Wallace has been the Chief Financial Officer for HealthSource Chiropractic since June 2019. Prior to that position, she was the controller for HealthSource Chiropractic from February 2012 until June 2019.

Director of Operations: Nicole Gleason-Hughes

Ms. Gleason-Hughes has been the Director of Operations since July 2019. Prior to joining HealthSource Chiropractic, she was a support manager for Phunkey, Inc., the provider of the proprietary software used by all HealthSource Chiropractic franchisees from September 2008 until July 2019.

Director of Training: Anne Winters

Ms. Winters has been the Director of Training since March 2017.

Vice President of Marketing: Kieran McCauley

Mr. McCauley has been the Vice President of Marketing since August 2017. Mr. McCauley was previously the Senior Brand Director for Marco's Franchising, LLC, located in Toledo, Ohio from October 2014 to July 2017.

Director of Clinical Operations and Training: Dr. Brady Schuyler, D.C.

Dr. Schuyler has been the Director of Clinical Operations and Training since July 2019. Prior to this position, Dr. Schuyler was employed by HealthSource Chiropractic as part of its operations and franchisee support team from January 2018 until July 2019. Dr. Schuyler was a Regional Developer franchisee with HealthSource Chiropractic from January 2014 until December 2017.

Director of Development and Global Expansion: Dr. Maziar Nejad, D.C.

Dr. Nejad has served as the Director of Development and Global Expansion since August 2021. Dr. Nejad is also part-time adjunct faculty at Cuyahoga County Community College, located in Cleveland, Ohio, in its business department and has served in this role since September 2021. Dr. Nejad is also a Relator with Howard Hanna, located in Rocky River, Ohio, since October 2020. Prior to joining HealthSource Chiropractic, Dr. Nejad owned and operated chiropractic clinics located in Vermilion, Ohio, from January 2008 to October 2020, in Lorain, Ohio, from January 2012 to October 2020, and in Sandusky, Ohio from August 2009 to October 2020.

Board Member: John Rotche

Mr. Rotche has served as a Board Member of HealthSource Chiropractic since March 2022. Mr. Rotche also presently serves as Chief Executive Officer of Franworth, LLC, located in Ann Arbor, Michigan, and has been in this position since April 2015. Mr. Rotche previously served as

President of TBC International, LLC, from April 2012 through December 2020, located in Palm Beach Gardens, Florida.

The necessary business experience of our franchise brokers, sales agents and regional developers is contained in Exhibit E of this Disclosure Document.

Item 3

LITIGATION

The following litigation involves us:

Litigation with Non-Franchisees.

Donald R. Dudley, D.C., d/b/a HealthSource Chiropractic v. HealthSource Chiropractic, Inc. and Stephen T. Divito, D.C. (U.S. District Court for the Western District of New York; Case No. 07 CV 6631). Donald R. Dudley, a competitor, commenced this action in December 2007 against us and Stephen T. Divito, a former clinic franchisee. Dr. Dudley alleged (i) that we infringed on his intellectual property rights, namely the mark “HealthSource Chiropractic” and (ii) unfair competition in the Rochester, New York Area and requested unspecified monetary damages and injunctive relief. On February 20, 2008, we filed our answer and counterclaim to the Complaint to protect our rights to the HealthSource Chiropractic mark. By order dated August 7, 2012, the Court granted HealthSource Chiropractic’s and Dr. Divito’s motion for summary judgment and denied Dr. Dudley’s motion for summary on the issue of liability and monetary damages, finding that our use of “HealthSource Chiropractic” on the internet does not infringe on Dr. Dudley’s right to use the mark in the Rochester, New York area. The only issue that remained for determination by the Court related to the extent of Dr. Dudley’s right to the “HealthSource Chiropractic” mark in the Rochester, New York area. In February 2013, we verbally settled the remaining issue with Dr. Dudley by agreeing not to use the HealthSource Chiropractic mark (or the name HealthQuest) in the counties of Wayne, Ontario, Livingston, Orleans, Genesee and Monroe in the State of New York and for a payment of \$20,000.00. The settlement documents were completely signed by the parties on December 5, 2013 and the lawsuit was dismissed on March 6, 2014, with prejudice.

Public Agency Orders

Commonwealth of Virginia v HealthSource Chiropractic, Inc. and Bernard Brozek; Case No. SEC-2019-00058. On January 29, 2020, we entered into and delivered a Settlement Order with the Virginia State Corporation Commission's Division of Securities and Retail Franchising (the “Division”). The Division alleged that our 2017 and 2018 disclosure documents failed to disclose a prior personal bankruptcy one of our officers, Bernard Brozek, and therefore, violated the Virginia Retail Franchising Act. We do not admit or deny the Division’s allegation. In order to resolve this matter without the further cost and expense of formal proceedings, we agreed to make an offer to refund the initial franchise fees paid by the one purchaser during the subject time frame (up to a maximum of \$80,000) and to pay the Division the sum of \$9,000 in costs and civil penalties. We have completed making the refund to the designated purchaser and paying the required costs, Mr. Brozek reimbursed us for those payments, and Mr. Brozek is no longer employed by us.

The Commissioner of Financial Protection and Innovation of the State of California v. Healthsource Chiropractic, Inc. On July 20, 2021, we entered into a Consent Order with the California Commissioner of Financial Protection and Innovation (the “Commissioner”). The Commissioner determined that our 2017 and 2018 disclosure documents failed to contain a required disclosure concerning Mr. Brozek’s personal bankruptcy and therefore violated Section 31200 of the California Franchise Investment Law. In order to resolve this matter without penalties, an assessment of costs or attorneys’ fees, or a stop order, and in order to avoid the further cost and expense of formal proceedings, we agreed to desist and refrain from the violation described above. Mr. Brozek is no longer employed by us.

Other than these actions, no other litigation is required to be disclosed concerning us, our affiliates, or our parents in this Disclosure Document. See Exhibit K for additional information.

See Exhibit E attached to this Disclosure Document for information relating to our Regional Developers.

Item 4

BANKRUPTCY

No parent, affiliate or other person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or comparable foreign law required to be disclosed in this Item.

See Exhibit E for any information relating to our Regional Developers.

Item 5

INITIAL FEES

You must pay to us a lump sum initial franchise fee upon signing your Franchise Agreement. The initial franchise fee for Start-up Clinics is an amount equal to \$29,000.00 for the first franchise purchased, plus \$20,000.00 for each additional Start-up Clinic. The initial franchise fee for a Conversion Clinic is an amount equal to \$29,000.00 for the first franchise purchased, plus \$20,000.00 for each additional Conversion Clinic. You must pay your initial franchise fee for all franchises being purchased in a lump sum upon signing the Franchise Agreement (if you purchase multiple franchises, you will sign the Franchise Agreements for all of the franchises at the same time). The initial franchise fee does not include the fee to purchase our optional programs with your franchise. The initial franchise fee is fully earned by us when paid, and is not refundable in whole or in part under any circumstances.

In the last fiscal year, the initial franchise fee for Start-Up Clinics was \$20,000.00.

In certain cases, we may permit you to make alternate arrangements for the payment of the Initial Franchise Fee; specifically, we may allow you to pay us a non-refundable deposit to reserve your Protected Territory for a stated period of time. If a deposit arrangement is agreed upon, the initial franchise fee is paid in two installments - a negotiated amount is paid when you sign our

franchise deposit acknowledgement agreement, and then the balance is paid when you sign the Franchise Agreement. The deposit is not refundable, but if you fulfill all the requirements to purchase a Franchise within the stated time period, the deposit will be applied toward the Initial Franchise Fee. Our standard forms of franchise deposit acknowledgement agreements are contained in Exhibit J. We do not guaranty that the foregoing alternate payment arrangement will be available to any particular franchisee, or that any particular franchisee will meet the characteristics and requirements we apply to determine who is eligible for such arrangement.

State-Specific Disclosures

See Exhibit K for any state-specific disclosures about your initial franchise fee.

Item 6

OTHER FEES

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Continuing Franchise Fee	7% of gross revenues (2)	Due on the day of each month we specify (3).	Based on gross revenues during the previous month (2). If you do not open for business within 90 days if you are a Conversion Clinic, or within 180 days if you are a Start-Up Clinic, after execution of the Franchise Agreement, you will be assessed a \$500.00 monthly fee until you open. If you do not open for business within 120 days if you are a Conversion Clinic, or within 210 days if you are a Start-Up Clinic, after execution of the Franchise Agreement, you will be assessed a \$1,000.00 monthly fee until you open. If you do not open for business within 180 days if you are a Conversion Clinic, or within 270 days if you are a Start-Up Clinic, after execution of the Franchise Agreement, you will be assessed a \$2,000.00 monthly fee until you open.

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Advertising Fee	2% of gross revenues.	Due on the day of each month we specify (3).	We can increase or decrease the fee at any time. However, your contribution will not exceed 2% of your gross revenues. See Item 11 for additional information.
Local and Regional Advertising Cooperatives	An amount set by the cooperative, but not more than 5%	As required by the cooperative.	See Item 11 for information about advertising cooperatives. There are currently no advertising cooperatives. (4)
Fee if Franchise Not Live on Software System	If franchise is not “live” on the HSWorx software system within two months post training, a \$500 per month fee will be assessed. After month six the fee will increase to \$1,000 starting month seven.	Due immediately upon demand	We will charge you this fee if you do not go live on the software system within 2 months of your initial training. See Items 7 and 11 for additional information.
Technology Fee	\$199.00 per month	Due on the date of the month we specify	For website design, maintenance, hosting, and search engine optimization and certain technology-related administrative expenses. See Item 8 for additional information.
Annual Conference Expenses	Amounts charged by third parties.	As incurred	For fees imposed by third parties for your attendance at the annual conference, such as food and beverage charges (see Item 11).

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Interest	Lesser of 15% per annum, and the highest commercial contract interest rate permitted by law	From the date payments are due, and continues until outstanding balance and accrued interest are paid in full	Charged on any late payments of Continuing Franchise Fees, Advertising Fees, amounts due for product purchases, or any other amounts due us or our affiliates.
Audit Expenses	Cost of audit and inspection (currently \$1,200), plus any reasonable accounting and legal expenses	On demand	Payable if Continuing Franchise Fee or Advertising Fee is understated by 2% or more, or you fail to submit required reports or financial statements.
Late Reporting Fee	\$100 per week	10th day of the month following any month for which any required report is not timely submitted.	Payable if any report or other information required to be submitted to us is received by us after the established deadline.
Returned Check Fee	\$100	As incurred	Due each time a check you write to us is dishonored.
Supplier and Product Evaluation Fee	Cost of inspection and test of product sample (currently \$500-\$700)	On demand	Payable if we inspect or test product samples from any proposed supplier nominated by you (see Item 8).
Insurance	Amount of unpaid premiums and related costs	On demand	Payable if you fail to maintain required insurance coverage and we obtain coverage for you.
Replacement of Operations Manual	An amount set by us; currently \$250	As incurred	Payable if your copy of the Operations Manual is lost, destroyed, or significantly damaged.
Renewal Fee	\$1,000.00	Upon renewal	Payable upon signing the renewal Franchise Agreement.

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Transfer Fee	\$10,000.00	Before transfer completed	Applies to any transfer of the Franchise Agreement, the franchise, or a controlling interest in the franchise. You must pay this fee to us concurrently with the execution of a transfer agreement, including a general release in favor of us, our affiliates, and our and their officers, directors, employees and agents (see Exhibit H).
Legal Costs and Attorney's Fees	All legal costs and attorneys' fees incurred by us	As incurred	Payable if we must enforce the Franchise Agreement, or defend our actions related to, or against your breach of, the Franchise Agreement.
Injunction or Order of Specific Performance	All amounts incurred by us in obtaining an injunction or specific performance, including without limitation reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses and any damages we incur as a result of your breach.	As incurred	Payable if we obtain an injunction or order of specific performance against you to (1) enforce the provisions of the Franchise Agreement relating to your use of the Marks and non-disclosure, non-solicitation, non-disparagement, and non-competition obligations set forth in Section 9 of the Franchise Agreement; (2) prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance, or regulation; constitutes a danger to the public; or may impair the goodwill associated with the Marks or HealthSource Chiropractic franchises; or (3) prevent any other irreparable harm to our interests.

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Indemnification	All amounts (including attorneys' fees) incurred by us or otherwise required to be paid	As incurred	Payable to indemnify us, our affiliates, and our and their respective owners, officers, directors, employees, agents, successors, and assigns against all claims, liabilities, costs, and expenses, whether asserted by third parties or us, related to your acts, omissions, ownership and operation of your franchise.
Alterations Fee	All amounts incurred by us	As incurred	Payable if we rectify any alterations improvements made to the Clinic without our prior approval.
Computer Software/ Hardware Installation Fee	All amounts we incur (i) by installing, providing, supporting, modifying, and enhancing any proprietary software or hardware that we develop and license to you or (ii) by providing Computer System-related maintenance and support services that we or our affiliates provide to you	As incurred	Payable if we (i) install, provide, support, modify or enhance software or hardware we developer and license to you or (ii) provide computer system maintenance and support services that we or our affiliates provide to you.
Electronic or Hard Copies of Marketing Materials	Our cost	As incurred	There may be a charge for electronic or hard copies of marketing materials in order to reimburse us for creative costs and expenses.
Franchise Maintenance and Refurbishing	All amounts incurred by us	As incurred	Payable if we repair, maintain, or refurbish the franchise after you fail to correct deficiencies of which we give notice to you.
De-Identification	All amounts incurred by us	As incurred	Payable if we de-identify the franchise upon its termination or expiration.

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Termination Fee	One-half of then-current initial franchise fee for Start-up Clinics plus an amount equal to your average monthly Continuing Franchise Fee, Ad Fund contribution, and Technology Fee, multiplied by the number of months remaining in your franchise term, discounted by a present value discount factor of five percent (5%)	On demand	If you or we terminate your franchise before your franchise term expires. (5)
Liquidated Damages Resulting from Violation of Restrictive Covenants	\$50,000, plus any actual damages incurred by us exceeding that amount, and all attorneys' fees and costs incurred by us, to enforce the restrictive covenants in Section 9 of the Franchise Agreement	On demand	Payable if a Principal Owner violates the terms of the restrictive covenants in Section 9 of the Franchise Agreement, including but not limited to non-compete, non-solicitation, non-disclosure and non-disparagement covenants, both during the term of the Franchise Agreement and post-termination

Explanatory Notes:

- (1) This table and the accompanying notes describe the nature and amount of all other payments that you must pay to us or our affiliates or that we or our affiliates collect on behalf of third parties, on a recurring basis, whether on a regular periodic basis or as infrequent anticipated expenses, in carrying on your HealthSource Chiropractic Clinic. Except for some product and service purchases (see Item 8) and advertising cooperative payments (see Item 11) or as otherwise noted in this FDD, all fees are uniform (except in states which may prohibit us from charging fees, such as the Continuing Franchise Fee or Advertising Fee, based on a percentage of your gross revenue or as otherwise provided by law), and are imposed by, collected by, and payable to us. In the past, we have negotiated the Continuing Franchise Fee with franchisees. All fees are non-refundable unless

otherwise expressly noted. These fees are not based on referrals of patients, the number of patients treated, or the amount of products purchased.

- (2) “Gross revenues” means the total of all revenue and receipts derived from the operation of the franchise, including all amounts received at or away from the Clinic, or through the business the Clinic conducts (such as fees for chiropractic and/or physical therapy care, fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and all customer refunds and credits the franchise actually makes. The Continuing Franchise Fee is 7%. The Continuing Franchise Fee may vary for Clinic Management Businesses in order to comply with applicable state law, which may prohibit us from charging the Continuing Franchise Fee based on “gross revenues.”
- (3) You must pay all amounts due by automatic debit, but we have the right to require you to pay all amounts due us or our affiliates by certified or cashier’s check or wire transfer. After you sign the documents we require to debit your business checking account automatically for the amounts due (see Exhibit 6 to Franchise Agreement), we will debit your bank account for the Continuing Franchise Fees, Advertising Fees, and other amounts you owe us. You must make funds available for withdrawal from your account before each due date.

If you do not report your Clinic’s gross revenues for any month, then we may debit your account for 120% of the Continuing Franchise Fee and Advertising Fee amounts that we debited during the previous month. If the Continuing Franchise Fee and Advertising Fee amounts we debit are less than the Continuing Franchise Fee and Advertising Fee amounts you actually owe us (once we determine the franchise’s actual gross revenues for the month), then we will debit your account for the balance on the day we specify. If the Continuing Franchise Fee and Advertising Fee amounts we debit is greater than the Continuing Franchise Fee and Advertising Fee amount you actually owe us, then we will credit the excess amount, without interest, against the amount we otherwise would debit from your account during the following month.

- (4) If we create an advertising cooperative that includes your franchise, the voting power of any Clinics owned by us or our affiliates that belong to the cooperative will be the same as yours.
- (5) You must pay the termination fee, plus any costs and attorneys’ fees incurred by us, if you improperly attempt to terminate or close your Clinic or franchise before your term expires, or we terminate your Franchise Agreement for any reason set forth in the Franchise Agreement. We may also recover from you any damages suffered by us (e.g., any actual, economic, consequential, and indirect damages incurred by us including, without limitation, the loss of future revenues) resulting from your improper or wrongful termination of the franchise. Termination fees may be unenforceable in certain states. See Item 17 for additional information.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is To Be Made
	Conversion Clinic	Start-up Clinic			
Initial Franchise Fee (1)	\$29,000	\$29,000	Lump sum, unless otherwise agreed	When you sign the Franchise Agreement	Us
Security Deposits (2)	\$0 to \$7,000	\$3,000 to \$7,000	Before opening	Before opening	Landlord and /or utility companies
Leasehold Improvements/ Decorating Costs (3)	\$5,000 to \$60,000	\$72,000 to \$158,400	As agreed	Before opening	Landlord or construction contractors
Signage (4)	\$4,000 to \$8,000	\$4,000 to \$8,000	As agreed	Before opening	Approved vendor
Therapy Equipment and Soft Goods (5)	\$0 to \$5,200	\$4,000 to \$5,200	As agreed	Before opening	Suppliers, us or our affiliate
Chiropractic Equipment (6)	\$0 to \$7,000	\$5,000 to \$7,000	As agreed	Before opening	Suppliers
X-Ray Equipment (7)	\$0 to \$36,500	\$36,500	As agreed	Before opening	Suppliers
Misc. Supplies & Equipment (8)	\$0 to \$2,000	\$500 to \$2,000	As agreed	Before opening	Suppliers
Furnishings (9)	\$0 to \$3,070	\$2,200 to \$3,070	As agreed	Before opening	Suppliers
Computers and Installation (10)	\$0 to \$3,500	\$3,200 to \$3,500	As agreed	Before opening	Suppliers
Business Licenses and Permits	\$0 to \$500	\$100 to \$500	As required	Before opening	Governmental agencies
Professional Fees (including project management)	\$250 to \$7,000	\$250 to \$7,000	As agreed	Before opening	Architects and other professionals
Telecommunications Services (11)	\$0 to \$2,500	\$200 to \$2,500	As agreed	As incurred	Telecommunications providers
Insurance (12)	\$0 to \$3,700	\$1,000 to \$3,700	As agreed	Before opening	Insurer
Branding & Grand Opening Kit (13)	\$3,900-\$5,900	\$3,900-\$5,900	As incurred	As incurred	Suppliers
60-day Marketing Plan (14)	\$1,200 to \$3,000	\$1,200 to \$3,000	As agreed	Up to 1 month after opening	See note 14
3-Months of Rent for Lease (15)	\$0 to \$13,500	\$9,000 to \$13,500	As agreed	As agreed	Landlord

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is To Be Made
	Conversion Clinic	Start-up Clinic			
3-Months' Billing Software Lease (16)	\$1,794 to \$3,000	\$1,794 to \$3,000	As agreed	As agreed	Suppliers
Technology Fee – 3 months (17)	\$597	\$597	As agreed	Per month	See note 17
Human Resources and Payroll Services – 3 months (18)	\$375 to \$550	\$375 to \$550	As agreed	Per month	See note 18
Additional Funds – 3 months (19)	\$15,000 to \$45,000	\$15,000 to \$45,000	As agreed	As incurred	Third parties
TOTAL ESTIMATED INITIAL INVESTMENT (20)	\$61,116 to \$246,517	\$192,816 to \$344,917			

Explanatory Notes:

* The preceding chart and accompanying notes describe the estimated total initial investment expenses to obtain and commence business for a single HealthSource Chiropractic Clinic franchise. These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating a single HealthSource Chiropractic Clinic. Our estimates are based on our experience with our Clinic franchises and our current requirements for Clinics. The factors underlying our estimates may vary depending on a number of variables, and the actual investment you make in developing and opening your HealthSource Chiropractic Clinic franchise may be greater or less than the estimates given depending upon the location of your franchise, and current relevant market conditions. The initial training program for Clinics described in Item 11 is held virtually, and as such, you are not required to pay travel and living expenses for you and your employees required to attend; however, you are required to pay wages and salaries for your employees attending this training. See Item 11 for additional information regarding the training program. Your estimated initial investment for each additional Start-up Clinic or each additional Conversion Clinic you purchase may be lower if we charge a reduced Initial Franchise Fee. See Item 5 for additional information. See Item 10 for additional information regarding any financing options. All expenses payable to us and third parties are non-refundable, except as you may arrange for utility deposits and other payments.

- (1) See Item 5 for additional information about your initial franchise fee.
- (2) This estimate includes security deposits required by the landlord and utility companies, but not your telecommunications service.

- (3) This estimate does not include any construction allowances that may be offered by your landlord. Building and construction costs will vary depending upon the condition of the premises for the Clinic, the size of the premises, and local construction cost.
- (4) These estimates assume you purchase your signage. The type and size of the signage you actually install will be based upon the zoning and property use requirements and restrictions. There could be an occasion where signage is not permitted because of zoning or use restrictions.
- (5) This estimate includes your purchase of various bands, tubes, free weights, exercise straps, pads, balls, supplements, pillows, supports and braces.
- (6) This estimate is for chiropractic treatment and therapy tables and stools.
- (7) This estimate is for an X-ray machine for diagnostic purposes, and assumes you purchase a new machine. You may purchase or lease a new or used device from our designated vendor. See Item 8 for additional information.
- (8) This includes various paper products, file folders and miscellaneous supplies. See Item 8 for additional information.
- (9) This estimate includes workstations and chairs, shelving, and other retail items.
- (10) This estimate includes the cost of obtaining our required computer and billing system. See Items 8 and 11 for additional information.
- (11) This estimate includes the security deposits and service fees for your telecommunications system, and telephone and internet directory advertising fees. See Item 11 for additional information about our advertising requirements.
- (12) You must obtain and maintain, at your own expense, the insurance coverage that we periodically require (including but not limited to comprehensive commercial general liability and motor vehicle insurance, worker's compensation and employer's liability insurance, professional liability (malpractice) insurance and any other insurance required by applicable law, rule, regulation, ordinance or licensing requirement), and satisfy other insurance-related obligations. See Item 8 for additional information about our insurance requirements.
- (13) You will also be required to purchase from us, or suppliers we designate, certain branding items and a grand opening kit. See Item 8 for additional information regarding branding and grand opening requirements.
- (14) See Items 8 and 11 for our advertising-related requirements.
- (15) This estimate includes 3-months' rent at a rate of approximately \$1.66 per square foot to \$2.50 per square foot per month. Your actual rent payments may vary, depending upon your location and your market's retail lease rates. We require that Clinics be a minimum

of 1,800 square feet in size. We anticipate that HealthSource Chiropractic Clinics typically will be located in high-traffic strip malls.

If you purchase instead of lease the premises for your Clinic, then the purchase price, down payment, interest rates, and other financing terms will determine the amount of your monthly mortgage payments.

- (16) This estimate includes 3-months' lease and maintenance fees for our required computer and billing system as described in Items 8 and 11. The low estimate is based on the usual monthly fee charged by Phunkey, Inc. in the amount of \$598 per month. The higher estimate is based on whether you decide to use optional products or services from Phunkey, Inc. These amounts include up to 5 seats and is subject to the number of claims processed and other services provided by Phunkey. If you do not return the ACH draft information to Phunkey, Inc. within seven (7) days of corporate training, Phunkey, Inc. will charge you \$698.00 per month until you return the ACH information to them. See Franchise Agreement – Exhibit 4 for additional information. This estimate does not include fees we will charge you if your franchise is not “live” on the software system within two months post training. If you are not “live” on the software system within two months of training, a \$500 per month fee will be assessed. After month six, the fee will increase to \$1,000 starting month seven.
- (17) This estimate includes your payment to us for website design, maintenance, hosting, and search engine optimization, and certain technology-related administrative expenses for the first three months of operation. See Item 8 for additional information.
- (18) Human resources and payroll services fees will vary based on employee count, frequency on which you pay employees, and additional services selected. A vendor representative will provide an exact quote for your franchise. See Item 8 for additional information regarding Paychex, Inc., our current required vendor for these services.
- (19) This estimate includes your initial start-up expenses (other than the items identified separately in the table) during the Clinic's first 3 months of operation. These expenses include payroll costs during the Clinic's operation, but not any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your actual costs for initial start-up expenses during this 3-month period will depend on how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products; the prevailing wage rate; your competition; and the sales level you reach during the initial period.
- (20) You should review these figures with a business advisor before making any decision to purchase the franchise.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Lease and Purchase Specifications and Requirements

You must lease or purchase your Clinic location, leasehold improvements, computer and office equipment (including cash registers and computer hardware and software), x-ray equipment, fixtures, furnishings and decor, signage, insurance, inventory (including, without limitation, dietary supplements), clothing, branding, advertising and marketing materials and services, grand opening kit, training, supplies, programs and other items and services under our specifications as set forth in our Operations Manual for Clinics – see Items 7 and 11. These specifications include standards for appearance, delivery, performance, quality control, and/or design.

You must lease or purchase your leasehold improvements, x-ray equipment, computer and billing system, equipment, inventory, marketing materials, supplies, services, products, and other items only from suppliers or designees approved by us. Our Operations Manual lists our approved suppliers. There may be items for which we or our affiliates are approved suppliers (see below).

You must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations. You must purchase (1) comprehensive commercial general liability and motor vehicle liability insurance containing minimum liability coverage of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate, (2) worker's compensation and employer's liability insurance as required by law, with limits equal to or in excess of those required by law, (3) professional liability (malpractice) insurance, for each doctor practicing in your Franchise business, having limits of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate and (4) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements. Deductibles must be in reasonable amounts and are subject to review and written approval by us. Your commercial general liability insurance policy must be an "occurrence" policy. If any policy is written on a "Claims Made" basis, you must purchase and maintain unlimited tail coverage that shall remain in effect following the termination or expiration of the Franchise Agreement and/or such policy. All commercial general liability insurance and professional liability (malpractice) insurance policies you purchase must name us (and, if we so request, our members, directors, employees, agents, and affiliates) as additional insureds. If you fail to obtain or maintain the insurance we specify, we may (but need not) obtain the insurance for you and the Clinic on your behalf (see Item 6). You should consult with your own insurance agents, brokers, and attorneys to determine what types of coverages and what level of insurance protection you may need or desire, in addition to the coverages and minimum limits specified by us. The cost of your premiums will depend on the insurance carrier's charges, terms of payment, and your insurance and payment histories.

We also require you to maintain a dedicated high speed internet services or connection or other communication means for remote access and information retrieval by us, as we may specify from time to time in the Operations Manual or otherwise in writing. We do not specify a specific internet supplier.

We have contracted with third parties to provide web site design, maintenance, hosting, and search engine optimization for our franchises, and certain technology-related administrative expenses. You will be required to use all such services. You will pay us a fee for such services, and we will pay the third-party providers directly. The amount you pay us may be less or more than the amount we pay to the third-party providers and may be used to offset internal costs related to the stated purposes of this fee.

We estimate that your total expenditures in leasing or purchasing real estate, equipment, fixtures, products, marketing materials, services, and computer hardware and software from our approved suppliers will represent approximately 50% of your total purchases and expenses in connection with establishing and operating your HealthSource Chiropractic franchise. Virtually all of the goods and services that you must lease or purchase in establishing and operating your franchise must comply with our standards and specifications.

Issuance and Modification of our Specifications

Our Operations Manual sets forth our specifications, standards, and guidelines for all real estate, goods, and services that you are required to obtain in establishing and operating your franchise, and additional guidelines and requirements for operating your franchise (including the optional programs). We will make available new or modified specifications, standards, and guidelines to you through periodic amendments or supplements to the Operations Manual or other written materials. See Item 11 for additional information about our Operations Manual.

We will make available written copies of our standards and specifications to you and approved and proposed suppliers, unless these standards and specifications contain our confidential information (see Item 14).

Approved Products, Distributors and Suppliers

We have developed standards and specifications for the leasehold improvements of your Clinic, the equipment and materials used to perform services at your Clinic, and products authorized for sale at your Clinic. We have approved, and will continue to periodically approve, specifications and/or suppliers and distributors of the above items, services and products, which may include us or our affiliates, that meet our standards and requirements. These specifications include standards and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations and customer relations. You must (1) purchase products for sale by your Clinic in the quantities we designate; (2) use those formats, formulae, and containers for products that we prescribe; and (3) purchase all products, services and other materials only from distributors and other suppliers we have approved.

We may approve a single distributor or other supplier (collectively, "supplier") for any product or service, and may approve a supplier only as to certain products or services. We may concentrate purchases with one or more suppliers to obtain lower prices or the best advertising support or services for any group of Clinics franchised or operated by us. Our approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), and other similar criteria, and may be temporary, pending our continued evaluation of the supplier.

You must obtain the customer management, accounting, and billing software for the Computer System, HSWorx (see Items 7 and 11), that you must use in operating your HealthSource Chiropractic franchise from Phunkey Incorporated, or such other supplier as we may designate in the future.

We currently require our franchisees to enroll in and maintain certain human resources and payroll services provided by Paychex, Inc. The required services consist of payroll processing, payroll tax filing, human resource solutions, benefits administration services, hiring and employee onboarding. Paychex, Inc. may also provide additional services at the option and cost of the franchisee.

If you would like to purchase or lease any items from any unapproved supplier, then you must submit to us a written request for approval of the proposed supplier or the proposed supplier may submit its own request. We may inspect the proposed supplier's facilities, and require that product samples from the proposed supplier be delivered for testing either directly to us or any independent certified laboratory that we designate. We also may require you (or the proposed supplier requesting the evaluation) to pay us an evaluation fee (not to exceed the reasonable cost of the inspection and the actual cost of the test (see Item 6) to make the evaluation. We will approve or disapprove your proposed supplier within 60 days of receiving all of the information that we require for the evaluation. We reserve the right to periodically re-inspect the facilities and products or services of any approved supplier, and revoke our approval if the supplier does not continue to meet any of our criteria.

Notwithstanding any such System Standards, all medical and chiropractic related decisions, acts or omissions made by, or in connection with any person in any way associated with you or your franchise will be the decisions of the individual professionals involved and will not be affected by or attributed to us.

HealthSource Chiropractic and Our Affiliates as Approved Suppliers

We may designate us and/or our affiliates as an approved supplier, or the only approved supplier, from which you may or must lease or purchase certain products or services in developing and operating your HealthSource Chiropractic franchise. We and our affiliates may derive revenue from these sales and may sell these items at prices exceeding our or their costs in order to make a profit on the sale.

We reserve the right to designate us and/or our affiliates as approved suppliers, or the exclusive supplier(s), from whom you may purchase or lease certain other categories of products, services, and equipment.

We are currently not an approved supplier for any other product, service, or equipment.

Our Involvement with Suppliers

We and our affiliates and designees reserve the right to receive revenue or other material consideration from suppliers in consideration for other goods or services that we require or advise you to obtain from approved suppliers. We anticipate that any revenue or other consideration

received would probably include promotional allowances, rebates, volume discounts, and other payments, and would probably be equal to zero to 30 percent of the amount of the goods or services you purchase from the supplier. In fiscal year 2021, our revenue totaled \$5,788,020. Of this total, \$208,325.25 or 3.6% of our total revenue, was derived from franchise purchases or leases, including but not limited to purchases of services provided by HealthSource Chiropractic, as well as products and services purchased from third party suppliers that pay us a rebate and other payments for franchise purchases. These figures do not include the revenues received by our affiliate, Octalean (which receives net revenues from the voluntary HS Masterminds program used by some HealthSource Chiropractic franchises). Our affiliate, Octalean, obtained revenues from the sale of services to HealthSource Chiropractic franchisees in the amount of \$216,045.00 in the 2021 fiscal year. We expect that at least some of these arrangements will generally allow us to obtain discounts off standard pricing and pass at least a portion of the savings on to you.

The approved supplier for certain printing services, GO2 Partners, Inc., pays us a rebate of 5% of all purchases made by our franchises from GO2Partners, Inc. exceeding \$200,000.00 annually. The approved supplier for organic hemp products, Clean Remedies, pays us a rebate of 5% of all revenues from purchases of Clean Remedies products by Clinics. The approved supplier for certain chiropractic equipment, Pivotal Health Solutions, also pays us a rebate of 5% on all purchases made by our franchises. The approved supplier for certain chiropractic, massage, acupuncture, physical therapy, rehabilitation, x-ray, and other equipment, fitness supplies, vitamins, and retail display units, WBC Group, LLC, pays us a rebate of 1.5% on all digital x-ray purchases and 5% of all other purchases made by our franchises from WBC Group, LLC, except that we do not receive any rebate on retail display units purchased by our franchises. The approved supplier for certain merchant/credit card services for Clinic franchises, OpenEdge Payments LLC, pays us a rebate of 50% of the difference of OpenEdge Payments LLC's fee revenues generated from transactions conducted by Clinic franchises and its expenses relating to same.

We use the funds received from the above-described suppliers to offset speaker and facility costs associated with our annual multi-day conference.

We negotiate price terms and other purchase arrangements with suppliers for you for some items that we require or suggest you to lease or purchase in developing and operating your HealthSource Chiropractic franchise, including clothing, marketing materials, services, supplements, pillows, and various physical therapy supplies and equipment. There currently are no purchasing and distribution cooperatives.

Effects of Compliance and Noncompliance

You must comply with our requirements to purchase or lease real estate, goods, and services according to our specifications and/or from approved suppliers to be eligible to renew your franchise. Failure to comply with these requirements will render you ineligible for renewal, and may be a default allowing us to terminate your franchise and/or withhold performance (including but not limited to removing your access to our website or any intranet, removing any information about your Franchise on our website, removing you from any lists for which inquiries for services are made, any lists of approved Franchises for which any of our approved supplies provide discounts or any lists that you are approved to participate in national or other alliance

programs). We do not provide any other benefits to you because of your use of designated or approved services and products, or suppliers.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 3.1 of FA	Items 7, 8, and 11
b. Pre-opening purchases/leases	Sections 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6 of FA	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 3.2, 3.3, 3.4 and 3.6 of FA	Items 7, 8, and 11
d. Initial and ongoing training	Sections 3.6, 4, 5.1 and 10.7 of FA	Items 5, 6, 7, 11 and 14
e. Opening	Sections 3.3 and 3.6 of FA, Exhibit 1 of FA	Items 7 and 11
f. Fees	Sections 2.4, 3.4, 4.2, 5.1, 5.2, 6, 10.1, 10.3, 10.8, 11.1, 11.2, 12, 13.2, 14.5, and 15 of FA, Exhibits 4 of FA	Items 5, 6, 7, 8, 11, 13 and 14
g. Compliance with standards and policies/Operating Manual	Sections 2.4, 3.2, 3.3, 3.4, 3.5, 3.6, 5.2, 5.3, 6.4, 7.1, 10, 11.4, 13.1 and 19 of FA	Items 8, 11, and 12
h. Trademarks and proprietary information	Sections 7, 9 and 16.2 of FA	Items 13 and 14
i. Restrictions on products/services offered	Section 10.2 of FA	Item 8 and 16
j. Warranty and customer service requirements	Section 10.7 of FA	Not Applicable
k. Territorial development and sales quotas	Section 2.3 and 3.1 of FA	Item 12

Obligation	Section in Agreement	Disclosure Document Item
l. On-going product/service purchases	Sections 3.4, 5.1, 6.4, 10.2, 10.3, 10.8, 10.9, 11.2, and 11.4 of FA, Exhibit 4 of FA	Items 8 and 11
m. Maintenance, appearance, and remodeling requirements	Sections 10.1 and 10.5 of FA	Items 8, and 11
n. Insurance	Section 10.8 of FA	Items 6, 7, and 8
o. Advertising	Sections 6.3 and 11 of FA	Items 6, 7, and 11
p. Indemnification	Section 8.3 of FA	Items 6 and 13
q. Owner's participation/management/staffing	Sections 4.1 and 10.7 of FA, Exhibit 3 of FA	Items 11 and 16
r. Records and reports	Section 12 and 13 of FA	Item 6 and 11
s. Inspections and audits	Section 13 of FA	Item 6
t. Transfer	Section 14 of FA	Items 6 and 17
u. Renewal	Section 2.4 of FA	Item 6 and 17
v. Post-termination obligations	Sections 9.2, 9.3, 16, 17.8 of FA	Item 17
w. Non-competition covenants	Sections 9.3, 16.5, and 17.8 of FA	Item 17
x. Dispute resolution	Sections 17.8, 17.9, 17.10 and 17.11 of FA	Item 17
y. Non-solicitation/non-disparagement/non-disclosure covenants	Sections 9.2, 9.3, 16, 17.8 of FA	Item 17

Item 10

FINANCING

We do not offer direct or indirect financing to franchisees in the normal course. We do not guaranty your note, lease or obligations.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Pre-Opening Obligations:

Before you open your HealthSource Chiropractic Clinic for business, we or our designee will:

1. Designate your Protected Territory (Franchise Agreement – Section 2.3). See Item 12 for additional information about your Protected Territory. You may only operate a Clinic physically located in your Protected Territory.

2. Review and approve or disapprove your proposed Clinic site (Franchise Agreement – Section 3.1). You must use your best efforts to seek and select a mutually agreeable site within your Protected Territory within 30 days after signing the Franchise Agreement. We will inform you of our approval or disapproval of your proposed site within 15 days of your proposal of the Clinic site. The site must meet our criteria for demographics; traffic patterns; parking; ingress and egress; character of neighborhood; competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We require your Clinic to be a minimum of 1,800 square feet in size. Clinics are typically located in high-traffic strip malls. For each proposed site, you must submit to us, in the form we specify, a description of the site and any other information or materials that we may require. We will not unreasonably withhold approval of a site that meets our standards for general location and neighborhood, traffic patterns, parking size, layout, lease terms, and other physical characteristics for HealthSource Chiropractic Clinics. If you fail to identify a mutually agreeable site by the established deadline, then we may terminate your Franchise Agreement. Our approval of a proposed site is not, and should not be deemed, a judgment by us concerning the likelihood of success of a Clinic at the location, or the relative desirability of the site in comparison to other sites within the Protected Territory.

3. If we require, approve the terms of the lease for the premises of your Clinic (Franchise Agreement – Section 3.1). You must lease the premises for the Clinic within 60 days after signing the Franchise Agreement. We may terminate your Franchise Agreement if you do not sign your lease by this deadline. Generally, we do not own premises that are leased to HealthSource Chiropractic Clinics. Your lease must include the provisions required by the Franchise Agreement, or you must obtain our express written approval as to any variations or exclusions of such provisions in your lease.

4. Furnish you with one set of plans, specifications, and other materials reflecting our suggestions and requirements for layout, equipment, fixtures, decorations and signs for a HealthSource Chiropractic Clinic (Franchise Agreement – Section 3.2). Using an architect designated or approved by us, you must modify the plans and specifications to comply with all local ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the premises. You must submit final construction plans and specifications to us for

our approval before you begin construction at the premises and you must construct the Clinic in accordance with those approved plans and specifications.

You must open your Clinic within 90 days after signing your Franchise Agreement if you are a Conversion Clinic or within 180 days if you are a Start-up Clinic. (Franchise Agreement – Section 3.3). If you purchase multiple Clinic franchises, we currently require that you open the second Clinic and each additional Clinic within 6 months of opening the first Clinic. We estimate that Clinics will typically open for business approximately 3 months after signing the Franchise Agreement. Factors affecting this length of time include locating a site and signing a lease, construction or remodeling of the site, completion of required training, financing arrangements, local ordinance and building code compliance, weather conditions, delivery and installation of equipment, fixtures, and signs, and hiring and training of your staff.

5. Approve the final construction plans and specifications for your Clinic (Franchise Agreement – Section 3.2). You must construct your Clinic in accordance with the final construction plans and specifications approved for your Clinic. See paragraph 4 above.

6. Identify the products, equipment, materials, inventory, supplies, and services you must use to develop and operate the Clinic (including, if applicable, our optional programs), the minimum standards and specifications that you must satisfy in developing and operating the Clinic, and the designated and approved suppliers from whom you must or may buy or lease these items (which might be limited to or include us and/or our affiliates) (Franchise Agreement – Section 5.1). We will not deliver or install these items for you.

7. Lend to you one copy of our Operations Manual, which contains our mandatory and suggested specifications, standards, and procedures for operating your Clinic (Franchise Agreement – Section 5.1-5.2). As part of the growth and expansion of HealthSource, and due to the nature of the business conducted by HealthSource Clinic franchisees, the Operations Manual has evolved into a series of written materials and guides and video and audio presentations, including online trainings and franchise system support, which are frequently updated and supplemented. These materials are made available to franchisees through a private, password protected internet portal. The “paper” Operations Manual to which the Table of Contents attached as Exhibit C relates is reflective of the web-based evolution and serves as a guide to accessing the main HealthSource system requirements, resources, and training opportunities. The number of pages in this “paper” Operations Manual is currently seven (7), but it incorporates several hundred pages of written materials and many hours of video and audio materials contained in the HealthSource on-line library. The scope of the contents of the on-line library, as of March 15, 2021, is outlined in the directory copied from the private HealthSource website that are included as part of Exhibit C. The Operations Manual may be composed of or include writings, drawings, photos, video and audio recordings, and/or other written or intangible materials. We may make all or part of the Operations Manual available to you through various means, including the Internet, websites, emails, or other remote means. The Operations Manual contains our System Standards and information about your other obligations under the Franchise Agreement. We may modify all or any portion of the Operations Manual periodically to reflect changes in System Standards. You must keep your copy of the Operations Manual current, and in a secure location at your Clinic. You agree that you will monitor and access the Website, intranet, or extranet for any updates to

the Operations Manual. If you and we have a dispute over the contents of the Operations Manual, then our master copy of the Operations Manual will control. The Operations Manual, as well as any password or other digital identification necessary to access the Operations Manual on a Website, intranet, or extranet, is confidential, and you may not copy, duplicate, record or otherwise reproduce any part of it. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, then you must obtain a replacement copy at our then applicable charge (see Item 6). You may view our Operations Manual at our corporate headquarters before purchasing your Clinic, but must first sign a nondisclosure agreement promising not to reveal any of the information contained in the Manual without our permission. See Item 14 for additional information about our Operations Manual.

8. Provide you with specifications for the computer and billing system for your Clinic (Franchise Agreement – Section 3.4). You must install your computer and billing system in accordance with our specifications. See below for additional information about these specifications.

9. Provide you with our initial training program and online learning credentials for Clinic franchises at no additional charge to you, however, you must pay the food, lodging and travel expenses for all attendees when applicable. See below for additional information concerning our initial training program for Clinic franchises. (Franchise Agreement – Section 4.2).

10. Review and approve or disapprove any advertising that you propose to use for your Clinic (Franchise Agreement – Section 11.2). Our actual or deemed approval will not mean that we have analyzed or approved any advertising materials with respect to any state, local or administrative law, rule or regulation that may be applicable to a franchise's practice of chiropractic in its State of licensure. Advertising on the internet or having your own website online is restricted by your Franchise Agreement.

11. We may establish, maintain, and administer an Ad Fund. As available, we will provide you with digital copies of our marketing materials via our intranet. (Franchise Agreement – Section 11.1). The Ad Fund will be used to support and pay for marketing programs we deem necessary, desirable, or appropriate to promote the services and products offered by your and other Clinics. Also, we may, at our discretion, charge you for hard or digital copies of marketing materials.

12. Review and approve your management agreement with a licensed chiropractor or PC if you are a Clinic Management Business, but you are responsible for determining whether such agreement is in compliance with all applicable laws, rules and regulations of the State in which the Clinic is located. (Franchise Agreement – Section 1.2).

Post-Opening Obligations:

After your Clinic opens for business, and so long as you are not in default under the Franchise Agreement, we or our designee will:

1. Provide you with guidance and assistance in the following areas: (a) the products authorized for sale by the Clinic, and specifications, standards, and operating and management

procedures used by your Clinic; (b) purchasing approved equipment, furniture, furnishings, signs, products, operating materials, services, marketing materials, and supplies; (c) development and implementation of local advertising and promotional programs; (d) establishing and using administrative, bookkeeping, accounting, inventory control and general operating and management procedures; (e) establishing and conducting employee training programs at the Clinic; (f) changes in any of the above that occur from time to time; and (g) specify approved brands, types and/or models of equipment, furniture, fixtures, and signs (Franchise Agreement – Section 5.1).

2. Continue lending to you a copy of our Operating Manual (Franchise Agreement – Sections 5.1-5.2). We may modify the Operations Manual periodically to reflect changes in System Standards.

3. Issue and modify the System Standards for Clinic franchises (including any optional programs used by your Clinic) (Franchise Agreement – Section 5.3).

4. Allow you to use our Marks and confidential information in operating your Clinic (Franchise Agreement – Sections 7 and 9). You must use the Marks and confidential information only as authorized in the Franchise Agreement and Operations Manual.

5. Indemnify you against damages for which you are held liable in any proceeding arising out of your use of our Marks in compliance with the Franchise Agreement and reimburse you for costs you incur in defending against any such claim (Franchise Agreement – Section 7.5).

6. Review and approve suppliers and distributors you would like to use (Franchise Agreement – Section 10.3).

7. Provide any product or perform any service for which we or our affiliate are an approved supplier (Franchise Agreement - Section 10.3).

8. As we deem appropriate, provide you and your staff with additional, on-going, and supplemental training programs (Franchise Agreement – Section 4.2). We, or our designee, may hold mandatory and optional training programs for you and your staff regarding new equipment, techniques, services or products, and other appropriate subjects. We may decide to hold these training programs at our own initiative, or in response to your request for additional or special training. We will determine the location, frequency, and instructors of these training programs. You must also pay for all travel, lodging, meal, and personal expenses related to your attendance and the attendance of your personnel. You are required to attend our annual conference, the location of which will be determined by us. Your attendance at the annual conference is mandatory. You will be solely responsible for the wages and travel, lodging, and living expenses for each attendee of yours who attends the annual conference. We will not charge you a fee to attend the annual conference, but we may collect fees from you that are imposed by third parties relating to the annual conference, such as fees charged for lodging, food, and beverage. We may also offer additional optional training programs through our designee for one-time lump sum payments (see above).

9. Review and approve or disapprove your advertising, marketing, and promotional materials (Franchise Agreement – Section 11.2). Our actual or deemed approval will not mean that we have analyzed or approved any advertising materials with respect to any state, local or administrative law, rule or regulation that may be applicable to a franchise’s practice of chiropractic in its State of licensure. Advertising on the internet or having your own website online is restricted by your Franchise Agreement.

10. We may establish, maintain, and administer an Ad Fund. As available, we will provide you with digital copies of our marketing materials via our intranet. (Franchise Agreement – Section 11.1). The Ad Fund will be used to support and pay for marketing programs we deem necessary, desirable, or appropriate to promote the services and products offered by your and other Clinics. Also, we may, at our discretion, charge you for hard or digital copies of marketing materials.

11. As we deem advisable, conduct inspections of your Clinic, including evaluations of its training methods, techniques, and equipment; its staff; and the services rendered to its customers to ensure that the high standards of quality, appearance and service of the HealthSource Chiropractic System are maintained. (Franchise Agreement – Section 13.1). At any reasonable time and without advance notice to you, we or our agents, such as a “mystery shopper” service, may: (i) inspect the Premises; (ii) observe the operations of the Franchise for such consecutive or intermittent periods as we deem necessary; (iii) interview personnel of the Franchise; (iv) interview customers of the Franchise; and (v) inspect and copy any books, referral sources, marketing and advertising, records and documents relating to the operation of the Franchise. We or our agents may record telephone calls placed to your Clinic. We may provide you with additional guidance and training based on the results of these inspections.

Training Program

No later than 30 days before your Clinic opens for business, we will provide to you and your employees that we designate, our initial training program for HealthSource Chiropractic Clinic franchises, which includes self-directed and virtual classroom instruction. You (if you are an individual) or your Principal Owners as defined in your Franchise Agreement (if you are a legal entity), your general manager (if we agree for you to have a general manager; see Item 15), and your employees that we designate must complete this initial training program to our satisfaction. If the designated individuals have not completed the initial training program within the stated timeframe, we may terminate your franchise or delay the opening of your Clinic until the training program has been satisfactorily completed by the designated individuals.

The training program includes virtual and self-directed instruction on Clinic operations. We plan to be flexible in scheduling training. The initial training program will be offered 4 to 6 times a year. There will be no tuition charge for these training programs for the persons we require to attend (see Item 6). You must pay any wages or compensation owed to all of your personnel who attend the training program. You may not employ any individual who does not complete our initial training program to our satisfaction.

The instructional materials used in the training program consist of the Operations Manual, and related video, documents, e-learning courses and conference calls related to the Operation of

a Clinic. Our instructors for the initial training program are Dr. Christopher J. Tomshack, Steve Szucs, Anne Winters, and Dr. Brady Schuyler.

Dr. Tomshack has twenty-nine (29) years of experience in the field of chiropractic and the operation of a chiropractic business and has provided training in such fields for us for sixteen (16) years.

Mr. Szucs has fourteen (14) years of experience in the field of marketing and has provided training in such field for us for ten (10) years.

Ms. Winters has over twenty-seven (27) years of experience in human resources and training development and has provided training for us for over five (5) years.

Dr. Schuyler has twenty-one (21) years of experience in the field of chiropractic and fourteen (14) years of experience in the ownership and operation of a HealthSource Chiropractic franchise and has provided training for us in such fields for over five (5) years.

We also maintain a training staff who will be conducting the initial training described below. We also reserve the right to draw on the experience of our personnel, our franchises, or our affiliates, in order to conduct initial training. Although the individuals instructing the training program may vary, all of our instructors will have significant relevant work experience in their designated subject area.

Our training program for HealthSource Chiropractic Clinics is described below:

TRAINING PROGRAM

Subject	Hours of Classroom Training		Hours of On-the-Job Training		Location
	You	Any of your staff we require to attend	You	Any of your staff we require to attend	
Practice Management	13	13	0	0	Virtual/Avon, Ohio
Welcome/ Introductions	3	3	0	0	Virtual/Avon, Ohio
Practice/Review/ Knowledge Check	9	9	0	0	Virtual/Avon, Ohio
Clinical Systems	9	5	0	0	Virtual/Avon, Ohio
Administrative Systems	0	2	0	0	Virtual/Avon, Ohio
Software	0	2	0	0	Virtual/Avon, Ohio

Subject	Hours of Classroom Training		Hours of On-the-Job Training		Location
	You	Any of your staff we require to attend	You	Any of your staff we require to attend	
Marketing	2	2	0	0	Virtual/Avon, Ohio
Compliance	1	1	0	0	Virtual/Avon, Ohio
Total Hours	37 hours	37 hours	0 hours	0 hours	

Explanatory Notes:

- (1) The training program is subject to change due to updates and modifications in materials, methods, procedures, manuals and personnel without notice to you. All of these topics are integrated throughout live, virtual classroom sessions (comprised of 37 total hours of virtual classroom training for you and 37 hours of virtual classroom training for your staff that will be required to attend the initial training program). Your staff will be required to attend certain training sessions of the initial training program separate from the training sessions that you attend due to the nature of the topics being covered. In some instances, you and your staff will attend the same training session.

In addition to the live, virtual classroom sessions, you and your staff that are required to attend the initial training program are required to complete self-directed learning, covering the topics set forth above (comprised of 18 total hours for you and 18 total hours for your staff that are required to attend the initial training program).

We reserve the right to offer and hold additional ongoing training programs and franchise owners' meetings for your Clinic at such times and locations as we may deem necessary or appropriate. We also reserve the right to make any of these training programs mandatory for you and/or designated owners, employees, general managers, and/or representatives of yours. You will be solely responsible for the wages and travel, lodging, and living expenses for each attendee of yours who attends any additional training program or franchise owners meeting offered and held by us. If we offer any such mandatory training programs, then you or your designated personnel must attend a minimum of seventy-five percent (75%) of the programs offered on an annual basis (Franchise Agreement - Section 4.2). You are required to attend one-hundred percent (100%) of our annual conference, a training program that we conduct once per year. The location of the annual conference will be determined by us. Your attendance at the annual conference is mandatory. You will be solely responsible for the wages and travel, lodging, and living expenses for each attendee of yours who attends the annual conference. We will not charge you a fee to attend the annual conference, but we will collect fees from you that are imposed by third parties relating to the annual conference, such as fees charged for lodging, food, and beverage.

We also reserve the right to switch to in-person initial training programs in the future. If we switch to an in-person initial training program in the future, you will be solely responsible for the wages and travel, lodging, and living expenses for each attendee of yours who is required to attend.

Advertising and Marketing

Advertising by You

You may develop, at your cost, advertising and promotional materials for your own use, but may not use them until after we have approved them in writing. You must submit to us for our approval samples of all advertising and promotional materials not prepared or previously approved by us that you wish to use. We will not unreasonably withhold our approval. If we do not disapprove any materials submitted to us within 15 days of receiving them, they will be deemed approved. Our actual or deemed approval will not mean that we have analyzed or approved any such materials with respect to any state, local or administrative law, rule or regulation that may be applicable to a franchise's practice of chiropractic in its State of licensure. In addition to any Advertising Fees for an Ad Fund (see below) and the Technology Fee, each HealthSource Chiropractic Clinic must spend a minimum of 5% of its gross revenues for local advertising, promotion, and marketing. Your 60-day marketing plan expenditures (see Item 7) and telephone and internet directory advertising expenditures (see below) count towards this requirement.

We may require you to list and advertise your franchise in the professional trade association directories and principal regular (white pages) and classified (yellow pages) telephone directories distributed within your Protected Territory, and with such internet-based directories as we may specify. These listings must be made in the directory categories we specify, using our standard forms of listing and classified directory advertisements. We may place classified directory advertisements on a national or regional basis and list your and other HealthSource Chiropractic franchises operating within the directories' distribution area, with the cost of the advertisements being reasonably apportioned among all franchises listed.

If you purchase a franchise, you irrevocably consent to the use of your name and likeness, including voice and image, by us and its respective affiliates, successors and assigns, for all commercial purposes, including advertising and promotion, in any media, throughout the world in perpetuity, including but not limited to, on the internet.

We may require you to use a website controlled by us and to require you to use search engine optimization services. In the event we establish a website, or series of websites, for our Systems and Clinic franchises, you agree to give us information and materials that we may periodically request concerning your Clinic franchise, and to otherwise participate in the System website in the manner that we may require. If we establish a System website, all advertising and promotional materials that you develop for your Clinic franchise must contain the URL of the System website in the manner that we may designate.

Local and Regional Advertising Cooperatives

You are not required to participate in any local or regional advertising cooperative. We have no local or regional advertising cooperatives, but reserve the right to have one in the future.

Advertising Councils

There is currently not an advertising council ("Council"), but we reserve the right to establish one in the future. We will select the Council's members, and we may change or dissolve the Council at any time. We anticipate that a Council would serve in an advisory capacity, but may grant to the Council any operational or decision-making powers that we deem appropriate. We, or one or more of our affiliated companies or persons, may also offer separate, optional, advisory councils or groups that may have additional costs to you should you decide to participate.

Advertising by Us - Advertising Funds

We have the right to create separate advertising funds (the "Ad Fund") for our Clinic franchises to accomplish those national, regional and local advertising and promotional programs we deem necessary or appropriate in our sole discretion for each type of franchise. See Item 6 for the amount of your required contribution to any Ad Fund that includes all or any part of your Protected Territory. We require all HealthSource Chiropractic Clinics to contribute 2% of their gross revenues to the Ad Fund. All HealthSource Chiropractic Clinics will be required to contribute to the Ad Fund on the same basis as you, respectively, unless prohibited by law. We have the right to increase or decrease your contribution to the Ad Fund upon 30 days written notice to you. HealthSource Chiropractic franchises owned by us or our affiliates must contribute to an Ad Fund on the same basis as you, subject only to limitation under applicable law.

We will administer and direct all marketing programs financed by an Ad Fund, and will have sole discretion over the creative concepts, materials, endorsements and media used by the Fund, and the geographic, market, and allocation of the Fund. We have the right to determine, in our sole discretion, the composition of all geographic territories and market areas for the development and implementation of such programs. An Ad Fund may be used to pay any and all costs of maintaining, administering, directing, and preparing national, regional or local advertising materials, programs, and marketing activities, including, without limitation, (a) costs for preparing and conducting television, radio, magazine, billboard, newspaper, internet and other media programs and activities, (b) costs associated with conducting marketing research, (c) costs associated with website development, maintenance, hosting and marketing, including without limitation, search engine optimization and social media, (d) administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising, (e) employing advertising, program and marketing agencies, and vendors providing marketing services, (f) development, implementation and maintenance of online asset management tools, (g) marketing and advertising training programs and materials, and (h) costs for providing promotional brochures and advertising templates and materials to HealthSource Chiropractic Clinic franchises. Advertising materials developed or produced by an Ad Fund may include video, audio, and written advertising materials, which will be prepared by our in-house advertising department. The Ad Fund will furnish you with approved advertising materials at its

direct cost of producing those advertising materials. Amounts contributed to an Ad Fund may be used to place advertising in television, radio, newspaper, or other media as solely determined by us. We will not use Clinic Ad Fund contributions for advertising that is principally a solicitation for the sale of franchises.

An Ad Fund will be accounted for separately from our other funds and will not be used to pay any of our general operating expenses, except for salaries, administrative costs, and overhead that we incur in activities reasonably related to the administration of the Ad Fund and its marketing programs, including preparing advertising and marketing materials, and collecting and accounting for contributions to the Ad Fund. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Ad Fund in that year, and the Ad Fund may borrow from us or other lenders to cover the Ad Fund's deficits or invest any surplus for future use by the Ad Fund. We will prepare an annual unaudited statement of monies collected and costs incurred by the Ad Fund and will provide it to you upon written request. During the last fiscal year (ending December 31, 2021), the Ad Fund spent 21.5% on production, 60.5% on media placement, 16.9% on administrative expenses and 1.1% on other expenses (including annual conference branding and promotional expenses).

We may cause an Ad Fund to be incorporated or operated through an entity separate from us when we deem appropriate, and the entity will have the same rights and duties as we do under your Franchise Agreement. The Ad Fund will be intended to enhance recognition of the Marks and the goodwill and patronage of Clinic franchises. Although we will endeavor to use an Ad Fund to develop advertising and marketing materials and programs and place advertising that will benefit all contributing franchises, we have no obligation in developing, implementing, or administering advertising or promotional programs ensure that the Ad Fund's expenditures in or affecting any geographic area are proportionate or equivalent to the contributions made by any franchise in that geographic area, or that any franchise will benefit from the development of advertising and marketing materials or the placement of advertising by the Ad Fund directly or in proportion to the franchise's contribution to the Ad Fund. We assume no direct or indirect liability or obligation to you or any other HealthSource Chiropractic franchisee in connection with the establishment of an Ad Fund, or the collection, administration, or disbursement of monies paid into an Ad Fund. We will not be a fiduciary to you with respect to the management of the Ad Fund.

We may suspend contributions to, and the operations of, the Ad Fund for any period we deem appropriate, and may terminate the Ad Fund upon 30 days' written notice to you. All unspent monies held by the Ad Fund on the date of termination will be distributed to us, our affiliates, and you and our other franchisees in proportion to each party's respective contributions to the Ad Fund during the preceding 12-month period. We may reinstate a terminated Ad Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days' advance written notice to you.

In the future, we may also establish a program to provide additional marketing services to Clinic franchises involving the placement of individuals on a local basis to perform marketing activities, subject to applicable law. This program will be optional for Clinic franchises. If you

choose to use this marketing program, you must agree to pay the fee determined by us. Your franchise will only be permitted to use this program if you pay this fee.

In the future, we may also offer Clinic franchises the opportunity to participate in marketing promotions that we will provide directly to the franchise's patients via email, telephone, mail, social media, or other means. If you choose to use any of these optional marketing promotions, you must provide us with confirmation that your patients who will receive the marketing materials have given permission to be contacted for such purposes. We will not charge a fee for these promotions.

Computer System and Billing System

You must purchase and use the computer hardware and software and billing system (collectively, "Computer System") that we periodically designate to operate your HealthSource Chiropractic franchise. You must obtain the Computer System, software licenses, maintenance and support services, and other related services from the suppliers we specify (which may be limited to us and/or our affiliates). The Computer System will store and generate customer management and accounting, billing, and credit card information. The estimated initial cost of purchasing your Computer System will range from \$0 to \$2,000.00. We may periodically modify the specifications for, and components of, the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease, and/or obtain by license new or modified computer hardware and/or software and obtain service and support for the Computer System. The Franchise Agreement does not limit the frequency or cost of these changes, improvements, upgrades, or updates. We have no obligation to reimburse you for any Computer System costs. Within 60 days after you receive notice from us, you must obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly.

We may charge you a reasonable fee for (i) installing, providing, supporting, modifying, and enhancing any proprietary software or hardware that we develop and license to you; and (ii) other Computer System-related maintenance and support services that we or our affiliates provide to you. If we or our affiliates license any proprietary software to you or otherwise allow you to use similar technology that we develop or maintain, then you must sign any software license agreement or similar instrument that we or our affiliates may require.

You will have sole responsibility for: (1) the acquisition, operation, maintenance, repairing and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained and upgraded. Unless otherwise provided, we and our affiliates will have no responsibilities for these items.

The current customer management and billing software for the Computer System is HS Worx, which is published by Phunkey Incorporated ("Phunkey"), P.O. Box 6584, Albuquerque, New Mexico 87197-6584 (505-847-1826). You will use this software for customer management and accounting, billing, and credit card processing functions. You will use the HS Worx software

under the service agreement attached as Exhibit 4 to the Franchise Agreement and you must abide by all applicable terms of that agreement, including but not limited to terms concerning software use and licenses, installation, confidentiality, liability, governing law and jurisdiction, and fees, taxes and pricing. Phunkey has the contractual obligation to provide ongoing maintenance and updates for the HS Worx software. You must pay the monthly maintenance and support fee described in Item 7 in the estimated amount of at least \$598.00 per month for Clinic franchises. The total annual estimated cost of this maintenance and support fee is at least \$7,176.00 for Clinic franchises. You may also purchase additional, optional support services directly from Phunkey as provided under the service agreement.

We will have independent, unlimited access to the information the Computer System generates, stores and tracks, including any information pertaining to your gross revenues and all other information stored by the Computer System. There are no limitations on our ability to access the information and data.

Item 12

TERRITORY

The Franchise Agreement for your Clinic grants you an exclusive territory known as your Protected Territory, the size of which is based on the population of your market, area demographics, and estimated market demand for our franchised products and services. We typically define Protected Territories based upon population of approximately 40,000 persons. You and we will mutually agree on your Protected Territory's boundaries when or after you sign the Franchise Agreement. You may operate your Clinic (including, if permitted under the Franchise Agreement, our optional programs) only at an approved site that is physically located in your Protected Territory, but may offer services or products in your Protected Territory from outside your approved location (you must obtain our prior written consent to offer products and services from outside your Protected Territory). You may not relocate your Clinic to a different site in your Protected Territory without our approval. If you are in compliance with the Franchise Agreement, then neither we nor our affiliates will, within your Protected Territory, operate or grant a franchise for another HealthSource Chiropractic Clinic offering our franchised services and products or using our Marks. The continuation of your rights to your Protected Territory does not depend on your achievement of any specific sales volume or market penetration. However, the continuation of your rights to your Protected Territory depends upon your compliance with your obligations under your Franchise Agreement. Failure to comply with your obligations under the Franchise Agreement may result in the termination of your franchise. Your Protected Territory may not be modified or altered under any circumstances unless you and we both agree to the change. Other than the foregoing, under no other circumstances may your Protected Territory be altered or modified by us.

You may solicit, accept and sell authorized services and products (including, if permitted under the Franchise Agreement, the services and products under our optional programs) to customers who reside outside your Protected Territory without having to pay any special compensation to us or any other HealthSource Chiropractic Clinic franchisee. You are permitted to use other channels of distribution, such as the internet, email, social media, telemarketing, or other direct marketing, to make or solicit such sales outside of your Protected Territory. Likewise,

Clinics owned by us or other HealthSource Chiropractic franchisees may solicit, accept, and sell authorized services and products to customers residing in your Protected Territory without having to pay you any special compensation. Clinics owned by us and other HealthSource Chiropractic franchisees are permitted to use other channels of distribution, such as the internet, email, social media, telemarketing, or other direct marketing, to make or solicit such sales inside of your Protected Territory using the Marks. You may not discount your pricing to attract customers who live in the Protected Territory of another HealthSource Chiropractic Clinic. You have no options or rights of first refusal to purchase additional HealthSource Chiropractic franchises, but may apply to us for the right to operate additional Clinic and/or Regional Developer franchises under separate agreements.

Reservation of Rights

We and our affiliates reserve the right to engage in any activities we deem appropriate that your Franchise Agreement does not expressly prohibit, whenever and wherever we desire, including the right to (a) operate, or grant to others the right to operate, HealthSource Chiropractic Clinic franchises physically located outside of your Protected Territory on terms and conditions we deem appropriate; and (b) offer or operate other healthcare-related companies or franchises, or enter into other lines of business, offering products and services that are similar or dissimilar to those offered by HealthSource Chiropractic franchises, both in and outside of your Protected Territory, under trademarks and service marks other than the Marks without any compensation to you, and to use other channels of distribution (for example, the internet, email, social media, telemarketing, or other direct marketing) in connection with such system(s) and/or location(s); (c) the right to sell or distribute, at retail or wholesale, directly or indirectly, or via the internet or any other means, or license others to sell or distribute, via any means (including the internet and other channels of distribution) any products that bear any proprietary marks, including the Marks, whether within or outside your Protected Territory; (d) the right to own, acquire, establish, and/or operate, and license others to establish and operate, businesses different from HealthSource Chiropractic franchises but operated under the Marks within or outside your Protected Territory, and to use other channels of distribution (for example, the internet, email, social media, telemarketing, or other direct marketing) in connection with such system(s) and/or location(s); and (e) the right to be acquired (whether through acquisition of assets, or equity interests or otherwise, regardless of the form of transaction) by a business or entity providing products and services similar to those provided by HealthSource Chiropractic franchises even if that business or entity operates, franchises, or licenses competitive businesses in your Protected Territory. We and our affiliates have used and reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, and other direct marketing, to make or solicit such sales under trademarks and service marks other than the Marks.

At this time, we do not operate, franchise or have plans to operate or franchise a business under a different trademark or servicemark that is similar or dissimilar to the products and services offered by HealthSource Chiropractic franchises. Our affiliate, HealthSource Chiropractic International, LLC, plans to offer and sell HealthSource Chiropractic Clinic and Regional Developer franchises internationally using the Marks. HealthSource Chiropractic International, LLC, will not use a different trademark or servicemark to offer or sell Clinic franchises and will not offer or sell Clinics in your Protected Territory.

Item 13

TRADEMARKS

We grant you the right to operate your HealthSource Chiropractic franchise using our principal Marks: (1) the name "HealthSource Chiropractic," (2) the mark "America's Chiropractor" (3) the mark "HealthSource Chiropractic & Progressive Wellness," (4) the mark "The World's Chiropractor," (5) the mark "HealthSource," (6) the "HS HealthSource" logo set forth on the first page of this Disclosure Document, and (7) the "HS" logo used on our vitamins and supplements. You may also use other future trademarks, service marks, and logos we approve to identify your HealthSource Chiropractic franchise.

We have the following registered marks with the PTO:

Mark	Registration Number	Date of Registration	Principal or Supplemental Register
HealthSource (standard character mark)	4662476	December 30, 2014	Principal Register
HS (letters and design)	5625161	December 11, 2018	Principal Register
HealthSource Chiropractic (standard character mark)	3431728	May 20, 2008	Principal Register
HS HealthSource (words and design)	3261700	July 10, 2007	Principal Register
America's Chiropractor (standard character mark)	3684631	September 15, 2009	Supplemental Register
The World's Chiropractor (standard character mark)	4290473	February 12, 2013	Supplemental Register
HealthSource Chiropractic & Progressive Wellness	4515219	April 15, 2014	Principal Register

(standard character mark)			
Progressive Rehab (standard character mark)	6567020	November 23, 2021	Principal Register

We have filed all affidavits required by the PTO in connection with these marks.

We have applied to register the following marks with the PTO:

Mark	Application Serial Number	Date of Application	Basis for Application	Principal or Supplemental Register
HS (letters and design)	87488876	June 14, 2017	Use in Commerce	Principal Register
Do What U Love	97035712	September 20, 2021	Use in Commerce	Principal Register

We have entered into an agreement with Cigna Intellectual Property, Inc. regarding the use of the “HealthSource Chiropractic” Mark, the “HS HealthSource” Mark and similar names using the term “HealthSource.” We have agreed to use the “HealthSource Chiropractic” Mark, the “HS HealthSource” Mark and similar names using the term “HealthSource” only with “chiropractic services and physical therapy; medical and radiology services pertaining to chiropractic and physical therapy.”

In December 2007, Donald R. Dudley, a chiropractor located in Rochester, New York, filed a lawsuit against us and Stephen T. Divito, a clinic franchise in the case styled Donald R. Dudley, D.C., d/b/a HealthSource Chiropractic v. HealthSource Chiropractic, Inc. and Stephen T. Divito, D.C.; Case No. 07 CV 6631((U.S. District Court for the Western District of New York). Dr. Dudley alleged (i) that we infringed on his intellectual property rights, namely the mark “HealthSource Chiropractic” and (ii) unfair competition in the Rochester, New York Area and requested unspecified monetary damages and injunctive relief. On February 20, 2008, we filed our answer and counterclaim to the Complaint to protect our rights to the HealthSource Chiropractic mark. By order dated August 7, 2012, the Court granted HealthSource Chiropractic’s and Dr. Divito’s motion for summary judgment and denied Dr. Dudley’s motion for summary on the issue of liability and monetary damages, finding that our use of “HealthSource Chiropractic” on the internet does not infringe on Dr. Dudley’s right to use the mark in the Rochester, New York area. The only issue that remained for determination by the Court related to the extent of Dr. Dudley’s right to the “HealthSource Chiropractic” mark in the Rochester, New York area. In February 2013, we verbally settled the remaining issue with Dr. Dudley by agreeing not to use the HealthSource Chiropractic mark (or the name HealthQuest) in the counties of Wayne, Ontario,

Livingston, Orleans, Genesee and Monroe in the State of New York and for a payment of \$20,000.00. The settlement documents were completely signed by the parties on December 5, 2013 and the lawsuit was dismissed on March 6, 2014, with prejudice. Thus, if you purchase a franchise from us in the counties of Wayne, Ontario, Livingston, Orleans, Genesee and Monroe in the State of New York, you cannot use the HealthSource Chiropractic mark with your franchise.

Other than the foregoing, we do not know of other superior prior rights or infringing uses that could materially affect your use of the Marks in any state. However, it is possible that the Marks have been used by others; and we cannot represent with certainty that we have exclusive or superior rights to the Marks in all geographic areas.

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court. Other than stated above, there are no pending infringement, opposition, or cancellation proceedings or material federal or state litigation involving the use and ownership of any of our trademarks. Other than stated above, no agreement significantly limits our right to use or license the Marks in a manner material to your Clinic franchise.

Your right to use the Marks is derived solely from your Franchise Agreement, and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable specifications, standards, and operating procedures we prescribe during the term of your franchise, including, without limitation, timely payment of the Initial Franchise Fee, Continuing Franchise Fees, Advertising Fees, and all other sums due to us. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. Your use of the Marks and any goodwill established by them will be for our exclusive benefit, and your Franchise Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of your Franchise Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols authorized for use by, and licensed to you under, your Franchise Agreement. You may not at any time during or after the term of your franchise contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

You must use the Marks as the sole identification of your franchise, but must also identify yourself as the independent owner of the franchise in the manner we prescribe. You may not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form. You also may not use any Mark with the sale of any unauthorized service, to promote any business or commercial venture other than your Clinic franchise, or in any manner we have not expressly authorized in writing. You must prominently display the Marks on or with franchise posters and displays, service contracts, stationery, other forms we designate, and in the manner we prescribe; to give any notices of trade and service mark registrations and copyrights that we specify; and to obtain any fictitious or assumed name registrations that may be required under applicable law.

You must immediately notify us of any apparent use of, or claims of rights to a trademark identical to or confusingly similar to the Marks. You may not communicate with any person other than us and our counsel about the apparent infringement, challenge, or claim. We and our affiliates will have sole discretion to take any affirmative action as we deem appropriate in, and the exclusive right to control any litigation or PTO or other proceeding arising out of any apparent infringement,

challenge, or claim, or otherwise relating to any Mark. You must sign any instruments and documents, render any assistance, and perform any acts that our or our affiliates' counsel deems necessary or advisable to protect and maintain our or our affiliates' interests in any litigation or PTO or other proceeding related to any Mark, or otherwise protect and maintain our interests in the Marks.

If we decide that it is advisable for us and/or you to modify or discontinue use of any Mark and/or use one or more additional or substitute trade or service marks, then you must comply with our instructions to do so within a reasonable time after receiving notice from us at your own expense and we need not reimburse you for any loss of revenue due to any modified or discontinued Mark.

We will indemnify you against, and reimburse you for, (1) all damages for which you are held liable in any judicial or administrative proceeding arising out of your use of any Mark in compliance with your Franchise Agreement; and (2) all costs you reasonably incur in defending against any claim brought against you or in any proceeding in which you are named as a party, provided that you have timely notified us of the claim or proceeding, provided us with the opportunity to defend the claim, cooperated with the defense of the claim, and otherwise complied with the Franchise Agreement. We may defend any proceeding arising out of your use of any Mark under your Franchise Agreement, and have no obligation to indemnify or reimburse you for any attorneys' fees or disbursements you incur if we defend the proceeding.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Except as provided in this item, you do not receive the right to use an item covered by a registered patent or copyright, but you can use the proprietary information in our Operations Manual. See Item 11 for additional information about our Operations Manual. We do not own any rights in or licenses to any patents or have any pending patent applications that are material to the franchise. On October 22, 2007, we registered a copyright with the U.S. Copyright Office for an advertisement entitled "How 5 Lies About Low Back Pain Will Keep You Hurting, Frustrated, & Exhausted...Forever!", Registration No. TX0006911243, which we anticipate will remain registered for a period of 95 years and will not be permitted to be renewed. Although we have not filed an application for copyright registration of our Operations Manual or other copyrighted or copyrightable materials and items, we claim copyright protection in them, and they are proprietary. We do not have any obligation to take action for unauthorized uses of the information in our Operations Manual or other copyrighted item, but we intend to do so in circumstances we deem appropriate. We do not have to indemnify you for losses brought by a third party concerning your use of this information, but intend to do so under circumstances we deem appropriate. Unless otherwise provided in this Item 14, we are not aware of any other material infringing uses of this information. There are no agreements in effect affecting or limiting our right to use this information. There are no material determinations of, or proceedings in, the United States Patent and Trademark Office, the United States Copyright Office or a court concerning any patent or copyright owned by us.

We and our affiliates have developed proprietary confidential information comprising methods, techniques, procedures, information, systems, and knowledge of and experience in the design and operation of HealthSource Chiropractic franchises, including but not limited to (1) services and products offered and sold at HealthSource Chiropractic franchises and knowledge of sales and profit performance of any one or more HealthSource Chiropractic franchises; (2) sources of products sold from HealthSource Chiropractic franchises; (3) advertising and promotional programs and image and decor; (4) HealthSource Chiropractic franchise image and decor; (5) methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the development, operation, and franchising of HealthSource Chiropractic franchises; (6) copyrighted or copyrightable materials, including, without limitation, office forms and procedures, training, promotional, and marketing materials, telephone scripts and the content of the Operations Manual and other works of authorship under or in connection with the operation of the System; and (7) the methods of training employees (collectively, the “Confidential Information”). We will disclose the Confidential Information to you in the initial training program described in Item 11, the Operations Manual lent to you, and guidance furnished to you during the term of your franchise. You will not acquire any interest in the Confidential Information other than the right to use it in the development and operation of your franchise during the term of the franchise.

The Confidential Information is proprietary, and, except to the extent that it is or becomes generally known in the industry or trade, is our trade secret, and is disclosed to you solely for your use in the operation of your franchise during the term of the franchise. You (1) must not use, directly or indirectly, the Confidential Information in any other business or capacity or for any purpose other than as needed in the development or operation of your franchise during the term of the franchise; (2) must maintain the confidentiality of the Confidential Information during and after the term of the franchise and not directly or indirectly publish or otherwise disclose it to any third party; (3) must not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form or media; and (4) must adopt and implement all reasonable procedures, including any that we may prescribe periodically, to prevent the unauthorized use or disclosure of any of the Confidential Information, including restrictions on disclosure to your employees and the use of nondisclosure clauses in employment agreements with your employees.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Unless we approve your employment of an on-site general manager to operate your HealthSource Chiropractic franchise, you (if you are an individual) or one of your principal owners, officers, directors, or employees approved by us (if you are a legal entity) must actively participate in the actual operation of the franchise, and devote as much of your time as may be reasonably necessary for its efficient operation. If we agree to your employment of a general manager, then the general manager will supervise the day-to-day operation of your franchise. You must not hire any general manager without our prior written approval of his or her qualifications. Each general manager and successor general manager must attend and complete our initial training program for your franchise prior to commencing the role of General Manager (see Item 11). We

do not require that the general manager have an equity interest in your franchise, but he or she cannot have any interest in or business relationship with any business competitor of your franchise, and must sign a written agreement to maintain confidential the proprietary information described in Item 14 and conform with the covenants not to compete described in Items 17(q) and 17(r), as well as non-disparagement and non-solicitation covenants described in Items 17 (x) and 17(y). Some state laws and regulations affecting the chiropractic and healthcare profession may require a licensed chiropractor or other licensed professional to own or supervise your franchise or that you enter into a management agreement with a licensed chiropractor. You are responsible for complying with these state laws and regulations.

Obligations of Owners

You (if an individual) or each of your owners (if you are a legal entity) must sign an Assumption and Guarantee of Obligations (attached to the Franchise Agreement as Exhibit 3), agreeing to be bound by and guaranteeing your obligations as the "franchisee" under your Franchise Agreement. If you and/or your owners transfer your Franchise Agreement or any related interest, then you and/or the owners making the assignment must agree to be bound by the terms of the Agreement, and guarantee the obligations of the "franchisee" under the Agreement. You and your owners must at all times faithfully, honestly and diligently perform your and their obligations under the Franchise Agreement. You and they must continuously exert your and their best efforts to promote and enhance your franchise. Neither you nor your owners can engage in any other business or activity that may conflict with your or their obligations under your Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those services and products we have approved for your type of franchise. You must also offer all goods and services that we designate for your type of franchise. You may not offer or sell any goods, services, equipment, or products that we prohibit without our written consent. We may add new or additional products and services that you must offer at your franchise. There are no restrictions in the Franchise Agreement on our right to do this. All advertising, signs, promotional materials, decorations and other related items we designate must have the Marks in the form we specify. The products and services approved or required by us shall not be deemed to affect or otherwise influence your clinical judgment as to particular services and products that will be offered to individual patients. All medical and chiropractic related decisions, acts or omissions made by, or in connection with any person in any way associated with you or your franchise will be the decisions of the individual professionals involved and will not be affected by or attributed to us.

See Item 12 for information regarding restrictions on your clients and customers.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of franchise term	Section 2.1	10 years
b. Renewal or extension of the term	Section 2.4	Additional terms of 10 years
c. Requirements for you to renew or extend	Section 2.4	The term “renewal” means that you will be granted a franchise for 1 additional term, equal in length to the initial term, subject to your compliance with all the terms of the Franchise Agreement and all other agreements between you and us, including the Operations Manual. At least 6 months before the expiration of your franchise, we will notify you as to whether you appear eligible to renew the Franchise or, if applicable, we will provide you with a notice of deficiencies. If you appear to be eligible for renewal, we will ask you to provide us with notice of your intent to renew within a specific time period after receipt of our notice. Also, you must: maintain possession of premises and refurbish and redecorate in compliance with our then current requirements or obtain and develop suitable substitute premises; correct any deficiencies in the operation of the franchise identified in our written notice to you prior to expiration; sign our then current franchise agreement and any ancillary documents; pay a renewal fee (see Item 6); and sign a general release of any and all claims against us, our officers, directors, employees and agents (see Exhibit G). You

Provision	Section in Franchise Agreement	Summary
		may be asked to sign a contract with materially different terms and conditions than your original Franchise Agreement. Your right to renew will be contingent upon your acceptance of these new terms and conditions.
d. Termination by you	None.	You may be able to terminate under grounds permitted by applicable law. The Franchise Agreement does not give you a contract right to terminate prior to the end of the stated term.
e. Termination by us without cause	Not applicable	Not applicable.
f. Termination by us with cause	Section 15	Only upon written notice, except that if you fail to timely and expressly assume, ratify or confirm the Franchise Agreement in any bankruptcy proceeding and you cease, or have ceased, performance under the Franchise Agreement in any respect, then all rights granted to you under the Franchise Agreement shall immediately and automatically terminate and revert to us without further notice to you or action on our part.
g. "Cause" defined –curable defaults	Section 15	You do not pay us within 10 days after written notice; you do not comply with any other provision of the Franchise Agreement or specification, standard, or operating procedure and do not correct such failure within 30 days after written notice.
h. "Cause" defined – non-curable defaults	Section 15	You fail to timely develop or open the franchise; you (or any individuals required to attend) fail to attend and/or successfully complete any required initial training or subsequent mandatory training; you abandon, surrender, transfer control of or do not actively operate the franchise or lose the right to occupy

Provision	Section in Franchise Agreement	Summary
		<p>the franchise location; you or any Principal Owner make an unauthorized transfer or assignment of the franchise or its assets; you are adjudged a bankrupt, become insolvent, or make an assignment for the benefit of creditors, or you fail to satisfy any judgment rendered against you for a period of 30 days after all appeals have been exhausted; you use, sell, or distribute unauthorized products, or use any patient referral or marketing services that has not been formally approved by us in writing and in advance for your franchise or for the franchise system as a whole; you or your Principal Owners are convicted of a felony, or are convicted or plead no contest to any crime or offense that adversely affects the reputation of the franchise and the goodwill of our Marks, or otherwise engage in any dishonest, unethical or conduct that is reasonably likely to reflect materially and unfavorably on the goodwill or reputation of your Franchise, the Marks or the System; you understate your gross revenues for any period as determined by an audit or inspection by greater than 5%; you violate any health or safety law or ordinance or regulation, or operate the franchise in a way that creates a health or safety hazard; you fail to submit when due any financial statements, reports or other data, information, or supporting records; or you fail on 3 or more occasions within any cause active 12 month period to comply with the Franchise Agreement regardless of whether you properly them.</p> <p>Also, in the event you fail to timely and expressly assume, ratify or confirm the Franchise Agreement</p>

Provision	Section in Franchise Agreement	Summary
		<p>in any bankruptcy proceeding and you cease, or have ceased, performance hereunder in any respect, then all rights granted to you under the Franchise Agreement shall immediately and automatically terminate and revert to us without further notice to you or action on our part.</p> <p>Also, in the event, in the opinion of our legal counsel, any provision of the Franchise Agreement is contrary to law and we are not able to negotiate an amendment to the Franchise Agreement to conform to legal requirements upon 30 days' notice, or the amendment requires a fundamental change to the Franchise Agreement, we may terminate the Franchise Agreement.</p>
<p>i. Your obligations on termination/ non-renewal</p>	<p>Section 16</p>	<p>You must pay all amounts owed to us; refrain from using our Marks, return to us or destroy (as we specify) all customer lists, forms and materials bearing our Marks or relating to the franchise; de-identify the franchise premises; return the Operations Manual; comply with covenants against competition and the non-solicitation, non-disparagement, and non-disclosure covenants in Section 9 of the Franchise Agreement; and cease using all confidential information.</p> <p>You irrevocably appoint us your attorney-in-fact- to de-identify your franchise premises and enforce your requirement to discontinue use of the Marks if you do not perform these obligations within 10 days of the termination of your Agreement.</p> <p>You must also (1) execute any documents and take any steps necessary to delete your listings from classified telephone directories,</p>

Provision	Section in Franchise Agreement	Summary
		disconnect, or, at our option, assign to us all telephone numbers that have been used in your Franchised Business, assign to us any URLs, domain names, and social media and social networking names that you have used in connection with your Franchised Business, and terminate all other references that indicate you are or ever were affiliated with us, and (2) give us a final accounting for your Clinic, and you must maintain all accounts and records for your Clinic for a period of not less than seven years after final payment of any amounts you owe to us, our affiliates, and/or related persons, but you may not sell, disclose, or otherwise transfer any of the information contained in those accounts and records (other than patient records needed for their continuing care) to, or for use by, any competitive business.
j. Assignment of contract by us	Section 14.3	Fully transferable by us.
k. "Transfer" by you-defined	Section 14	Transfer includes any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest or change of ownership in the Franchise Agreement, the franchise or its assets, or any interest in the franchise.
l. Our approval of transfer by you	Section 14.4	You may not transfer the Franchise Agreement, the franchise or its assets or any interest in the franchise without our approval. We will not unreasonably withhold approval if you are in full compliance with the Franchise Agreement.
m. Conditions for our approval of transfer	Section 14.5	If you propose to transfer the Franchise Agreement, the franchise or its assets, or any interest in the franchise, or if any of your Principal

Provision	Section in Franchise Agreement	Summary
		<p>Owners proposes to transfer a controlling interest in you or make a transfer that is one of a series of transfers which taken together would constitute the transfer of a controlling interest, then you must apply to us for approval of such transfer and sign such forms and procedures as we have in effect at that time, the person or entity to whom you wish to make the transfer must apply to us for acceptance as a franchisee, and you must submit to us all of the information and documentation required for us to evaluate the proposed transfer.</p> <p>Also, the new owner must have sufficient business experience, aptitude and financial resources to operate the franchise; you must pay all amounts due us or our affiliates; new owner and its director must successfully complete our initial training program; your landlord must consent to transfer of the lease, if any; you must pay us a transfer fee (see Item 6); you and your Principal Owners must sign a general release in favor of us, our affiliates, and our and their officers, directors, employees and agents (see Exhibit H); you and your Principal Owners must comply with all post-termination obligations in the Franchise Agreement; new owner must agree to remodel to bring the franchise and the Premises to current standards; new owner must assume all obligations under your Franchise Agreement or, at our option, sign a new Franchise Agreement using our then-current form. We also may approve the material terms of the transfer, and require that you enter into an agreement with us providing that all obligations of the new owner</p>

Provision	Section in Franchise Agreement	Summary
		to make installment payments of the purchase price to you or your Principal Owners will be subordinate to the obligations of the new owner to pay any amounts payable under the Franchise Agreement or any new Franchise Agreement that we may require the new owner to sign in connection with the transfer, and containing a general release of any claims that you may have against us. (see Exhibit H).
n. Our right of first refusal to acquire your business	Not applicable.	Not applicable.
o. Our option to purchase your business	Not applicable.	Not applicable.
p. Death or disability of franchisee	Section 14.6	Executor, administrator, or other personal representative must transfer interest within 12 months; all transfers are subject to provisions in Franchise Agreement regulating transfers.
q. Non-competition covenants during the term of the franchise	Section 9.3 and 17.8	Neither you, your Principal Owners, General Managers, nor any immediate family members of you or your Principal Owners may perform services for or have any interest in any competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	Not applicable.
s. Modification of the agreement	Section 20	No modifications to Franchise Agreement unless you and we agree in writing; we may amend Operations Manual at any time.
t. Integration/merger clause	Section 20	Only the Franchise Agreement applies (subject to state and federal law); all other agreements or promises not enforceable, except that nothing in the Franchise Agreement will operate to waive or disclaim your right to rely on the

Provision	Section in Franchise Agreement	Summary
		representations and claims asserted in this FDD.
u. Dispute resolution by arbitration or mediation	Section 17.9	<p>Except for certain claims, we and you must arbitrate all disputes in Lorain County, Ohio (subject to state law) before a single arbitrator with the American Arbitration Association.</p> <p>Except as we elect to enforce the Franchise Agreement or to seek temporary or permanent injunctive relief, before either party commences an arbitration, the parties agree that, as a condition precedent to the filing or commencement of any arbitration, they will attempt to resolve any dispute through internal mediation between the parties to be conducted in a mutually agreeable location, or if no such location is agreed upon within 10 days after a request for mediation, then at our corporate headquarters. In the event that no settlement or resolution between the parties can be reached through internal mediation within thirty (30) days following the date on which a written request for internal mediation is made by any party, such dispute may be submitted for arbitration. “Internal mediation” shall consist of, among other things, the parties having reasonable business discussions, whether by telephone or in person, concerning the dispute and means of resolving the dispute.</p>
v. Choice of forum	Section 17.9 and 17.11	Lorain County, Ohio (subject to state law).
w. Choice of law	Section 17.11	Ohio law governs, except for matters regulated by the United States Trademark Act (subject to state law).
x. Non-solicitation and non-disparagement covenants	Sections 4.1, 9.3 and 17.8	The Franchise Agreement prohibits each Principal Owner from making

Provision	Section in Franchise Agreement	Summary
		<p>any negative or critical statements to any third parties, either verbally or in any other form or media, about (a) the Franchisor, the Franchise, any of our franchisees or Regional Developer franchisees, or any of their respective products, services, businesses or business practices, or (b) the actions, operations or character of the Franchisor or the Franchise's respective owners, officers, directors, employees, consultants or agents.</p> <p>The Franchise Agreement also prohibits each Principal Owner, during the term of the Franchise Agreement and for a period of two (2) years following the expiration, termination or Transfer of the Franchise Agreement, from (a) soliciting for chiropractic, physical therapy, rehabilitation, function restoration, weight loss or related services or products with any person who was a patient of the Franchise within the two year period prior to the expiration, termination or Transfer of the Franchise Agreement; or (b) interfering with the Franchisor's relationship with any of the Franchisor's franchisees, Regional Developer franchisees, vendors, suppliers or referral sources.</p>
y. Non-disclosure covenants	Sections 4.1, 9.2 and 17.8	You agree that at all times you (1) will not directly or indirectly use the Confidential Information in any other business or capacity or for any purpose other than as needed in the development and operation of the Franchise during the term of the Franchise Agreement; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of the Franchise Agreement and not

Provision	Section in Franchise Agreement	Summary
		directly or indirectly publish or otherwise disclose it to any third party; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form or media that may be copied or duplicated; and (4) will adopt and implement all reasonable procedures, including those we may prescribe from time to time, to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to your employees, and the use of non-disclosure, non-solicitation, non-disparagement and non-competition agreements we may prescribe or approve for your shareholders, partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information.

Additional Information

See Exhibit K for any state-specific disclosures required by your state.

Item 18

PUBLIC FIGURES

We do not use any public figures to promote our franchises.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 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.

Written substantiation of the data used in preparing the following financial performance representation will be made available to you upon reasonable request.

This information was prepared without an audit by us. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents of form. You are encouraged to consult an accounting, business or legal advisor to assess the likely or potential financial performance of your Clinic.

This financial representation is divided into two main parts: (1) Gross Revenue and Gross Profit information, and (2) Case and Visit statistics.

For purposes of the financial representation set forth below:

“Qualifying Units” are Clinic franchise outlets that (i) have reported revenues through the HS Worx billing software for the entire 2021 fiscal year (January 1, 2021 through December 31, 2021), which requirement excludes 10 Clinic franchise outlets, and (ii) were in good standing with us as of December 31, 2021 (meaning that the franchise must not have a past due initial franchise fee or continuing franchisee fee balance), which requirement excludes 5 Clinic franchise outlets. There were 134 Qualifying Units for the 2021 fiscal year.

“Participating Franchisees” are the Qualifying Units that returned sufficient cost data to be used in the study. There were 51 Participating Franchises for the 2021 fiscal year.

“Case Average” or “CA” means the average amount of money paid by each Patient for services and products provided by the Clinic franchise over the Patient’s treatment plan. A Patient can have more than one treatment plan over time, either for different conditions or recurrences of the same condition.

“Average Visit Income” or “AVI” means the average amount of money paid by each Patient for services and products provided by the Clinic franchise divided by the number of office visits for that Patient.

“Patient” means a customer of a Clinic that converts to a treatment plan, which generally occurs after two initial visits.

“Quartile” means a specified $\frac{1}{4}$ (25%) of the Qualifying Units, determined based on the Gross Revenue of that Clinic Franchise. Quartile 1 includes the highest performing Clinic franchises while Quartile 4 includes the lowest performing Clinic franchises in terms of Gross Revenues. Quartiles 1 and 4 each reflect data from 33 of the Qualifying Units, while Quartiles 2 and 3 each reflect data from 34 of the Qualifying Units.

The financial representation applies the cost data obtained from the 51 Participating Franchisees to the Gross Revenue reported by the larger group of 134 Qualifying Units to obtain the calculated average Gross Profit - this was done because not all of the Qualifying Units provided us with sufficient cost data to determine Gross Profit.

The financial representation for the 2021 fiscal year does not include data for 7 Clinic Franchises whose term expired during the 2021 fiscal year, 3 Clinic Franchises that ceased operations during the 2021 fiscal year (1 of which closed after being open less than one year), and 3 Clinic Franchises that signed a franchise agreement prior to the 2021 fiscal year, but did not open a Clinic and were subsequently terminated.

Some Clinic franchises have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.

1. Gross Revenue and Gross Profit.

2021 Average Annual Gross Revenue and Gross Profit

January 1, 2021 through December 31, 2021

Average Annual Gross Revenue (1)	Average Annual Gross Profit (2)
\$426,473	\$219,842

(1) This figure represents the average annual Gross Revenue of the Qualifying Units. Gross Revenue = funds actually received and collected for the services/product provided to patients of the Qualifying Units. The median annual Gross Revenue of the Qualifying Units was \$368,336, and individual results ranged from \$34,091 to \$1,706,435.

(2) This figure represents the calculated average annual Gross Profit of the Qualifying Units. Gross Profit = Gross Revenues minus royalties paid to us, Ad Fund contributions, Technology Fees paid to us, wages paid to employees other than the franchise owner, rent, utilities and license fees for the HS Worx software. The calculated median annual Gross Profit of the Qualifying Units was \$188,565, and the range of individual results is from \$8,741 to \$908,462.

Of the 134 total Qualifying Units, 53 clinics, or 40%, attained or surpassed the average annual Gross Revenue figure. Of the 134 total Qualifying Units, 53 clinics, or 40%, attained or surpassed the average annual Gross Profit figure (based on their reported Gross Revenue and calculated Gross Profit). Of the 51 total Participating Franchisees, 34 clinics, or 67%, attained or surpassed the average annual Gross Profit figure.

The financial data submitted by the 51 Participating Franchisees showed the following operating costs: 6.3% of Gross Revenues for monthly royalty; 1.9% of Gross Revenues for Ad Fund

contribution (annualized for full year); 10.0% of Gross Revenues on average for rent and utilities; 28.0% of Gross Revenues on average for non-owner wages; and \$9,600 per year for Technology Fee and mandatory software fees.

Year Over Year Comparison - 2020 v. 2021:

We measured the Gross Revenues collected in 2020 vs. 2021 for the 88 Clinics that were included in the Qualifying Units for both years.

As shown in the table below, for those Qualifying Units the average Gross Revenues increased by 21.2% from 2020 to 2021.

Year	Average (mean) Gross Revenues	Median Gross Revenues	Total Sample Size	Number of Units Meeting or Exceeding Average	Percent of Units Meeting or Exceeding Average	Gross Revenues Range
2021	\$511,482	\$450,119	88	40	45.5%	\$233,826-\$1,188,063
2020	\$422,144	\$383,158	88	37	42%	\$148,104-\$1,080,834

Due to the COVID-19 pandemic, in March 2020, four of our Clinics were required to temporarily cease operations to comply with state government orders, and four additional Clinics voluntarily chose to temporarily cease operations due to the pandemic. Those eight Clinics had all re-opened before June 30, 2020 and as of December 31, 2020, all eight were operating. The financial representation for 2020 does not include data for 32 Clinic franchises that closed during the 2020 fiscal year (either by termination or expiration of term without renewal), 3 of which opened and closed after being open less than one year.

Gross Revenue by Quartile

The following table presents 2021 Gross Revenues for the Qualifying Units, broken down by Quartile. Each Quartile reflects approximately 25% of the Qualifying Units.

January 1, 2021 through December 31, 2021

Quartile	Number of Clinics	Gross Revenue
1	33	\$802,187
2	34	\$462,592
3	34	\$299,306
4	33	\$144,564
Total	134	\$426,473

2. Case Average and Average Visit Income.

CA and AVI Averages for 2021

January 1, 2021 through December 31, 2021

Case Average	Average Visit Income
\$2,402.74	\$68.80

Of the 134 total Qualifying Units, 63 clinics, or 47%, attained or surpassed the average annual CA figure. Of the 134 total Qualifying Units, 58 clinics, or 43%, attained or surpassed the average annual AVI figure. The median Clinic Case Average for 2021 was \$2,292.43, and the median AVI for 2021 was \$66.50.

CA and AVI by Quartile

The following table presents 2021 CA and AVI statistics for the Qualifying Units, broken down by Quartile. Each Quartile reflects approximately 25% of the Qualifying Units.

January 1, 2021 through December 31, 2021

Case Average			Average Visit Income		
Quartile	Number of Clinics	Case Average	Quartile	Number of Clinics	AVI
1	33	\$3,654.91	1	33	\$96.79
2	34	\$2,621.65	2	34	\$71.77
3	34	\$2,004.48	3	34	\$61.33
4	33	\$1,335.34	4	33	\$45.46
Total	134	\$2,402.74	Total	134	\$68.80

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet,

however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to us by contacting our Director of Sales & Development at 36901 American Way, Suite 7, Avon, OH 44011, PH. (440) 934-5858, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

System-wide Outlet Summary For Years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	208	171	-37
	2020	171	150	-21
	2021	150	144	-6
Company-Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Outlets	2019	208	171	-37
	2020	171	150	-21
	2021	150	144	-6

Explanatory Notes:

- (1) The information presented in this Item 20 for our 2019 fiscal year includes the period from January 1-December 31, 2019. The information presented in this Item 20 for our 2020 fiscal year includes the period from January 1-December 31, 2020. The information presented in this Item 20 for our 2021 fiscal year includes the period from January 1-December 31, 2021.

Our Clinic Franchisees

See Exhibit D for the name, address, and telephone number of each of our current and former HealthSource Chiropractic Clinic franchisees. Certain franchisees have signed confidentiality clauses during the last three fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the HealthSource Chiropractic System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

The name, city, state and telephone number for each Clinic Franchisee that was terminated, not renewed, canceled, voluntarily or involuntarily ceased to do business under the franchise

agreement during the 2021 fiscal year, or who has not communicated to us within 10 weeks of the issuance date of this disclosure document, is set forth in Exhibit D. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

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

State	Year	Number of Transfers
Alabama	2019	0
	2020	0
	2021	2
Colorado	2019	1
	2020	0
	2021	0
Indiana	2019	0
	2020	0
	2021	1
Minnesota	2019	1
	2020	0
	2021	1
Missouri	2019	0
	2020	1
	2021	0
Ohio	2019	0
	2020	1
	2021	0
South Dakota	2019	0
	2020	1
	2021	0
Washington	2019	1
	2020	0
	2021	1
Total	2019	3
	2020	3
	2021	5

Status of Franchised Outlets
For Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
AL	2019	12	2	1	0	0	0	13
	2020	13	1	0	0	0	0	14
	2021	14	0	0	1	0	0	13
AZ	2019	3	0	1	1	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
CA	2019	5	0	0	0	0	0	5
	2020	5	3	1	0	0	0	7
	2021	7	0	1	0	0	0	6
CO	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
FL	2019	16	1	11	0	0	0	6
	2020	6	0	0	0	0	1	5
	2021	5	0	0	0	0	0	5
GA	2019	9	0	0	0	0	0	9
	2020	9	0	0	0	0	0	9
	2021	9	0	0	1	0	0	8
ID	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
IL	2019	8	1	0	1	0	0	8
	2020	8	1	2	0	0	1	6
	2021	6	0	0	0	0	0	6
IN	2019	6	0	2	1	0	0	3
	2020	3	0	0	1	0	0	2
	2021	2	0	0	0	0	0	2

IA	2019	5	0	1	0	0	0	4
	2020	4	0	0	1	0	0	3
	2021	3	0	0	1	0	0	2
KS	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
KY	2019	1	0	0	1	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
LA	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
MD	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
MA	2019	4	0	0	0	0	0	4
	2020	4	0	1	0	0	0	3
	2021	3	0	0	0	0	0	3
MI	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
MN	2019	33	0	4	1	0	0	28
	2020	28	2	0	3	0	0	27
	2021	27	1	0	1	0	0	27
MS	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
MO	2019	2	0	0	0	0	0	2
	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
MT	2019	3	0	0	1	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2

NH	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
NJ	2019	5	0	0	2	0	0	3
	2020	3	0	1	1	0	0	1
	2021	1	0	0	0	0	0	1
NC	2019	10	0	0	2	0	0	8
	2020	8	0	2	2	0	0	4
	2021	4	0	0	0	0	0	4
ND	2019	6	0	2	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
OH	2019	12	2	3	1	0	0	10
	2020	10	0	3	1	0	0	6
	2021	6	1	0	1	0	0	6
OK	2019	1	0	0	0	0	0	1
	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
OR	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
PA	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	0	4
SC	2019	12	1	2	4	0	0	7
	2020	7	0	1	1	0	0	5
	2021	5	0	0	1	0	0	4
SD	2019	6	0	0	0	0	0	6
	2020	6	0	1	0	0	0	5
	2021	5	0	0	0	0	0	5
TN	2019	1	0	0	0	0	0	1
	2020	1	2	0	0	0	0	3
	2021	3	0	0	0	0	0	3

TX	2019	18	2	3	2	0	0	15
	2020	15	1	5	0	0	0	11
	2021	11	1	2	1	0	0	9
WA	2019	7	0	1	0	0	0	6
	2020	6	0	0	1	0	0	5
	2021	5	0	0	0	0	0	5
WV	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
WI	2019	3	0	1	0	0	0	2
	2020	2	0	1	0	0	0	1
	2021	1	0	0	0	0	0	1
WY	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Totals	2019	208	12	32	17	0	0	171
	2020	170	11	18	12	0	2	150
	2021	150	4	3	7	0	0	144

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

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
All States	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
Totals	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Projected Openings as of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
AL	1	1	0
AK	0	1	0
AZ	1	1	0
CA	0	2	0
CO	0	2	0
FL	0	4	0
GA	3	0	0
ID	0	1	0
LA	0	1	0
MN	1	1	0
NC	1	2	0
OH	1	1	0
RI	0	3	0
SC	1	0	0
TN	0	1	0
TX	0	6	0
Totals	9	25	0

Item 21

FINANCIAL STATEMENTS

Exhibit F contains the following financial statements required to be included with this Disclosure Document: audited balance sheet, statement of operations, statement of stockholders' equity, and statement of cash flows for the period January 1-December 31, 2019, the period January 1-December 31, 2020, and the period from January 1-December 31, 2021.

Item 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

- Exhibit B Franchise Agreement (including as exhibits an Owner's Guaranty and Assumption of Franchisee's Obligations, Phunkey Service Agreement, Franchise Disclosure Document Questionnaire and other documents)
- Exhibit G General Release Agreement
- Exhibit H Transfer Agreement
- Exhibit I Supplemental Agreements

Exhibit J Franchise Deposit Acknowledgment and Amendment
Exhibit L Sample Clinic Management Agreement

Item 23

RECEIPTS

Following Exhibit L are 2 blank originals of a detachable Receipt form to be signed by you. Please sign both originals. We will keep one signed original, and you will keep the other.

EXHIBIT A

**STATE ADMINISTRATORS/AGENTS
SERVICE OF PROCESS**

Following is information about state agencies and administrators whom you may wish to contact with questions about HealthSource Chiropractic, LLC, or this Disclosure Document, as well as our agents for service of process.

Our agent for service of process in the State of Ohio is:

Chris Tomshack, D.C.
36901 American Way, Suite 7
Avon, Ohio 44011
Phone: (440) 934-5858

We intend to register the franchises described in this Disclosure Document in some or all of the following states in accordance with applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA

Department of Financial Protection and Innovation:
1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7505

Sacramento

2101 Arena Blvd.
Sacramento, California 95834
(916) 445-7205

San Francisco

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 557-3787

HAWAII

(state administrator)
Hawaii Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

(agent for service of process)
Commissioner of Securities of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(state administrator)
Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)
Indiana Secretary of State
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(for service of process)
Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
(517) 373-7177

(for service of process)
Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(Administrator)
New York Department of Law
Investor Protection Bureau
28 Liberty St., 21st Floor
New York, New York 10005
(212) 416-8236

(agent for service of process)
Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231
(518) 473-2492

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 5th Floor
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

VIRGINIA

(state administrator)
State Corporation Commission, Division of
Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

(for service of process)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

(state administrator)
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

(for service of process)
Director
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

EXHIBIT B
FRANCHISE AGREEMENT

HealthSource Chiropractic, LLC

FRANCHISE AGREEMENT

NOTICE: This Agreement is subject to binding arbitration – see Section 17.9.

TABLE OF CONTENTS

<u>ARTICLE</u>	<u>PAGE</u>
1. INTRODUCTION	4
1.1 Style of Agreement; Common Terms	4
1.2 The Franchise System	4
1.3 Due Diligence; No Other Representations	7
1.4 Limit on Scope of System	7
1.5 Non-Uniform Agreements	8
2. GRANT OF FRANCHISE	8
2.1 Term; Reference to Exhibit 1	8
2.2 Full Term Performance	8
2.3 Protected Territory; Reference to Exhibit 1; Reservation of Rights	8
2.4 Renewal of Franchise	9
3. DEVELOPMENT AND OPENING OF THE FRANCHISE	11
3.1 Site Approval; Lease or Purchase of Premises	11
3.2 Prototype and Construction Plans and Specifications	12
3.3 Development of the Franchise	12
3.4 Computer System	14
3.5 Equipment, Furniture, Fixtures, Furnishings and Signs	16
3.6 Franchise Opening	16
4. TRAINING	17
4.1 General Manager	17
4.2 Training	17
5. GUIDANCE; OPERATIONS MANUAL	19
5.1 Guidance and Assistance	19
5.2 Operations Manual	19
5.3 Modifications to System	20
5.4 Advisory Councils	21
6. FEES	21
6.1 Initial Franchise Fee; Reference to Exhibit 1	21
6.2 Continuing Franchise Fee	22
6.3 Advertising Fees; Other Fees	22
6.4 Fees Relating to Optional Programs	23
6.5 Interest on Late Payments	23
6.6 Electronic Funds Transfer	24
6.7 Application of Payments; No Set-Off	24
6.8 Modification of Payments	25
7. MARKS; COPYRIGHTED WORKS	25
7.1 Ownership and Goodwill of Marks	25
7.2 Limitations on Franchise Owner's Use of Marks	26
7.3 Notification of Infringements and Claims	26
7.4 Discontinuance of Use of Marks	27
7.5 Indemnification of Franchise Owner	27
7.6 Copyrighted Works; Ownership	27

7.7	Discontinued Use of Copyrighted Works	28
8.	RELATIONSHIP OF THE PARTIES; INDEMNIFICATION	28
8.1	Independent Contractor; No Fiduciary Relationship	28
8.2	No Liability, No Warranties	29
8.3	Responsibility for Acts and Omissions; Indemnification	29
9.	CONFIDENTIAL INFORMATION; NON-COMPETITION; OTHER COVENANTS	30
9.1	Types of Confidential Information	30
9.2	Non-Disclosure Agreement	31
9.3	Non-Competition Agreement and Other Restrictive Covenants	32
10.	HEALTHSOURCE CHIROPRACTIC FRANCHISE OPERATING STANDARDS	33
10.1	Condition and Appearance of the Franchise	33
10.2	Franchise Services and Products	34
10.3	Approved Products, Distributors and Suppliers	35
10.4	Hours of Operation	36
10.5	Specifications, Standards and Procedures	36
10.6	Compliance with Laws and Good Business Practices	37
10.7	Management and Personnel of the Franchise	38
10.8	Insurance	40
10.9	Credit Cards and Other Methods of Payment	42
11.	ADVERTISING	42
11.1	By HealthSource Chiropractic	42
11.2	By Franchise Owner	45
11.3	Local and Regional Advertising Cooperatives	45
11.4	Websites	45
12.	ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS	47
13.	INSPECTIONS AND AUDITS	48
13.1	Our Right to Inspect the Franchise	48
13.2	Our Right to Audit	48
14.	TRANSFER REQUIREMENTS	49
14.1	Organization	49
14.2	Interests in Franchise Owner; Reference to Exhibit 2	49
14.3	Transfer by HealthSource Chiropractic	50
14.4	No Transfer Without Approval	50
14.5	Conditions for Approval of Transfer	51
14.6	Death and Disability	53
14.7	Effect of Consent to Transfer	53
15.	TERMINATION OF THE FRANCHISE	54
15.1	Events of Default	54
15.2	Legal Requirements	55
15.3	Our Remedies upon Termination	55
15.4	Withholding of Performance	56
16.	RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISE OWNER UPON TERMINATION OR EXPIRATION OF THE FRANCHISE	57
16.1	Payment of Amounts Owed to HealthSource Chiropractic	57

16.2	Marks	57
16.3	De-Identification	58
16.4	Confidential Information	58
16.5	Other Actions	58
16.6	Continuing Obligations	59
17.	ENFORCEMENT	60
17.1	Invalid Provisions; Substitution of Valid Provisions	60
17.2	Unilateral Waiver of Obligations	60
17.3	Written Consents from HealthSource Chiropractic	60
17.4	Lien	60
17.5	No Guarantees	61
17.6	No Waiver	61
17.7	Cumulative Remedies	62
17.8	Specific Performance; Injunctive Relief; Liquidated Damages	62
17.9	Arbitration	62
17.10	Waiver of Certain Damages and Jury Trial; Limitations of Actions	64
17.11	Governing Law/Consent To Jurisdiction	65
17.12	Binding Effect	65
17.13	No Liability to Others; No Other Beneficiaries	65
17.14	Construction	66
17.15	Joint and Several Liability	66
17.16	Multiple Originals	66
17.17	Timing Is Important	66
17.18	Independent Provisions	66
17.19	Exercise of Discretion	66
18.	NOTICES AND PAYMENTS	67
19.	INDEPENDENT PROFESSIONAL JUDGMENT OF YOU AND YOUR GENERAL MANAGER	67
20.	ENTIRE AGREEMENT	68
	EXHIBIT 1 FRANCHISE AGREEMENT EXPIRATION DATE; PROTECTED TERRITORY; FRANCHISE OPENING	
	EXHIBIT 2 OWNERSHIP INTERESTS IN FRANCHISE	
	EXHIBIT 3 OWNER/OWNER'S GUARANTY AND ASSUMPTION OF OBLIGATIONS	
	EXHIBIT 4 PHUNKEY SERVICE AGREEMENT	
	EXHIBIT 5 FRANCHISE DISCLOSURE DOCUMENT QUESTIONNAIRE	
	EXHIBIT 6 ACH AGREEMENT FORM	

HealthSource Chiropractic,LLC

FRANCHISE AGREEMENT

This Franchise Agreement (this or the "Agreement") is being entered into and is effective as of the date of the last signature below (the "Agreement Date"). The parties to this Agreement are HealthSource Chiropractic, LLC, an Ohio limited liability company (“we,” “us,” or “HealthSource Chiropractic”); _____, as Franchise Owner (“you,” “Franchise Owner,” or “Franchisee”), and, if you are a partnership, corporation, or limited liability company, your "Principal Owners" (defined below).

1. **INTRODUCTION.**

1.1 **Style of Agreement; Common Terms.** This Agreement has been written in an informal style in order to make it more easily readable and to be sure that you become thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. This Agreement includes several exhibits, all of which are legally binding and are an integral part of the complete Franchise Agreement. In this Agreement, we refer to HealthSource Chiropractic, LLC as "we," “us,” or the "HealthSource Chiropractic." We refer to you as "you," "Franchise Owner" or "Franchisee" and such terms include any person or entity that operates or has an interest in the Franchised Business (defined below). If you are a corporation, partnership or limited liability company, you will notice certain provisions that are applicable to those principal shareholders, partners or members on whose business skill, financial capability and personal character we are relying in entering into this Agreement. Those individuals will be referred to in this Agreement as "Principal Owners".

1.2 **The Franchise System.**

a. Through the expenditure of considerable time, effort and money, we and our affiliates have devised a system for the establishment and operation of a HealthSource Chiropractic business model that specializes in “progressive rehabilitation,” by offering physical therapy and chiropractic services together as a comprehensive solution for pain relief, restoration of function, wellness care and other related services and products (all of which we refer to in this Agreement as the "System"). The System includes procedures, specifications, techniques and procedures that we may designate for operating a chiropractic business. This business model includes a clinic model offering all of our franchised services and products (individually, a “Clinic” or “Clinic,”

and collectively, the “Clinics” or “Clinics”). Subject to an additional fee, we also offer additional programs, products and services as more fully described herein, which additional programs, products and services may change from time to time. We identify the System by the use of certain trademarks, service marks and other commercial symbols, including the marks “HealthSource Chiropractic,” “HS,” and “America’s Chiropractor” and certain associated designs, artwork and logos, which we may change or add to from time to time (the “Marks”).

b. From time to time we grant to persons who meet our qualifications, franchises to own and operate a HealthSource Chiropractic Clinic in accordance with the System in a specified geographic territory. This Agreement is being presented to you because of the desire you have expressed to obtain the right to develop, own, and be franchised to operate a HealthSource Chiropractic Clinic (we refer to your HealthSource Chiropractic franchise hereinafter as the “Franchise” or the “Franchised Business”). You may purchase and operate your Franchise as a new, start-up Clinic (a “Start-up Clinic”), or may convert an existing chiropractic practice to a HealthSource Chiropractic Clinic (a “Conversion Clinic”).

c. In certain cases, where permitted by law, we may offer franchises to persons or legal entities that meet our qualifications but are not licensed to practice or provide chiropractic care, and are willing to undertake the investment and effort to own and operate a business that will manage a Start-Up or Conversion Clinic under the System; we refer to these businesses as “Clinic Management Businesses.” For example, certain states do not permit non-licensed persons to own and/or operate chiropractic practices, but some states do. In states that do not permit non-licensed persons to own or operate chiropractic practices, a Clinic Management Business may be offered. In states that do permit non-licensed persons to own and operate chiropractic practices, a Clinic Management Business Franchise is not necessary, but may be offered by us under certain circumstances.

As further described below, to operate a Clinic Management Business, you must enter into a Franchise Agreement with us and a Management Agreement with a “PC” that will own and operate the Clinic. A “PC” will be one or more licensed individuals, or a professional corporation or similar entity, such as a professional limited liability company, that is duly authorized to provide chiropractic services under local and state laws. In such an arrangement:

- You, as franchisee, will construct or build-out the Clinic for use by the PC.
- The Clinic business will be operated by the PC using the HealthSource name and Marks.

- In addition to signing the Franchise Agreement with us, before you begin operating the Clinic Management Business, you must enter into a management agreement (“Management Agreement”) with the PC. If permitted by state and local law, the PC may be the same entity as your franchisee entity or have the same owners. Under the Management Agreement, you will provide the PC with management and administrative services and support consistent with the System to support the PC’s chiropractic practice and its delivery of chiropractic services and related services and products to patients at a Clinic, consistent with all applicable laws and regulations. Our Franchise Disclosure Document contains a general form of Management Agreement as an exhibit that can serve as a starting point for satisfying this requirement, but the actual Management Agreement to be used must be approved by us, in our discretion, and must satisfy all requirements and limitations of applicable laws, rules and regulations of the state in which the Clinic will be located.
- You must obtain our written approval of the final Management Agreement prior to signing it with the PC. We may provide you with assistance in preparing the Management Agreement, but you are responsible for determining whether such agreement is in compliance with all applicable laws, rules and regulations of the state in which the Clinic is located. You must have a Management Agreement in effect with a PC at all times during the operation of the Franchised Business and the Initial Term of this Agreement.
- We must approve the PC and its owners, but you are responsible for ensuring that the PC is in compliance with all applicable laws, rules and regulations of the state in which the Clinic is located.
- The PC will employ and control the chiropractors, physical therapists and other personnel who will provide the actual chiropractic and related services required to be delivered at and through the Clinic. You may not provide any actual chiropractic care or any other professional services that require licensing or certification, nor will you supervise, direct, control or try to influence the exercise of professional and/or medical judgment, treatment protocols, employee decisions, clinical advice, clinical training, clinical chiropractic care or relationships with patients, by the PC or any of its employees or agents.

- The Continuing Franchise Fee described in Section 6.2 may be different, and if different, will be reflected in a negotiated addendum to be signed at the same time this Agreement is signed.

1.3 **Due Diligence; No Other Representations.** In signing this Agreement, you acknowledge that you have conducted an independent investigation of the Franchised Business, and recognize that, like any other business, the nature of it may evolve and change over time, that an investment in a Franchised Business involves business risks, and that the success of this business venture is primarily dependent on your business and professional abilities and efforts.

We expressly disclaim making, and you acknowledge that you have not received or relied on, any representations or guarantee, express or implied, as to the revenues, profits, income or likelihood of success of the Franchise venture contemplated by this Agreement, or that we will provide you with patients or customers for your Clinic Franchise. You acknowledge that there have been no representations by us or our affiliates or our or their respective officers, directors, members, employees, or agents that are inconsistent with the statements made in our current Franchise Disclosure Document (“FDD”) concerning the Franchised Business, or the provisions of this Agreement. You further represent to us, as an inducement to our entering into this Agreement with you, that there have been no misrepresentations to us in your application for the rights granted by this Agreement, or in the financial information provided by you and your Principal Owners. Without limiting the foregoing, you will be required to execute the Franchise Disclosure Document Questionnaire attached hereto as Exhibit 5, concurrently with or before signing this Agreement, and all of your statements and representations contained in that document are deemed to be incorporated into this Agreement, effective as of the day you sign this Agreement.

1.4 **Limit on Scope of System.** Notwithstanding the development or implementation of the System, or any training, advice or instruction we may provide from time to time, we do not supervise, direct, control or try to influence any Franchise’s: (a) exercise of professional and/or medical judgment, treatment protocols, employee decisions, clinical advice, clinical training, clinical chiropractic care or relationships with patients, or (b) relationships with its employees. Section 19 of this Agreement describes in more detail your responsibility to exercise your own professional judgment as to such matters.

1.5 **Non-Uniform Agreements.** You acknowledge and agree that we have previously entered into franchise agreements with other franchisees, that we may in the future enter into franchise agreements with other franchisees, and that some or all of those franchise agreements may have terms substantially different from those in this Agreement. You also acknowledge and agree that we may, in our sole discretion and business judgment, waive or modify comparable provisions of any of those franchise agreements in a non-uniform manner, so long as we do so on a reasonably non-discriminatory basis.

2. **GRANT OF FRANCHISE.**

2.1 **Term; Reference to Exhibit 1.** You have applied for a franchise to own and operate a HealthSource Chiropractic Clinic, and we have approved your application in reliance on all of the representations you made in that application. As a result, and subject to the provisions of this Agreement, we grant to you a Franchise to operate a Clinic offering all products, services, and proprietary programs of ours in accordance with all elements of the System, that we may require for HealthSource Chiropractic Clinics. You must operate the Franchise at a mutually agreeable site (the "Premises") to be identified after the signing of this Agreement, and to use the System and the Marks in the operation of that Franchise, for an "Initial Term" of 10 years. The Initial Term will begin on the Agreement Date, unless you are assuming the Franchise pursuant to a Transfer, in which case the length of the Initial Term shall be determined by the applicable Transfer Agreement. To avoid uncertainty, the expiration date of the Initial Term is listed on Exhibit 1. Termination or expiration of this Agreement will constitute a termination or expiration of your Franchise and the rights you received in connection with the Franchise, including your rights to use the Marks or any portion of the Confidential Information (defined below). All references to the "Term of this Agreement" refer to the period from the Agreement Date to the date on which this Agreement actually terminates or expires.

2.2 **Full Term Performance.** You specifically agree to be obligated to operate the Franchise, perform the obligations of this Agreement, and continuously exert your best efforts to promote and enhance the business of the Franchise for the entire Initial Term, and any subsequent renewal or extension of the Term of this Agreement.

2.3 **Protected Territory; Reference to Exhibit 1; Reservation of Rights.** You acknowledge that the Franchise granted by this Agreement gives you the right to operate your

Franchise only at the Premises. Provided you are in full compliance with this Agreement, neither we nor our affiliates will operate or grant a franchise for the operation of another Clinic franchise physically located within the territory described in Exhibit 1 (the "Protected Territory"). You and we will mutually designate your Protected Territory upon or after the signing of this Agreement and Exhibit 1 shall be deemed to be automatically updated and revised to reflect such designation or any mutually agreed upon changes to your Protected Territory. Except as otherwise provided in this Paragraph 2.3, we retain all rights with respect to Clinic franchises, the Marks and the System, including (by way of example only and not as a limitation): (a) the right to operate or grant others the right to operate Clinic franchises physically located outside the Protected Territory on terms and conditions we deem appropriate; (b) the right to operate or offer other healthcare-related companies or franchises or enter into other lines of business offering similar or dissimilar products or services under trademarks or service marks other than the Marks, both within or outside of the Protected Territory and to use other channels of distribution (for example, the internet, email, social media, telemarketing, or other direct marketing) in connection with such system(s) and/or location(s); (c) the right to sell or distribute, at retail or wholesale, directly or indirectly, or via the internet or any other means, or license others to sell or distribute, via any means (including the internet and other channels of distribution) any products that bear any proprietary marks, including the Marks, whether within or outside your Protected Territory; (d) the right to own, acquire, establish, and/or operate, and license others to establish and operate, businesses different from a Franchised Business but operated under the Marks within or outside your Protected Territory, and to use other channels of distribution (for example, the internet, email, social media, telemarketing, or other direct marketing) in connection with such system(s) and/or location(s); and (e) the right to be acquired (whether through acquisition of assets, or equity interests or otherwise, regardless of the form of transaction) by a business or entity providing products and services similar to those provided by Franchised Businesses even if that business or entity operates, franchises, or licenses competitive businesses in your Protected Territory.

2.4 **Renewal of Franchise.**

a. **Franchise Owner's Right to Renew.** Subject to the provisions of subparagraph 2.4b below, and (i) if you have complied with all provisions of this Agreement and all other agreements between us, including the Operations Manual, as of the expiration of the Initial Term, and (ii) if you refurbish and decorate the Premises, replace fixtures, furnishings, wall decor,

furniture, equipment, and signs, and otherwise modify the Franchise in compliance with specifications and standards then applicable under new or renewal franchises for Clinic franchises, you will have the right to renew the Franchise for additional terms equal in length to the Initial Term.

- i. At least 6 months before the expiration of the Franchise, we will notify you as to whether you appear eligible to renew the Franchise or, if applicable, we will provide you with a notice of deficiencies pursuant to subparagraph 2.4b below.
- ii. If you appear to be eligible for renewal, we will ask you to provide us with notice of your intent to renew within a specific time period after receipt of our notice.
- iii. If you give us timely notice of your desire to renew the Franchise, we will provide you with our then-current Franchise Disclosure Document and a timetable for the renewal process.
- iv. Following an appropriate review period, and subject to your continued compliance with this Agreement and satisfaction of other terms of eligibility for renewal, you and we will enter into the documentation described in subparagraph 2.4c below.

b. **Notice of Deficiencies and Other Requirements.** At least 6 months before the expiration of the Franchise, we agree to give you written notice of any deficiencies in your operation or in the historical performance of the Franchise that could cause us not to renew the Franchise. If we will permit renewal, our notice will state what actions, if any, you must take to correct the deficiencies in your operation of the Franchise or of the Premises, and will specify the time period in which those deficiencies must be corrected or other requirements satisfied. Renewal of the Franchise will be conditioned on your continued compliance with all the terms and conditions of this Agreement up to the date of expiration, and not just on those conditions set forth in our 6 month deficiency notice. If we send a notice of non-renewal, it will state the reasons for our refusal to renew.

c. **Renewal Agreement; Releases.** To renew the Franchise, HealthSource Chiropractic, you and your Principal Owners must execute the form of Franchise Agreement and any ancillary agreements we are then customarily using in the grant or renewal of franchises for the operation of Clinic Franchises (with appropriate modifications to reflect the fact that the

agreement relates to the grant of a renewal franchise), except that no initial franchise fee will be payable upon renewal of the Franchise. The terms of the Franchise Agreement that you must execute upon renewal, and any other agreements we may require, may differ materially from those contained in this Agreement, including the possibility of increased Continuing Franchise Fees and Ad Fund contributions. Your right to renew will be contingent upon your acceptance of the new terms. You must pay to us a renewal fee equal to \$1,000.00 concurrently with signing the renewal Franchise Agreement. You and your Principal Owners must also execute general releases, in a form satisfactory to us, of any and all claims against us and our affiliates, and our and their respective owners, officers, directors, employees, and agents.

3. DEVELOPMENT AND OPENING OF THE FRANCHISE

3.1 Site Approval; Lease or Purchase of Premises.

a. You will use your best efforts to seek and select a proposed site for the Premises within the Protected Territory that is acceptable to us as suitable for the operation of the Franchise within 30 days of the date of this Agreement. We currently require the Premises to be a minimum of 1,800 square feet in size. You must submit to us, in the form we specify, a description of the site and such other information or materials as we may reasonably require. We will not unreasonably withhold approval of a site that meets our standards for general location and neighborhood, size, traffic patterns, parking size, layout and other physical characteristics, for Clinic franchises. If you fail to identify a mutually agreeable site within the aforementioned 30 day period, we may terminate this Agreement. You may not relocate your Clinic to a different site in your Protected Territory without our approval.

b. Once we have approved the proposed site of the Premises for your Franchise, you must obtain lawful possession of the Premises through lease or purchase within 60 days of the date of this Agreement. You agree that we may require you to obtain our advanced written approval of your lease's terms. The lease for the Premises must, if we require it, permit us to take possession of the Premises under certain conditions if this Agreement is terminated.

c. Our review and/or approval of your lease terms, or our failure to do so, shall not constitute, nor be deemed, a judgment or guaranty as to the likelihood of success of a Franchise at such location, or as to the relative desirability of such location in comparison to other locations within the Protected Territory, nor shall it be deemed to make us liable in any way under any such lease.

3.2 **Prototype and Construction Plans and Specifications.** We will furnish to you prototype plans and specifications for your Clinic location, reflecting our requirements for design, decoration, branding, furnishings, furniture, layout, equipment, fixtures and signs for Clinics, which may be in the form of actual plans for an existing or proposed Clinic with which we are involved. Using an architect we designate or approve, it will be your responsibility to have the plans and specifications modified to comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the Premises. You must submit final construction plans and specifications to us for our approval before you begin construction at the Premises, and must construct the Franchise location in accordance with those approved plans and specifications. Our waiver or failure to strictly enforce any such requirements for plans, specifications, décor, etc. shall not constitute a waiver of any other term or provision of this Agreement or the failure by us to discharge any duty to you with respect to your office Premises.

3.3 **Development of the Franchise**

a. You agree at your own expense to do the following (i) within 90 days of the date of this Agreement if you are a Conversion Clinic, (ii) within 180 days of the date of this Agreement if you are a Start-up Clinic, or (iii) if you sign this Agreement pursuant to the purchase of multiple HealthSource Chiropractic franchises, by the Opening Deadline defined in Exhibit 1:

- (1) secure all financing required to fully develop the Franchise;
- (2) obtain all required building, utility, sign, health, sanitation and business permits and licenses and any other required permits and licenses;
- (3) construct the Franchise location according to the construction plans and specifications we have provided and/or approved;
- (4) decorate the Franchise location in compliance with plans and specifications we have provided and/or approved;
- (5) purchase and install all required equipment, furniture, furnishings and signs prior to commencing operations;
- (6) cause all the training requirements of Section 4 to be completed prior to commencing operations;
- (7) purchase an opening inventory of products and other supplies and materials prior to commencing operations;

- (8) provide proof prior to commencing operations, in a form satisfactory to us, that your operation of the Franchise at the Franchise location does not violate any applicable state or local zoning or land use laws, ordinances, or regulations, or any restrictive covenants that apply to such location;
- (9) provide proof prior to commencing operations, in a form satisfactory to us, that you (and/or your General Manager, as defined in Section 4.1, if any) are legally authorized and have all licenses necessary to perform all of the services to be offered by your Franchise, and that your organizational structure is consistent with all legal requirements;
- (10) at all times after commencing operations, utilize all approved internal and external marketing programs for the Franchise;
- (11) prior to commencing operations, obtain HealthSource Chiropractic stationery, envelopes, and business cards;
- (12) acquire all required insurance policies as required under Section 10.8 below;
- (13) do any other acts necessary to open and operate the Franchise in accordance with this Agreement (including, without limitation, becoming fully active on our designated billing system as required under Section 3.4 below);
- (14) obtain our approval to open the Franchise for business; and
- (15) open the Franchise for business.

For purposes of the following paragraph, you must achieve each of the foregoing requirements in this paragraph before your Clinic is deemed to be “open.”

b. If you do not open your Clinic within 90 days if you are a Conversion Clinic, or within 180 days if you are a Start-Up Clinic, from the date of this Agreement, and you have obtained our approval to open the Franchise for business, we will have the right to charge you a \$500.00 monthly fee. If you do not open your Clinic within 120 days if you are a Conversion Clinic, or within 210 days if you are a Start-Up Clinic, from the date of this Agreement, and you have obtained our approval to open the Franchise for business, we will have the right to charge you a \$1,000.00 monthly fee. If you do not open your Clinic within 180 days if you are a Conversion Clinic, or within 270 days if you are a Start-Up Clinic, from the date of this Agreement, and you have obtained our approval to open the Franchise for business, we will have the right to

charge you a \$2,000.00 monthly fee. Nothing in this paragraph shall prohibit us from exercising our rights and remedies under Section 15 or any other provision of this Agreement.

3.4 **Computer System.**

a. **General Requirements.** You agree to use in the development and operation of the Franchise the computer hardware/billing systems and operating software (“Computer System”) that we specify from time to time. You acknowledge that we may modify such specifications and the components of the Computer System from time to time. As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including without limitation a license to use proprietary software developed by us or others. Our modification of such specifications for the components of the Computer System may require you to incur costs to purchase, lease and/or obtain by license new or modified computer hardware and/or software, and to obtain service and support for the Computer System during the Term of this Agreement. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications thereto), and that the cost to you of obtaining the Computer System (or additions or modifications thereto), including software, may not be fully amortizable over the remaining Term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications thereto). Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and require from time to time. You further acknowledge and agree that we and our affiliates have the right to charge a reasonable systems fee for software or systems installation services; modifications and enhancements specifically made for us or our affiliates that are licensed to you; and other maintenance and support Computer System-related services that we or our affiliates furnish to you. You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded.

b. **Software.** We may, at any time and from time to time, contract with one or more software providers, business service providers, or other third parties (individually,

a “Service Provider”) to develop, license, or otherwise provide to or for the use and benefit of you and other HealthSource Chiropractic Franchises certain software, software applications, and software maintenance and support services related to the Computer System that you must or may use in accordance with our instructions with respect to your Computer System. Any such agreement between us and a Service Provider (a “Master Service Agreement”) may, but need not, address such matters as the types of products and services to be provided (or not to be provided) to you or for your benefit as a HealthSource Chiropractic Franchise, the manner and timing in which such products and services may be provided, software licensing issues and restrictions, the permitted or non-permitted uses of any product or service provided under the Master Service Agreement, and the provision and pricing of supplemental products or services available from or through the Service Provider. You acknowledge and agree that we may reasonably require you to sign a support or service agreement with us or a third party Service Provider setting forth, among other things, requirements relating to the installation of any such products or services, licensure of and/or the manner in which you may use any such products or services, payments and taxes, liability and indemnification of us and/or the Service Provider, confidential information and proprietary rights, suspension or termination of products or services provided thereunder, assignment of rights and delegation of duties thereunder, governing law and jurisdiction, pricing, and supplemental products and services available to or for the benefit of HealthSource Chiropractic Clinic Franchises (a “Service Agreement”) that we may deem appropriate, and shall sign any such Service Agreement upon the earlier of signing this Agreement or promptly after receiving notice from us about our requirement for your to sign the Service Agreement. The terms and conditions of any such Service Agreement are hereby incorporated herein by reference (the “Additional Terms and Conditions”). A copy of any such Service Agreement shall be attached to this Agreement as Exhibit 4.

c. Your full implementation of our computer system and software requirements, including our designated billing system, is a crucial part of your Clinic’s start-up and operation, and you and we agree that the Computer System requirements are a top priority. Accordingly, if you do not fully implement our designated Computer

System, including required software (called “going live”) within acceptable timeframes, you will be required to pay additional fees to us, as follows:

- (1) If you have not “gone live” within two (2) months after the conclusion of your initial training program, you will be required to pay a fee of \$500.00 per month for each month thereafter, due and payable on the first (1st) day of each calendar month in such period with no pro-rations for partial months; and
- (2) If you have not “gone live” within six (6) months, the fee will be increased to \$1,000.00 per month commencing within the sixth (6th) month after the conclusion of the initial training program.

Nothing in this paragraph shall prohibit us from exercising our rights and remedies under Section 15 or any other provision of this Agreement.

d. HealthSource Chiropractic also requires you to maintain a dedicated high-speed internet service or connection or other communication means for remote access and information retrieval by us, as we may specify from time to time in the Operations Manual or otherwise in writing.

e. We are not responsible or liable for any actual, alleged, or perceived defects or deficiencies in the Computer System, any components thereof, Service Provider(s), or any required third-party software, or the performance of any of the forgoing.

3.5 **Equipment, Furniture, Fixtures, Furnishings and Signs.** You agree to use in the development and operation of the Franchise only those brands, types, and/or models of equipment, furniture, fixtures, furnishings, and signs we have approved.

3.6 **Franchise Opening.** You agree not to open the Franchise for business until: (1) all of your obligations under Paragraphs 3.1 through 3.4 of this Section have been fulfilled (including, without limitation, becoming fully active on our designated billing system); (2) we determine that the Franchise has been properly constructed, decorated, furnished, equipped, and stocked with materials and supplies in accordance with plans and specifications we have provided or approved; (3) you and any of your Franchise’s employees whom we require complete our pre-opening Initial Training (as defined herein) to our satisfaction; (4) the Initial Franchise Fee (as defined herein) and all other amounts due to us have been paid, or payment thereof has been provided for to our satisfaction (in our sole discretion); (5) you have furnished us with copies of all insurance policies required by Paragraph 10.8 of this Agreement, or have provided us with appropriate alternative

evidence of insurance coverage and payment of premiums as we have requested; and (6) we have approved any marketing, advertising, and promotional materials you desire to use, as provided in Paragraph 11.2 of this Agreement.

4. TRAINING.

4.1 **General Manager.** At your request, we may, but are not obligated to, agree for you to employ a general manager to operate the Franchise (“General Manager”). The term “General Manager” means an individual with primary day-to-day responsibility for the Franchise’s operations, and may or may not be you (if you are an individual) or a Principal Owner, officer, director, or employee of yours (if you are other than an individual). We may or may not require that the General Manager have an equity interest in the Franchise. The General Manager will be obligated to devote his or her full time, best efforts, and constant personal attention to the Franchise’s operations, and must have full authority from you to implement the System at the Franchise. You must not hire any General Manager or successor General Manager without first receiving our written approval of such General Manager’s qualifications. Each General Manager and successor General Manager must attend and complete our Initial Training (as defined herein) prior to commencing the role of General Manager. No General Manager may have any interest in or business relationship with any business competitor of your franchise. Each General Manager must sign a written agreement, in a form approved by us, to maintain confidential our Confidential Information described in Paragraph 9.1, to abide by non-solicitation and non-disparagement covenants, and to abide by the covenants not to compete described in Paragraph 9.3. We can provide a form for this required written agreement, however, our form is subject to review by your attorney for compliance with all local laws and rules. You must forward to us a copy of each such signed agreement. If we determine, in our sole discretion, during or following completion of the Initial Training program, that your General Manager (if any) is not qualified to act as General Manager of the Franchise, then we have the right to require you to choose (and obtain our approval of) a new individual for that position.

4.2 **Training.** You acknowledge that it is very important to the operation of the Franchise that you and your employees receive appropriate training. To that end, you agree as follows:
a. At least 30 days before the Franchise opens for business, you and your staff that we designate must attend our initial training program for your Franchise (the “Initial Training”) at the time and place we designate. You (if you are an individual), the Principal Owners (if you are a

legal entity), your General Manager (if any) and all other employees must complete this initial training program to our satisfaction. The Initial Training currently includes virtual classroom and self-directed instruction and Franchise operation training, but may in the future be conducted at our training facility, an affiliate, a conference facility, a HealthSource Chiropractic Franchise location we designate, your Franchise location, and/or at another location we designate. Our Initial Training programs may be different for each employee depending on their responsibilities at the Franchise. There will be no tuition charge for the persons whom we require to attend any Initial Training program. All persons who attend our Initial Training must attend and complete the Initial Training to our satisfaction. If we, in our sole discretion, determine that any General Manager or employee is unable to satisfactorily complete such Initial Training program, then you must not hire that person, and must hire a substitute General Manager or employee (as the case may be), who must enroll in the Initial Training program within 15 days thereafter, and complete the Initial Training to our satisfaction.

b. You agree to have your General Manager (if any) and/or other employees who attend our Initial Training complete additional training programs at places and times as we may request from time to time during the Term of this Agreement.

c. In addition to providing the Initial Training described above, we reserve the right to offer and hold such additional ongoing training programs and franchise owners meetings regarding such topics and at such times and locations as we may deem necessary or appropriate. We also reserve the right to make any of these training programs mandatory for you and/or designated owners, General Managers, employees, and/or representatives of yours. Also, all employees hired by you after the opening of the Franchise must attend our Initial Training and you must pay all their travel, lodging, meal, transportation and personal expenses in the event we do not offer the Initial Training virtually in the future and instead require in-person attendance. If we offer any such mandatory additional training programs, then you or your designated personnel must attend a minimum of seventy-five percent (75%) of the programs offered on an annual basis. In addition, you are required to attend one-hundred (100%) of our annual conference, a training program that we conduct once per year. The location of the annual conference will be determined by us. Your attendance at the annual conference is mandatory. You will be solely responsible for the wages and travel, lodging, and living expenses for each attendee of

yours who attends the annual conference. We will not charge you a fee to attend the annual conference, but we will collect fees from you that are imposed by third parties relating to the annual conference, such as fees charged for food and beverage.

d. You agree to pay all wages and compensation owed to all of your personnel who attend our Initial Training and/or any mandatory or optional training we provide. You additionally agree to pay all travel, lodging, meal, transportation, and personal expenses incurred by all your personnel who attend any mandatory or optional training we provide.

e. The Franchise's General Manager (if any) and other employees shall obtain all certifications and licenses required by law in order to perform their responsibilities and duties for the Franchise.

5. GUIDANCE; OPERATIONS MANUAL.

5.1 **Guidance and Assistance.** During the Term of this Agreement, we may from time to time furnish you guidance and assistance with respect to: (a) specifications, standards, programs and operating procedures used by Clinic franchises; (b) purchasing approved equipment, furniture, furnishings, signs, materials, supplies and services; (c) development and implementation of local advertising and promotional programs; (d) general operating and management procedures; (e) establishing and conducting employee training programs for your Franchise; and (f) changes in any of the above that occur from time to time. This guidance and assistance may, in our discretion, be furnished in the form of bulletins, written reports and recommendations, operations manuals, video and audio files and other written materials, whether delivered to you directly or made available through internet, website, email or other remote means (the "Operations Manual"), and/or telephone consultations and/or personal consultations at our offices or your Franchise. If you request—and if we agree to provide—any additional, special on-premises training of your personnel or other assistance in operating your Franchise, then you agree to pay a daily training fee in an amount to be set by us, and all expenses we incur in providing such training or assistance, including any wages or compensation owed to, and travel, lodging, transportation, and living expenses incurred by, our personnel.

5.2 **Operations Manual.** The Operations Manual we lend to you will contain mandatory and suggested specifications, programs, standards, and operating and management procedures that we prescribe from time to time for your Franchise, as well as information relative

to other obligations you have in the operation of the Franchise. The Operations Manual may be composed of or include writings, drawings, photos, audio recordings, video recordings, and/or other written or intangible materials. We may make all or part of the Manual available to you through various means, including the internet. All or any portion of a previously available Operations Manual may be superseded from time to time with replacement materials to reflect changes in the specifications, standards, programs, operating procedures and other obligations in operating the Franchise. You agree that you will monitor and access the Website (hereinafter defined), intranet, or extranet for any updates to the Operations Manual. Any password or other digital identification necessary to access the Operations Manual on a Website, intranet, or extranet will be deemed to be Confidential Information belonging to HealthSource Chiropractic, subject to Article 9 of this Agreement. You must keep your copy of the Operations Manual current, and if you and we have a dispute over the contents of the Manual, then our master copy of the Manual will control.

You agree that you will not at any time copy any part of the Operations Manual, permit it to be copied, disclose it to anyone not having a need to know its contents for purposes of operating your Franchise, or remove it from the Franchise location without our permission. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, then you must obtain a replacement copy for us at our then-applicable charge.

Notwithstanding the forgoing, you shall be responsible for the day-to-day operation of the Franchised Business. While the Operations Manual sets forth our standards for the Franchise, the procedures utilized to implement those standards rest with the Franchisee.

5.3 **Modifications to System.** We will continually be reviewing and analyzing developments relative to the System, and based upon our evaluation of this information, may make changes in the System, including but not limited to adding new components to services and products offered and equipment used by Clinic franchises. Moreover, changes in, or interpretations of, laws regulating the services offered by HealthSource Chiropractic franchises may (a) require us to restructure our franchise program, (b) require your General Manager (if any) and employees to obtain additional licenses or certifications, (c) require you to retain or establish relationships with additional professionals and specialists in the chiropractic, physical therapy, and/or healthcare industries, and/or (d) require you to modify your ownership or organizational

structure. You agree, at our request, to modify the operation of the Franchise to comply with all such changes, and to be solely responsible for all related costs.

5.4 **Advisory Councils**. You agree to participate in, and, if required, become a member of any advisory councils or similar organizations we form or organize for Clinic franchises. We will select the advisory council's members, and we may change or dissolve the advisory council at any time. We anticipate that an advisory council would serve in an advisory capacity, but may grant to the advisory council any operational or decision-making powers that we deem appropriate. We, or one of more of our affiliated companies or persons, may also offer separate, optional, advisory councils or groups that may have additional costs to you should you decide to participate.

6. **FEES**.

6.1 **Initial Franchise Fee; Reference to Exhibit 1**. You agree to pay us the initial franchise fee (the "Initial Franchise Fee") set forth below when you sign this Agreement. In recognition of the expenses we incur in furnishing assistance and services to you, you agree that we will have fully earned the Initial Franchise Fee, and that is due and non-refundable when you sign this Agreement.

a. If the Franchise you are purchasing is a Start-up Clinic, then your Initial Franchise Fee is \$29,000.00. Notwithstanding the previous sentence, if Exhibit 1 states that you are signing this Agreement pursuant to your purchase of multiple Start-up Clinic franchises, then your Initial Franchise Fee due hereunder shall be \$20,000.00, provided that Exhibit 1 states that the Clinic franchise to which this Agreement corresponds represents the second or each additional Clinic to be developed and opened in connection with multiple Start-up Clinics.

b. If the Franchise you are purchasing is a Conversion Clinic, then your Initial Franchise Fee is \$29,000.00. Notwithstanding the previous sentence, if Exhibit 1 states that you are signing this Agreement pursuant to your purchase of multiple Conversion Clinic franchises, then your Initial Franchise Fee due hereunder shall be \$20,000.00, provided that Exhibit 1 states that the Conversion Clinic franchise to which this Agreement corresponds represents the second or each additional Conversion Clinic to be developed and opening in connection with the purchase of multiple Conversion Clinics.

c. In paying the Initial Franchise Fee due hereunder, you agree that if Exhibit 1 states that you are signing this Agreement pursuant to your purchase of multiple Clinic

franchises, then you shall pay in a lump sum upon signing the first Agreement to which such purchase corresponds the total amount due for the Clinics being purchased pursuant to such transaction.

d. Any deposits previously paid by you will be credited against the Initial Franchise Fee due hereunder.

6.2 **Continuing Franchise Fee.** You agree to pay us a continuing franchise fee ("Continuing Franchise Fee") equal to seven percent (7%) of the gross revenues (defined below) of the Franchise. The Continuing Franchise Fee will be payable monthly on the day of the month we specify based on the Franchise's gross revenues for the preceding month. The term "gross revenues" shall, for purposes of this Agreement, mean the total of all revenue and receipts derived from the operation of the Franchise, including all amounts received at or away from the site of the Franchise, or through the business the Franchise conducts (such as fees for chiropractic and/or physical therapy care, fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and any customer refunds and credits the Franchise actually makes. You and we acknowledge and agree that the Continuing Franchise Fee represents compensation paid by you to us for the guidance and assistance we provide and for the use of our Marks, Confidential Information, know-how, access to proprietary software and business systems, and other intellectual property we allow you to use under the terms of this Agreement (including, without limitation, copyrighted and proprietary forms and materials). The Continuing Franchise Fee does not represent payment for the referral of customers or patients to you, and you acknowledge and agree that the services we offer to you and our other HealthSource Chiropractic franchisees do not include the referral of customers or patients.

6.3 **Advertising Fees; Other Fees.**

a. Recognizing the value of advertising to the goodwill and public image of Clinic franchises, we may, in our sole discretion, establish, maintain and administer an advertising fund (the "Ad Fund") for such advertising as we may deem necessary or appropriate in our sole discretion. You agree to contribute to the Ad Fund in the amount of two percent (2%) of the gross revenues of the Franchise. We will provide you with 30 days' advance notice of the establishment or termination of an Ad Fund and any change in the required contribution. These advertising fees

(the "Advertising Fees") will be payable monthly with and at the same time as your Continuing Franchise Fees payable under Paragraph 6.2 above. A further description of the Ad Fund and your obligations with respect to advertising and promoting the Franchise is found in Section 11 of this Agreement. b. In the future, we may also establish a program to provide additional marketing services to Clinic franchises involving the placement of individuals on a local basis to perform marketing activities. This program is optional for Clinic franchises. If you choose to use this marketing program, you must agree to pay the fee determined by us. You will only be permitted to use this program if you pay this fee. We reserve the right to change the amount of this fee at any time. If we choose to establish this program in the future, and you choose to purchase this optional program, you agree to comply with all specifications and requirements contained in the Operations Manual concerning this program. This fee does not represent payment for the referral of customers or patients to you, and you acknowledge and agree that the services we offer to you and our other HealthSource Chiropractic franchisees do not include the referral of customers or patients.

c. Additionally, you are required to pay the monthly Technology Fee, defined and discussed in Section 11.4, for certain Website and technology-related services and expenses and any fees relating to the required human resources and payroll services discussed in Section 10.7.

6.4 **Fees Relating to Optional Programs.** We, or our affiliates, may offer additional optional services, products or programs in connection with your Clinic Franchise, subject to an additional fee paid to us or third-parties.

6.5 **Interest on Late Payments.** All Continuing Franchise Fees, Advertising Fees, amounts due from you for purchases from us or our affiliates, and other amounts which you owe us or our affiliates (unless otherwise provided for in a separate agreement between us or our affiliates) will begin to accrue interest after their respective due dates at the lesser of (i) the highest commercial contract interest rate permitted by state law, and (ii) the rate of fifteen percent (15%) per annum. You acknowledge that the inclusion of this Paragraph in this Agreement does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to extend credit to, or otherwise finance your purchase or operation of the Franchise. We have the right to require that any payments due us or our affiliates be made by certified or cashier's check, wire transfer or electronic funds transfer in the event that any payment by check is not honored by the bank upon which the check is drawn. We also receive the right to charge you a fee of \$100 for

any payment by check that is not honored by the bank upon which it is drawn. Payments due us or our affiliates will not be deemed received until such time as funds from the deposit of any check by us or our affiliates is collected from your account.

6.6 **Electronic Funds Transfer**. We have the right to require you to participate in an electronic funds transfer program under which Continuing Franchise Fees, Advertising Fees, and any other amounts payable to us or our affiliates are deducted or paid electronically from your bank account (the “Account”). In the event you are required to authorize us to initiate debit entries, you agree to sign all requested forms (including the ACH Agreement attached to this Agreement as Exhibit 7) and make the funds available in the Account for withdrawal by electronic transfer no later than the payment due date. The amount actually transferred from the Account to pay Continuing Franchise Fees and Advertising Fees will be based on the Franchise’s gross revenues reported to us. If you have not reported the Franchise’s gross revenues for any reporting period, then we will be authorized to debit the Account in an amount equal to 120% of the Continuing Franchise Fee, Advertising Fee, and other amounts transferred from the Account for the last reporting period for which a report of the Franchise’s gross revenues was provided to us. If at any time we determine that you have under-reported the Franchise’s gross revenues or underpaid any Continuing Franchise Fee or Advertising Fee due us under this Agreement, then we will be authorized to initiate immediately a debit to the Account in the appropriate amount, plus applicable interest, in accordance with the foregoing procedure. Any overpayment will be credited, without interest, against the Continuing Franchise Fee, Advertising Fee, and other amounts we otherwise would debit from your account during the following reporting period. Our use of electronic funds transfers as a method of collecting Continuing Franchise Fees and Advertising Fees due us does not constitute a waiver of any of your obligations to provide us with monthly reports as provided in Section 12, nor shall it be deemed a waiver of any of the rights and remedies available to us under this Agreement.

6.7 **Application of Payments; No Set-Off**. When we receive a payment from you, we have the right in our sole discretion to apply it as we see fit to any past due indebtedness of yours due to us or our affiliates, whether for Continuing Franchise Fees, Advertising Fees, purchases, interest, or for any other reason, regardless of how you may designate a particular payment should be applied. You may not, on grounds of alleged non-performance by HealthSource Chiropractic

of its obligations under this Agreement, withhold payment of Continuing Franchise Fees and/or any other amounts due to HealthSource Chiropractic and/or its related parties or affiliates.

6.8 **Modification of Payments.** If, by operation of law or otherwise, any fees contemplated by this Agreement cannot be based upon gross revenues, then you and we agree to negotiate in good faith an alternative fee arrangement. If you and we are unable to reach an agreement on an alternative fee arrangement, then HealthSource Chiropractic reserves the right to terminate this Agreement upon notice to you, in which case all of the post-termination obligations set forth in Section 16 shall apply.

7. **MARKS; COPYRIGHTED WORKS.**

7.1 **Ownership and Goodwill of Marks**

a. You acknowledge that your right to use the Marks is derived solely from this Agreement, and is limited to your operation of the Franchise pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures we prescribe from time to time during the Term of the Franchise, including, without limitation, timely payment of the Initial Franchise Fee, Continuing Franchise Fees, Advertising Fees, and all other sums due to us.

b. You understand and acknowledge that our right to regulate the use of the Marks includes, without limitation, any use of the Marks in any form of electronic media, such as Websites or web pages, or as a domain name or electronic media identifier.

c. If you make any unauthorized use of the Marks either during or after the Term of this Agreement, it will constitute a breach of this Agreement and an infringement of our rights in and to the Marks.

d. You acknowledge and agree that all your usage of the Marks and any goodwill established by your use will inure exclusively to our benefit and the benefit of our affiliates, and that this Agreement does not confer any goodwill or other interests in the Marks on you (other than the right to operate the Franchise in compliance with this Agreement).

e. All provisions of this Agreement applicable to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork, or logos we may authorize and/or license you to use during the Term of this Agreement.

f. HealthSource Chiropractic has invested substantial time, energy, and money in the promotion and protection of its Marks as they exist on the date of this Agreement. However, rights in intangible property such as the Marks are often difficult to establish and defend. In addition, other circumstances, such as changes in the cultural and economic environment within which the System operates, changes in marketing or other strategies, or third-party challenges to HealthSource Chiropractic's rights in the Marks, may make changes in the Marks desirable or necessary. HealthSource Chiropractic therefore reserves the right to change its Marks and the specifications for each when we believe that such changes will benefit the System. You will promptly conform at your own expense, to any such changes. HealthSource Chiropractic need not reimburse you for any loss of revenue due to any modified or discontinued Mark or for your expenses in changing to, or promoting, a modified or substitute trademark or service mark.

7.2 **Limitations on Franchise Owner's Use of Marks.** You agree to use the Marks as the sole trade identification of the Franchise, except that you will display at the Franchise location a notice, in a form acceptable to us, stating that you are the independent owner of the Franchise pursuant to a Franchise Agreement with us. You agree not to use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos and additional trade and service marks licensed to you under this Agreement), or in any modified form. You also shall not use any Mark, or any commercial symbol similar to the Marks, in connection with the performance or sale of any unauthorized services or products, to promote any business or commercial venture other than the Franchise, or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe at the Franchise and in connection with advertising and marketing materials, and to use, along with the Marks, any notices of trade and service mark registrations we specify. You further agree to obtain any fictitious or assumed name registrations as may be required under applicable law.

7.3 **Notification of Infringements and Claims.** You agree to immediately notify us in writing of any apparent infringement of, or challenge to your use of, any Mark or claim by any person of any rights in any Mark or similar trade name, trademark, or service mark of which you become aware. You agree not to communicate with anyone except us and our counsel in connection with any such infringement, challenge, or claim. We have the right to exclusively

control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Mark. You agree to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks, or to otherwise protect and maintain our interests in the Marks.

7.4 **Discontinuance of Use of Marks.** If it becomes advisable at any time in our sole judgment for the Franchise to modify or discontinue the use of any Mark, or use one or more additional or substitute trade or service marks, including the Marks used as the name of the Franchise, then you agree, at your sole expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trade or service marks, within a reasonable time after our notice to you.

7.5 **Indemnification of Franchise Owner.** We agree to indemnify you against, and reimburse you for, all damages for which you are held liable in any trademark infringement proceeding arising out of your use of any Mark pursuant to and in compliance with this Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim, provided us with the opportunity to defend the claim, cooperated with the defense of the claim, and otherwise complied with this Agreement.

7.6 **Copyrighted Works; Ownership.**

a. We hereby authorize you to use in the operation of the Franchised Business those certain copyrighted or copyrightable materials which are from time to time owned by us or our affiliates and which we approve and license for use in the operation of the Franchised Business. These copyrighted or copyrightable materials include, but are not limited to, the Operations Manual, training materials, advertising and promotional materials, and other portions of the System, and any translations or paraphrasing of any of the forgoing (collectively, the “Copyrighted Works”). You acknowledge and agree that we or our affiliates own the Copyrighted Works and we may (at our option) further create, acquire, or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of the Franchised Business, the System, and the Clinics, all of which shall be deemed to be Copyrighted Works under this Agreement and owned by us or our affiliates. You acknowledge that your right to use the Copyrighted Works is derived solely from this Agreement and is limited to your operation of the Franchise pursuant to

and in compliance with this Agreement and all applicable standards, specifications, and operating procedures we prescribe from time to time during the Term of the Franchise, including, without limitation, timely payment of the Initial Franchise Fee, Continuing Franchise Fees, Advertising Fees, and all other sums due to us.

b. This Agreement does not confer any interest in the Copyrighted Works to you, other than the right to use them in the operation of the Franchised Business in compliance with this Agreement and the System. If we authorize you to prepare any adaptation, translation or work derived from the Copyrighted Works, or if you prepare any Copyrighted Works such as advertisements, manuals, posters, forms, or marketing or promotional material (all of which shall be subject to and in compliance with this Agreement), you agree that such adaptation, translation, derivative work, or Copyrighted Work shall be the sole and exclusive property of us and you hereby assign all your right, title, and interest therein to us. You further agree to execute any documents that we determine are necessary to reflect such ownership and to submit all such adaptations, translations, derivative works and Copyrighted Works to us for prior written approval before use.

c. If you make any unauthorized use of the Copyrighted Works either during or after the Term of this Agreement, it will constitute a breach of this Agreement and an infringement of our rights in and to the Copyrighted Works.

7.7 **Discontinued Use of Copyrighted Works.** If we believe at any time that it is advisable for you or us to modify, discontinue using, and/or replace any of the Copyrighted Works, you agree to comply with our directions within a reasonable time after receiving notice, including using one or more additional or substituted copyrighted or copyrightable items. We shall have no obligation to reimburse you for any expenditures made by you to modify or discontinue the use of any Copyrighted Work or to adopt additional or substitute copyrighted or copyrightable items.

8. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.

8.1 **Independent Contractor; No Fiduciary Relationship.** Both you and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are independent contractors, and that 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 whatsoever. In no event shall we be deemed to be an employer of any of your employees, representatives or agents. You agree to conspicuously identify yourself in all your

dealings with customers, patients, suppliers, public officials, Franchise personnel, and others as the owner of an independent Franchise pursuant to a Franchise Agreement with us, and to place any other notices of independent ownership on your forms, business cards, stationery, advertising, and other materials as we may require from time to time.

8.2 **No Liability, No Warranties.** We have not authorized or empowered you to use the Marks except as provided by this Agreement, and you agree not to employ any of the Marks in signing any contract, check, purchase agreement, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability to us for any indebtedness or obligation of yours. Except as expressly authorized by this Agreement, neither you nor we will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other, or represent that your and our relationship is other than that of franchisor and franchisee.

8.3 **Responsibility for Acts and Omissions; Indemnification.**

a. **You acknowledge that you are the sole and independent owner of your Franchised Business, you are and will be in full control thereof, and you will conduct the business solely in accordance with your own judgment and discretion, subject only to the provisions of this Agreement. As indicated in Section 8.1, you must conspicuously identify yourself, internally and to third parties, as the independent owner of the Franchised Business and as a franchisee of HealthSource Chiropractic, and neither you nor any of your employees should represent to any third parties that you are employees or agents of HealthSource Chiropractic. You agree that as between you and us, you are solely responsible for the effects, outcomes and consequences of your acts and omissions and the acts and omissions of your employees, representatives and agents in connection with or relating to the operation of your Franchised Business.** b. **We will not assume any liability or be deemed liable for any agreements, representations, or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the business you conduct pursuant to this Agreement, whether or not caused by your negligent or willful action or failure to act or acts or omissions deemed to be professional malpractice.**

c. **We will have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied against you or your assets, or on us, in connection with the**

business you conduct, or any payments you make to us pursuant to this Agreement (except for our own income taxes).

d. You agree to defend, indemnify and hold harmless us, our affiliates and our and their respective owners, directors, officers, employees, agents, successors, and assigns (individually, an “Indemnified Party,” and collectively, the “Indemnified Parties”), from and against any and all claims, lawsuits, demands, actions, causes of action or other events, whether asserted by third parties or us, and for all costs and expenses incurred by the Indemnified Party in connection therewith, including without limitation actual and consequential damages reasonable attorneys', accountants', and/or expert witness fees cost of investigation and proof of facts court costs, other litigation expenses and travel and living expenses, to the extent caused by, relating to or otherwise arising out of (1) the effects, outcomes and consequences of your acts and omissions and the acts and omissions of your employees, representatives and agents in connection with or relating to the operation of your Franchised Business, (2) any agreements, representations, or warranties you make to third parties that are not expressly authorized under this Agreement, (3) any damages to any person or property directly or indirectly arising out of the operation of your Franchised Business, whether or not caused by your negligent or willful action or failure to act or acts or omissions deemed to be professional malpractice, (4) any sales, use, excise, income, gross receipts, property, or other taxes levied against you or your assets, or on us, in connection with the business you conduct, or any payments you make to us pursuant to this Agreement (except for our own income taxes), (5) our actions taken relating to the enforcement of this Agreement, and/or (6) your breach of any provision of this Agreement.

e. The allocation of responsibility and your indemnification obligations described above will continue in full force and effect after, and notwithstanding, the expiration, renewal or termination of this Agreement.

9. CONFIDENTIAL INFORMATION; NON-COMPETITION; OTHER COVENANTS.

9.1 **Types of Confidential Information.** We possess certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, products, services and knowledge developed by us, including but not limited to: (a) services and products offered and sold at HealthSource Chiropractic franchises;

(b) knowledge of sales and profit performance of any one or more HealthSource Chiropractic franchises; (c) knowledge of sources of products sold at HealthSource Chiropractic franchises, (d) advertising and promotional programs and image and decor; (e) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of HealthSource Chiropractic franchises; (f) copyrighted materials, including, without limitation, office forms and procedures, marketing materials, telephone scripts and the content of the Operations Manual; and (g) the methods of training employees. We will disclose much of the above-described information to you in advising you about site selection, providing our Initial Training, providing access to the Operations Manual, and providing guidance and assistance to you under this Agreement. In addition, in the course of the operation of your Franchise, you or your employees may develop ideas, concepts, methods, or techniques of improvement relating to the Franchise that you agree to disclose to us, and that we may then authorize you to use in the operation of your Franchise, and may use or authorize others to use in other HealthSource Chiropractic franchises owned or franchised by us or our affiliates. (All of such information disclosed to or developed by you will be referred to in this Agreement as our "Confidential Information".)

9.2 **Non-Disclosure Agreement.**

a. 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 solely in the development and operation of the Franchise during the Term of this Agreement, and that the use or duplication of the Confidential Information in any other business or for any other purpose would constitute an unfair method of competition or otherwise result in irreparable damage to us.

b. You acknowledge and agree that the Confidential Information belongs to us, may contain 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 (1) will not use, directly or indirectly, the Confidential Information in any business or capacity or for any purpose other than as needed in the development and operation of the Franchise during the Term of this Agreement; (2) will maintain the absolute confidentiality of the Confidential Information during and after the Term of this Agreement and not directly or indirectly publish or otherwise disclose it to any third party; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form or media that may be copied or duplicated; and (4) will

adopt and implement all reasonable procedures, including any that we may prescribe from time to time, to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to or by your employees, and the use of non-disclosure, non-solicitation, non-disparagement and non-competition agreements we may prescribe or approve for your shareholders, partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information. You acknowledge and agree that we are under no duty or obligation to you to enforce any such Agreements for your or our benefit. Your duties and obligations with respect to Confidential Information shall survive the Transfer, termination or expiration of this Agreement.

9.3 **Non-Competition Agreement and Other Restrictive Covenants.**

a. **Non-Competition.** You agree 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 HealthSource Chiropractic franchises, if franchise owners of HealthSource Chiropractic franchises were permitted to hold interests in any competitive businesses (as described below). Therefore, during the Term of this Agreement, neither you, nor any Principal Owner, nor any member of your immediate family or of the immediate family of any Principal Owner, shall directly or indirectly perform services for, or have any direct or indirect interest as an owner, investor, partner, director, officer, employee, manager, consultant, representative, or agent in, any business that offers products or services the same as or similar to those offered or sold at HealthSource Chiropractic Clinic franchises; provided, however, that the ownership of one percent (1%) or less of a publicly traded company will not be deemed to be prohibited by this Paragraph.

b. **Non-Disparagement.** You agree that during the Term of this Agreement, and thereafter following any Transfer, termination or expiration of this Agreement, neither you, nor any Principal Owner, nor any member of your immediate family or of the immediate family of any Principal Owner, will directly or indirectly make any negative or critical statements to any third parties, either verbally or in any other form or media, about (a) us, the Franchise, any of our franchisees or Regional Developer franchisees, or any of their respective products, services, businesses or business practices, or (b) the actions, operations or character of any of our or their respective owners, officers, directors, employees, consultants or agents.

c. Non-Solicitation. You agree that during the Term of this Agreement, and thereafter for a period of two (2) years following any Transfer, termination or expiration of this Agreement, neither you, nor any Principal Owner, nor any member of your immediate family or of the immediate family of any Principal Owner, will directly or indirectly (a) solicit for chiropractic, physical therapy, rehabilitation, weight loss, or related services or products with any person who was a patient of the Franchise within the two year period prior to such Transfer, termination or expiration; or (b) interfere with our relationship with any of our franchisees, Regional Developer franchisees, vendors, suppliers or referral sources.

d. General Managers to Sign Agreement. You further agree that you will cause each General Manager to enter into and deliver to us a Restrictive Covenant Agreement in such form as we may approve, either concurrently with the execution of this Agreement or at such later date when the affiliation of such person with you is established. You acknowledge and agree that we are under no duty or obligation to you to enforce any such Agreements for your or our benefit. The duties and obligations imposed in the Restrictive Covenant Agreement shall survive the Transfer, expiration or earlier termination of this Agreement.

e. Covenants are Reasonable and Necessary. It is the express intention of the parties hereto to comply with all laws which may be applicable to this Agreement. You acknowledge and agree that a breach of any provision of this Section 9.3 would cause immediate and irreparable harm to us. Therefore, you acknowledge and agree that the foregoing restraints are fair and reasonable, are required for the protection of our legitimate business interests, and do not impose any undue hardship on you.

10. HEALTHSOURCE CHIROPRACTIC FRANCHISE OPERATING STANDARDS.

10.1 Condition and Appearance of the Franchise. You agree that:

a. neither the Franchise nor the Premises will be used for any purpose other than the operation of the Franchise in compliance with this Agreement;

b. you will maintain the condition and appearance of the Franchise; its equipment, furniture, furnishings, and signs; and the Premises in accordance with our standards and consistent with the image of a HealthSource Chiropractic Clinic franchise as an efficiently operated business offering high quality services, and observing the highest standards of cleanliness, sanitation, efficient, courteous service and pleasant ambiance, and in that connection will take, without limitation, the following actions during the Term of this Agreement: (1) thorough cleaning,

repainting and redecorating of the interior and exterior of the Premises at reasonable intervals; (2) interior and exterior repair of the Premises; and (3) repair or replacement of damaged, worn out or obsolete equipment, furniture, furnishings and signs;

c. you will not make any material alterations to the Premises or the appearance of the Franchise, as originally developed, without our advance written approval. If you do so, we have the right, at our option and at your expense, to rectify alterations we have not previously approved;

d. you will promptly replace or add new equipment when we reasonably specify in order to meet changing standards or new methods of service;

e. on notice from us, you will engage in remodeling, expansion, redecorating and/or refurbishing of the Premises and the Franchise to reflect changes in the operations of HealthSource Chiropractic franchises that we prescribe and require of new franchisees, provided that (1) no material changes will be required unless there are at least 2 years remaining on the Initial Term or any renewal Term of this Agreement (all actual changes will be subject to our approval); and (2) we have completed the proposed change in at least twenty-five percent (25%) of all similarly situated HealthSource Chiropractic and affiliate-owned HealthSource Chiropractic Clinics, if there are any, and have undertaken a plan to make the proposed change in the balance of such HealthSource Chiropractic and affiliate-owned Clinics;

f. you will place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve; and

g. if at any time in our reasonable judgment, the general state of repair, appearance, or cleanliness of the Premises of the Franchise or its fixtures, equipment, furniture, or signs do not meet our standards, then we shall have the right to notify you specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within 10 days after receipt of our notice, and then continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, then we shall have the right, in addition to all other remedies available to us at law or under this Agreement, to enter the Premises or the Franchise and perform any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand.

10.2 **Franchise Services and Products.** You agree that (a) the Franchise will offer for sale all the types of services and products that we from time to time specify for Clinics, provided,

however, that this provision shall not be deemed to affect or otherwise influence your clinical judgment as to particular services and products that will be offered to individual patients; (b) you will not offer for sale or sell at the Franchise, the Premises, or any other location any services or products we have not approved; (c) all products will be offered at retail and within your Protected Territory, and you will not offer or sell any products at wholesale; (d) you will not use the Premises for any purpose other than the operation of the Franchise; and (e) you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing. You agree to maintain an inventory of approved products sufficient in quantity and variety to realize the full potential of the Franchise. We may, from time to time, conduct market research and testing to determine consumer trends and the saleability of new services and products. You agree to cooperate by participating in our market research programs, test marketing new services and products in the Franchise, and providing us with timely reports and other relevant information regarding such market research. In connection with any such test marketing, you agree to offer a reasonable quantity of the products or services being tested, and effectively promote and make a reasonable effort to sell them.

10.3 **Approved Products, Distributors and Suppliers.** We have developed or may develop various unique products or services that may be prepared according to our formulations. We have approved, and will continue to periodically approve, specifications for suppliers and distributors (which may include us and/or our affiliates) for products or services required to be purchased by, or offered and sold at, Clinic franchises, that meet our standards and requirements, including without limitation standards and requirements relating to product quality, prices, consistency, reliability, and customer relations; provided, however, that this provision shall not be deemed to affect or otherwise influence your clinical judgment as to particular services and products that will be offered to individual patients. You agree that the Franchise will: (1) purchase any required products or services in such quantities as we designate; (2) utilize such formats, formulae, and packaging for products as we prescribe; and (3) purchase all designated products and services only from distributors and other suppliers we have approved. We may approve a single distributor or other supplier (collectively "supplier") for any product or service and may approve a supplier only as to certain products or services. We may concentrate purchases with one or more suppliers to obtain lower prices or the best advertising support or services for any group of Clinics

franchised or operated by us. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria, and may be temporary, pending our continued evaluation of the supplier from time to time.

If you would like to purchase any items from any unapproved supplier, then you must submit to us a written request for approval of the proposed supplier. We have the right to inspect the proposed supplier's facilities and require that product samples from the proposed supplier be delivered, at our option, either directly to us, or to any independent, certified laboratory that we may designate, for testing. We may charge you a supplier evaluation fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier does not continue to meet any of our criteria.

We and/or our affiliates may be an approved supplier of certain products or services to be purchased by you for use and/or sale by the Franchise. We and our affiliates reserve the right to charge any licensed manufacturer engaged by us or our affiliates a royalty to manufacture products for us or our affiliates, or to receive commissions or rebates from vendors that supply goods or services to you. We or our affiliates may also derive income from our sale of products or services to you, and may sell these items at prices exceeding our or their costs in order to make a profit on the sale.

10.4 **Hours of Operation.** You agree to keep the Franchise open for business at such times and during such hours as we may prescribe from time to time in our Operations Manual. You further agree that day-to-day operational decisions relating to the opening and closing procedures of the Franchised Business, including security, staffing, and other similar matters, shall be made solely by you.

10.5 **Specifications, Standards and Procedures.** You agree to comply with all mandatory specifications, programs, standards, and operating and management procedures relating to the appearance, function, cleanliness, sanitation and operation of the Franchise (the "Standards"). Any mandatory specifications, programs, standards, and operating and management procedures that we prescribe from time to time in the Operations Manual, or otherwise communicate to you in writing, will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to "this Agreement," the "Operations Manual" or the "Standards"

include all such mandatory specifications, programs, standards, and operating and management procedures. We will not, however, control or try to influence your or your employee's exercise of professional and/or medical judgment, treatment protocols, employee decisions or relationships with patients.

10.6 **Compliance with Laws and Good Business Practices.**

a. You agree to secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of the Franchise. You also agree to operate the Franchise in full compliance with all applicable laws, ordinances, and regulations, including without limitation all government regulations relating to worker's compensation insurance, advertising, unemployment insurance, the practice of chiropractic in your state, and withholding and payment of federal and state income taxes, social security taxes, and sales taxes.

b. Under applicable federal law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Order"), you are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism as defined in the Order. Accordingly, you represent to us that you do not, and hereafter will not, engage in any acts of terrorism or terrorist activity. In addition, you represent to us that you are not affiliated with and/or do not support any individual or entity engaged in, contemplating, or supporting any acts of terrorism or terrorist activity. Further, you represent to us that you are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

c. All advertising you employ must be completely factual, in good taste (in our judgment), and conform to the highest standards of ethical advertising and all legal requirements. You agree that in all dealings with us, your customers, your suppliers, and public officials, you will adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You further agree to refrain from any business or advertising practice that may be harmful to the business of HealthSource Chiropractic, the Franchise, and/or the goodwill associated with the Marks and other HealthSource Chiropractic franchises.

d. You must notify us in writing within 5 days of (1) the commencement of any action, suit, or proceeding, and/or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental unit, that may adversely affect your and/or the Franchise's

operation, financial condition, or reputation, including, without limitation, any and all claims of malpractice brought against you or any professional affiliated with you, regardless of the nature of the claim, anticipated outcome or remedies sought; and/or (2) your receipt or knowledge any notice of violation of any law, ordinance, or regulation relating to health or safety.

e. Without limiting any other provisions in this Agreement, you acknowledge and agree that you have sole responsibility for operating your Franchise in compliance with all applicable laws, rules, and regulations relating to the practice of chiropractic medicine and physical therapy, including without limitation: licensure, marketing and advertising, use of medical equipment and devices, the sale or recommendation of dietary supplements, fee splitting prohibitions or restrictions, anti-kickback prohibitions and other laws or regulations governing the relationships between health care service providers and suppliers with physicians and clinicians, restrictions on self-referrals, medical benefit payment systems, including self-pay, private, and government insurance requirements and regulations, advertisement of chiropractic and related medical services, and patient privacy (the “Professional Laws”). You represent and warrant that you have independently investigated the Professional Laws applicable to the practice of chiropractic medicine, physical therapy and the operation of your Franchise in the Protected Territory, and that you have confirmed under the Professional Laws that you are permitted to manage and operate the Franchise in accordance with the System, specifically including providing all products and services to be offered by your Franchise and/or hiring chiropractors and clinical staff to provide all chiropractic, physical therapy and related services to be offered by your Franchise. You acknowledge and agree that we are relying on your representations and warranties in granting the Franchise to you. You further agree and acknowledge that you must operate your Franchise in compliance with the Professional Laws during the Term of this Agreement and, in the event there are any changes to the Professional Laws (including any new Professional Laws) that would cause your operation of the Franchise to be in violation of the Professional Laws, you will immediately inform us of the change and your proposed method to comply with the Professional Laws, including entering into a Management Agreement, if necessary.

10.7 **Management and Personnel of the Franchise**

a. Unless we approve your employment of a General Manager to operate the Franchise as provided in Paragraph 0, you must actively participate in the actual, on-site, day-to-day operation of the Franchise, and devote as much of your time as is reasonably necessary for the

efficient operation of the Franchise. If you are not an individual, then at least one (1) Principal Owner, director, officer, or other employee of you whom we approve must comply with this requirement. If we agree that you may employ a General Manager, then the General Manager must fulfill this requirement.

b. Any General Manager must obtain all licenses and certifications required by law before assuming his or her responsibilities at the Franchise.

c. You must ensure that your employees and independent contractors of the Franchise have any licenses as may be required by law, and hold or are pursuing any licenses, certifications, and/or degrees required by law or by us in the Operations Manual, as updated from time to time.

d. **You will be exclusively responsible for the terms of your employees' and independent contractors' employment and compensation, and for the proper training of your employees and independent contractors in the operation of the Franchise, all hiring, retention and firing decisions, and for all other employment practices utilized in the operation of the Franchise. You must notify and communicate clearly with your employees in all dealings (including, without limitation, your written and electronic correspondence, paychecks, and other materials) that Franchisee (and only Franchisee) is their employer and that HealthSource Chiropractic is not their employer.**

e. You must establish any training programs for your employees and/or independent contractors that we may prescribe in writing from time to time. You are required to enroll in and maintain the human resources and payroll services provided by the vendor we designate for such services, including the payment of any fees and execution of any agreement required by such vendor. The required services consist of payroll processing, payroll tax filing, human resource solutions, benefits administration services, hiring and employee onboarding.

f. You must require all employees and independent contractors to maintain a neat and clean appearance and conform to the standards of dress that we specify in the Operations Manual, as updated from time to time.

g. Each of your employees and independent contractors must sign a written agreement, in a form approved by us, to maintain confidential our Confidential Information, proprietary information, and trade secrets as described in Paragraph 9.1. You must forward to us a copy of each such signed agreement.

h. All of your employees and independent contractors must render prompt, efficient and courteous service to all customers of the Franchise.

i. You agree not to recruit or hire, either directly or indirectly, any employee (or a former employee, for six (6) months after his or her employment has ended) of any HealthSource Chiropractic Clinic or Regional Developer franchise operated by us, our affiliates, or another HealthSource Chiropractic franchise owner without first obtaining the written consent of us, our affiliate, or the franchise owner that currently employs (or previously employed) such employee. (If you violate this provision, in addition to any other right or remedy we may have, you agree to pay the employee's current or former employer twice the employee's annual salary, plus all costs and attorneys' fees incurred as a result of the violation. This amount is set at twice the employee's annual salary because it is a reasonable estimation of the damages that would occur from such a breach, and it will almost certainly be impossible to calculate precisely the actual damages from such a breach.)

10.8 **Insurance**

a. Before you open the Franchise and during any Term of this Agreement, you must maintain in force, under policies of insurance issued by carriers in good standing in the state where your clinic is located: (1) comprehensive commercial general liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchise or otherwise in conjunction with your conduct of the Franchise business pursuant to this Agreement, under one or more policies of insurance containing minimum liability coverage of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate; (2) worker's compensation and employer's liability insurance as required by law, with limits equal to or in excess of those required by statute; (3) professional liability (malpractice) insurance, for each doctor practicing in your Franchise business, having limits of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate; and (4) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements. We may periodically increase or decrease the amounts of coverage required under these insurance policies, and/or require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. In addition to the foregoing

required policies of insurance, we highly recommend that you obtain property damage, business interruption, employment practices, cyber liability, and electronic data loss insurance coverage. You agree that compliance with any state minimum insurance requirements does not relieve you from the obligation to comply with the contractual insurance requirements in this Agreement.

b. You must provide us with 30 days' advance written notice of any material modification, cancellation, or expiration of any policy.

c. Deductibles must be in reasonable amounts and are subject to review and written approval by us.

d. Your commercial general liability insurance policy must be an "occurrence" policy and must name us (and, if we so request, our members, directors, employees, agents, and affiliates) as an additional insured.

e. The malpractice policy for each doctor working in your Franchise business must be endorsed to name us (and, if we so request, our members, directors, employees, agents, and affiliates) as an additional insured. If any of these policies are written on a "Claims Made" basis, you agree to purchase and maintain unlimited tail coverage that shall remain in effect following the termination or expiration of this Agreement and/or such policy.

f. You must provide us with (i) certificates and copies of additional insured endorsements evidencing the existence of such insurance concurrently with execution of this Agreement and prior to each subsequent renewal date of each insurance policy, and (ii) upon our request stating the reason therefor (such as a claim has been filed against us), copies of the insurance policies, along with all applicable endorsements. Prior to the expiration of the term of each insurance policy, you must furnish us with appropriate certificates of insurance evidencing the renewal or replacement insurance policy and additional insured endorsements.

g. If you at any time fail or refuse to maintain any insurance coverage required by us or to furnish satisfactory evidence thereof, then we, at our option and in addition to our other rights and remedies under this Agreement, may, but need not, obtain such insurance coverage on your behalf, and you shall reimburse us on demand for any costs or premiums paid or incurred by us.

Notwithstanding the existence of such insurance, you are and will be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Franchise, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom; and you agree to defend,

indemnify and hold us harmless of, from, and with respect to any such claims, loss or damage, which indemnity shall survive the termination or expiration and non-renewal of this Agreement.

h. In addition to the requirements of the foregoing paragraphs of this Paragraph 10.8, you must maintain any and all insurance coverage in such amounts and under such terms and conditions as may be required in connection with your lease or purchase of the Premises.

i. The insurance HealthSource Chiropractic requires is for its own protection. You should consult with your own insurance agents, brokers, and attorneys to determine what types of coverages and what level of insurance protection you may need or desire, in addition to the coverages and minimum limits specified by HealthSource Chiropractic. Your obligation to maintain insurance coverage as described in this Agreement will not be reduced in any manner by reason of any separate insurance we maintain on our own behalf, nor will our maintenance of that insurance relieve you of any obligations under this Agreement.

10.9 **Credit Cards and Other Methods of Payment**. You must at all times have arrangements in existence with Visa, Master Card, and any other credit and debit card issuers or sponsors, check verification services, and electronic fund transfer systems that we designate from time to time, in order that the Franchise may accept customers' credit and debit cards, checks, and other methods of payment. We may require you to obtain such services through us or our affiliates or designated third parties.

11. **ADVERTISING.**

11.1 **By HealthSource Chiropractic**. As stated in Paragraph 6.3a, due to the value of advertising and the importance of promoting the public image of HealthSource Chiropractic Clinic franchises, we may establish, maintain, and administer an Ad Fund to support and pay for national, regional, or local marketing and promotional programs that we deem necessary, desirable, or appropriate, in our sole discretion, to promote the good will and image of all HealthSource Chiropractic Clinic franchises. You will contribute to it the Advertising Fee set forth in Section 6.3a. We agree that any Clinics owned by us or our affiliates will be required to contribute to the Ad Fund on at least the same basis as you do, subject only to limitation under applicable law. HealthSource Chiropractic will be entitled to direct all advertising programs financed by the Ad Fund, with sole discretion over (i) the creative concepts, materials, endorsements, and media used therein, and (ii) the geographic, market, and media placement and allocation of the programs. HealthSource Chiropractic shall have the right to determine, in its sole discretion, the composition

of all geographic territories and market areas for the development and implementation of such programs. You agree that the Ad Fund may be used to pay any and all costs of maintaining, administering, directing, and preparing national, regional or local advertising materials, programs, and promotional activities, including, without limitation, (a) costs for preparing and conducting television, radio, magazine, billboard, newspaper, internet and other media programs and activities, (b) costs associated with conducting marketing research, (c) costs associated with website development and marketing, including without limitation, search engine optimization and social media, (d) administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising, (e) employing advertising, program and marketing agencies, and vendors providing marketing services, (f) development, implementation and maintenance of online asset management tools, (g) marketing and advertising training programs and materials, and (h) costs for providing promotional brochures and advertising templates and materials to HealthSource Chiropractic Clinic franchises. As available, we will provide you with digital or hard copies of our marketing materials via our intranet. We may, at our discretion, charge you for hard or digital copies of these marketing materials. You agree that the amounts you contribute to the Ad Fund may be used for placement of advertising in television, radio, newspaper or other media as solely determined by HealthSource Chiropractic.

The Ad Fund will be accounted for separately from other funds of HealthSource Chiropractic, and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs, and overhead we may incur in activities reasonably related to the administration of the Ad Fund and its advertising programs (including without limitation conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Ad Fund). We may spend in any fiscal year an amount greater or less than the total contributions to the Ad Fund in that year. We may cause the Ad Fund to borrow from us or other lenders to cover deficits of the Ad Fund, or to invest any surplus for future use by the Ad Fund. You authorize us to collect for remission to the Ad Fund any advertising monies or credits offered by any supplier to you based upon purchases you make. We will prepare an annual, unaudited statement of monies collected and costs incurred by the Ad Fund and will make it available to you on written request.

You understand and acknowledge that the Ad Fund will be intended to maximize recognition of the Marks and the goodwill and patronage of HealthSource Chiropractic Clinic

franchises. Although we will endeavor to use the Ad Fund to develop advertising and marketing materials, and to place advertising in a manner that will benefit all HealthSource Chiropractic Clinic franchises, we undertake no obligation in developing, implementing, or administering advertising or promotional programs to ensure that expenditures by the Ad Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Ad Fund by HealthSource Chiropractic Clinic franchises operating in that geographic area, or that any HealthSource Chiropractic Clinic franchise will benefit directly or in proportion to its contribution to the Ad Fund from the development of advertising and marketing materials or the placement of advertising. HealthSource Chiropractic shall not be a fiduciary to you with respect to the management of the Ad Fund. Except as expressly provided in this Paragraph, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Ad Fund.

We will have the right to terminate the Ad Fund by giving you 30 days' advance written notice. All unspent monies on date of termination will be divided between HealthSource Chiropractic and the contributing HealthSource Chiropractic Clinic franchisees in proportion to our and their respective contributions. At any time thereafter, we will have the right to reinstate the Ad Fund under the same terms and conditions as described in this Paragraph (including the rights to terminate and reinstate the Ad Fund) by giving you thirty (30) days' advance written notice of reinstatement.

In addition to the Ad Fund, as stated in Paragraph 6.3b, we may establish a program in the future to provide additional marketing services to Clinic franchises. This program will involve the placement of individuals on a local basis to perform marketing activities for your benefit, subject to applicable law. This program will be optional for Clinic franchises. If you choose to use this marketing program, you must agree to pay the fee specified in Paragraph 6.3b. If we choose to establish this program in the future, and you choose to purchase this optional program, you agree to comply with all specifications and requirements contained in the Operations Manual concerning this program.

We may also offer franchises the opportunity to participate in marketing promotions that we will provide directly to the franchise's patients via email, telephone, mail, social media or other means. If you choose to use any of these optional marketing promotions, you must provide us

with confirmation that your patients who will receive the marketing materials have given permission to be contacted for such purposes.

11.2 **By Franchise Owner**

a. You must spend, in addition to any contributions to the Ad Fund and the Technology Fee, a minimum of five percent (5%) of the Franchise's gross revenues for local advertising, promotion and marketing. If we request it, you agree to provide us with evidence of your local advertising, marketing and promotional expenditures within 30 days after receiving such request.

b. You agree to list and advertise the Franchise in each of the internet and classified telephone directories distributed within your market area, and with such internet-based directories as we may specify, in those business classifications as we prescribe from time to time, using any standard form of internet and classified telephone directory advertisement we may provide.

c. On each occasion before you use them, samples of all local advertising and promotional materials not prepared or previously approved by us must be submitted to us for approval. If you do not receive our written disapproval within 15 days from the date we receive the materials, the materials will be deemed to have been approved. You agree not to use any advertising or promotional materials that we have disapproved. Our actual or deemed approval will not, however, mean that we have analyzed or approved any such materials with respect to any state, local or administrative law, rule or regulation that may be applicable to a franchise's practice of chiropractic in its State of licensure. **You will be solely responsible and liable to ensure that all advertising, marketing, and promotional materials and activities you prepare comply with applicable federal, state, and local law including any regulations established by your state's chiropractic board, and the conditions of any agreements or orders to which you may be subject.**

d. You irrevocably consent to the use of your name and likeness, including voice and image, by us and its respective affiliates, successors and assigns, for all commercial purposes, including advertising and promotion, in any media, throughout the world in perpetuity, including but not limited to, on the internet.

11.3 **Local and Regional Advertising Cooperatives.** We currently have no local or regional advertising cooperatives, but reserve the right to do so in the future.

11.4 **Websites**

a. You acknowledge and agree that any Website (as defined below) will be deemed “advertising” under this Agreement, and will be subject to, among other things, the need to obtain our prior written approval in accordance with Paragraphs 7.2 and 11.2. As used in this Agreement, the term “Website” means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate, and that refers to the Franchise, the Marks, us, and/or the System. The term Website includes, but is not limited to, internet and World Wide Web home pages. In connection with any Website, you agree to the following:

(1) Before establishing any Website, you will submit to us a sample of the Website format and information in the form and manner we may require.

(2) You will not establish or use any Website without our prior written approval. You will not develop, maintain, or authorize any other Website, other online presence, or other electronic medium that mentions or describes the Franchised Business, or displays any of the Marks without our prior written approval.

(3) In addition to any other applicable requirements, you will comply with our standards and specifications for Websites as we prescribe in the Operations Manual or otherwise in writing. If we require, you will establish your Website as part of our Website and/or establish electronic links to our Website.

(4) If you propose any material revision to the Website or any of the information contained on the Website, you will submit each such revision to us for our prior written approval.

b. We reserve the right to require you to use a Website controlled by us and to require you to use search engine optimization services. Further, we may establish a Website or a series of Websites for our System and Clinics (collectively, the “System Website”). If we include information about the Franchised Business on the System Website, you agree to give us the information and materials that we may periodically request concerning the Franchised Business, and to otherwise participate in the System Website in the manner that we may periodically require. By posting or submitting to us information or materials for the System Website, you are representing to us that the information and materials are accurate, not misleading, and do not infringe on any third party’s rights. We shall own all intellectual property and other rights in the System Website and all information it contains. We may implement and periodically modify

standards relating to the System Website and, at our option, may discontinue the System Website at any time. If we establish a System Website, all advertising, marketing, and promotional materials that you develop for your Franchised Business must contain the URL of the System Website in the manner that we periodically may designate.

c. We have contracted with third-parties to provide Website design, maintenance, hosting, and search engine optimization for our franchises and for the System Website, and certain technology-related annual conference expenses. You are required to use all of these services and are required to pay us a monthly fee, in an amount to be determined by us from time to time, for these services (the “Technology Fee”). We will pay the third-party providers directly. The amount you pay us may be less or more than the amount we pay to the third-party providers and may be used to offset internal costs related to the stated purposes of the Technology Fee.

12. ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS. You agree to establish and maintain at your own expense a bookkeeping, accounting, and record keeping system conforming to the requirements, data processing, and cash register systems and formats, if any, which we prescribe from time to time. These systems may include the capability of being polled by our central computer system or a third party designee, which you agree to permit. With respect to the operation and financial condition of the Franchise, you agree to furnish us in the form we prescribe from time to time: (1) if we request it, by the day of each month that we may specify, an electronic report of the Franchise’s gross revenues for the preceding month; (2) by the day of each month that we may specify, a written report of the Franchise’s gross revenues for the preceding month, and any other data, information, and supporting records that we may require; (3) by the day of each month that we may specify, a profit and loss statement for the preceding calendar month, and a year-to-date profit and loss statement and balance sheet; (4) within 90 days after the end of your fiscal year, a fiscal year-end balance sheet, and an annual profit and loss statement for that fiscal year, reflecting all year-end adjustments; and (5) such other reports as we prescribe from time to time. You must specify and sign each report and financial statement required by this section in the manner we prescribe. If we do not receive any report by the established deadline, then you must pay to us a non-refundable late fee of \$100.00, payable in a lump sum by the tenth (10th) day of the month following the month during which the late report was due. You agree to maintain and furnish upon our request complete copies of federal and state income tax returns you file with the internal revenue service and state tax departments, reflecting revenues and income of

the franchise or the corporation, partnership, or limited liability company that holds the Franchise. We reserve the right to require you to have audited or reviewed financial statements prepared by a certified public accountant on an annual basis.

13. INSPECTIONS AND AUDITS.

13.1 **Our Right to Inspect the Franchise.** To determine whether you and the Franchise are complying with this Agreement and the specifications, programs, standards, and operating procedures we prescribe for the operation of the Franchise, we or our agents, such as a “mystery shopper” service, have the right, at any reasonable time and without advance notice to you, to: (1) inspect the Premises; (2) observe the operations of the Franchise for such consecutive or intermittent periods as we deem necessary; (3) interview personnel of the Franchise; (4) interview customers of the Franchise; and (5) inspect and copy any books, referral sources, marketing and advertising, records and documents relating to the operation of the Franchise, including, without limitation, those required to be maintained and/or furnished under Section 12 above. You agree that we or our agents may record telephone calls placed to your Franchised Business. You agree to fully cooperate with us in connection with any of those inspections, observations and interviews and must promptly correct any deficiencies in the operation of your Franchise of which we advise you. You agree to present to your customers any evaluation forms we periodically prescribe, and agree to participate in, and/or request that your customers participate in, any surveys performed by or on our behalf. During any inspection of the Premises and/or the Franchise as contemplated under this Paragraph 13.1, we will comply with all laws and regulations applicable to us relating to any personal health information of your patients, as set forth in the business associate agreement that you must sign with us.

13.2 **Our Right to Audit.** We have the right at any time during business hours, and without advance notice to you, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the Franchise, and the books and records of any corporation, limited liability company, or partnership that holds the Franchise. You agree to fully cooperate with our representatives, agents, and any independent accountants we may hire to conduct any inspection or audit, and to pay upon demand any underpayment found to have occurred, plus interest at the past due payment rate set forth earlier in this Agreement. You agree to supply us or our representatives with true, accurate and complete copies of requested documents within 20 days of

the date of the request. If the inspection or audit is necessary because of your failure to furnish any reports, supporting records, other information or financial statements as required by this Agreement, or to furnish such reports, records, information, or financial statements on a timely basis, or if an understatement of gross revenues for any period is determined by an audit or inspection to be greater than two percent (2%), then you agree to reimburse us for the cost of such inspection or audit, including without limitation any attorneys' fees and/or accountants' fees we may incur, and the travel expenses, room and board, and applicable per diem charges for our employees. If an understatement of gross revenues for any period is determined by an audit or inspection to be greater than five percent (5%), then, in addition to any other remedies we may have, we may immediately terminate this Agreement upon notice to you, without any right to cure (see Section 15.1). The above remedies are in addition to all our other remedies and rights under this Agreement or under applicable law.

14. TRANSFER REQUIREMENTS.

14.1 **Organization.** If you are a corporation, partnership, limited liability company or other legal entity (or if this Agreement is assigned to a corporation, partnership, limited liability company or other legal entity with our approval), you represent and warrant to us that you are and will continue to be throughout the Term of this Agreement, duly organized and validly existing in good standing under the laws of the state of your incorporation, registration or organization, that you are qualified to do business and will continue to be qualified to do business throughout the Term of this Agreement in all states in which you are required to qualify, that you have the authority to execute, deliver and carry out all of the terms of this Agreement, and that during the Term of this Agreement the only business you (i.e., the corporate, partnership or limited liability entity) will conduct will be the development, ownership and operation of the Franchise.

14.2 **Interests in Franchise Owner; Reference to Exhibit 2.** You and each Principal Owner represent, warrant, and agree that all "Interests" in Franchise Owner are owned in the amount and manner described in Exhibit 2. No Interests in Franchise Owner will, during the Term of this Agreement, be "public" securities (i.e., securities that require, for their issuance, registration with any state or federal authority). (An "Interest" is defined to mean any shares, units, membership interests, or partnership interests of Franchise Owner and any other equitable or legal right in any of Franchise Owner's stock, revenues, profits, rights, or assets. When referring to Franchise Owner's rights or assets, an "Interest" means this Agreement, Franchise Owner's rights

under and interest in this Agreement, any HealthSource Chiropractic franchise, and the revenues, profits or assets of any HealthSource Chiropractic franchise.) You and each Principal Owner also represent, warrant, and agree that no Principal Owner's Interest has been given as security for any obligation (i.e., no one has a lien on or security interest in a Principal Owner's Interest), and that no change will be made in the ownership of an Interest other than as expressly permitted by this Agreement or as we may otherwise approve in writing. You and each Principal Owner agree to furnish us with such evidence as we may request from time to time to assure ourselves that the Interests of Franchise Owner and each of your Principal Owners remain as permitted by this Agreement, including a list of all persons or entities owning any Interest, as defined above.

14.3 **Transfer by HealthSource Chiropractic.** You represent that you have not signed this Agreement in reliance on any owner, officer, or employee remaining with us in that capacity. We may change our ownership or form at any time in our sole discretion. This Agreement is fully transferable by us, without restriction, and will inure to the benefit of any person or entity to whom it is transferred, or to any other legal successor to our interests in this Agreement. After our assignment of this Agreement to a third party who expressly assumes our obligations under this Agreement, we no longer will have any performance or other obligations or liabilities under this Agreement.

14.4 **No Transfer Without Approval.**

a. You understand and acknowledge that the rights and duties created by this Agreement are personal to you and that we have entered into this Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of you and your Principal Owners. Accordingly, if you Transfer or attempt to Transfer either this Agreement or any part of your interest in it, or any Interest of Franchise Owner or a Principal Owner, without our advance written approval, you will have breached this Agreement and we will have the right to terminate this Agreement under the terms of Article 15 below. In addition, any attempted Transfer by you of this Agreement or any part of your Interest in it, without our prior consent, is null and void.

b. As used in this Agreement the term "Transfer" means any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest, or occurrence of any other event which would or might change the ownership of any Interest, and includes, without limitation: (1) the Transfer of ownership of stock, units, membership interests, partnership interest

or other ownership interest; (2) merger or consolidation, or issuance of additional securities representing an ownership interest in Franchise Owner; (3) sale or issuance of stock, units, membership interests, partnership interest or other ownership interest; (4) Transfer of an Interest in a divorce proceeding or otherwise by operation of law; (5) Transfer or all, or substantially all, of the operating assets of the Franchised Business; or (6) Transfer of an Interest by will, declaration of or transfer in trust, or under the laws of intestate succession.

c. We will not unreasonably withhold consent to a Transfer of an Interest by a Principal Owner to a member of his or her immediate family or to one or more of your key employees, so long as all Principal Owners together retain a "controlling Interest" (i.e., the minimum ownership percentage listed in Exhibit 2), although we reserve the right to impose reasonable conditions on the Transfer as a requirement for our consent.

d. Interests owned by persons other than the Principal Owners ("minority owners") may be Transferred without our advance consent unless the Transfer would give that transferee and any person or group of persons affiliated or having a common interest with the transferee more than a collective twenty-five percent (25%) Interest in Franchise Owner, in which case our advance written approval for the Transfer must be obtained. In the event of any minority owner transfer, you will promptly notify us of the change in ownership or Interests. Your formal partnership, corporation or other formation documents and all stock certificates, partnership units or other evidence of ownership must recite or bear a legend reflecting the transfer restrictions of this Paragraph 14.4.

e. If you propose to Transfer this Agreement, the Franchise or its assets, or any Interest, or if any of your Principal Owners proposes to Transfer a controlling Interest in you or make a Transfer that is one of a series of Transfers which taken together would constitute the Transfer of a controlling Interest in you, then you must apply to us for approval of such Transfer sign such forms and procedures as we have in effect at that time, the person or entity to whom you wish to make the Transfer ("Proposed New Owner") must apply to us for acceptance as a franchisee, and you must submit to us all of the information and documentation required for us to evaluate the proposed Transfer and to confirm that all of the conditions set forth in Section 14.5 below have been, or will be, satisfied.

14.5 **Conditions for Approval of Transfer.** If you and your Principal Owners are in full compliance with this Agreement, both monetary and otherwise, we will not unreasonably

withhold our approval of a Transfer that meets all the applicable requirements of this Section 14. The Proposed New Owner must be of good moral character and otherwise meet our then applicable standards for HealthSource Chiropractic Clinic franchisees. For any proposed Transfer, all of the following conditions must be met before or at the time of the Transfer:

- a. in our belief and judgment, the Proposed New Owner must have sufficient business experience, aptitude, and financial resources to operate the Franchise;

- b. you must pay any amounts owed for purchases from us and our affiliates, and any other amounts owed to us or our affiliates which are unpaid, including any Initial Franchisee Fee, Continuing Franchise Fees, and Advertising Fees;

- c. the Proposed New Owner's directors and such other personnel as we may designate must have successfully completed our Initial Training program and shall be legally authorized and have all licenses necessary to perform the services offered by the Franchise. The Proposed New Owner shall be responsible for any wages and compensation owed to, and the travel and living expenses (if the Initial Training program is not held virtually in the future, and including all transportation costs, room, board and meals) incurred by, the attendees who attend the Initial Training program;

- d. if your lease for the Premises requires it, the lessor must have consented to the assignment of the lease of the Premises to the Proposed New Owner;

- e. you must pay us a non-refundable Transfer fee in the amount of \$10,000.00 concurrently with the execution of the Transfer Agreement, described in Section 14.5f below, and you must reimburse us for any reasonable expenses incurred by us in investigating and processing any Proposed New Owner where the Transfer is not consummated for any reason;

- f. you and your Principal Owners must execute a Transfer Agreement, which will include (i) a general release (in a form satisfactory to us) of any and all claims you and/or they may have against us, our affiliates, and our and our affiliates' respective officers, directors, employees, and agents, and (ii) acknowledgment that the restrictive covenants set forth in Article 9 of this Agreement will survive the Transfer to the extent set forth therein;

- g. we must approve the material terms and conditions of the proposed Transfer, including without limitation that the price and terms of payment are not so burdensome as to adversely affect the operation of the Franchise;

h. the Franchise and the Premises shall have been placed in an attractive, neat and sanitary condition.

i. you and your Principal Owners must enter into an agreement with us providing that all obligations of the Proposed New Owner to make installment payments of the purchase price (and any interest on it) to you or your Principal Owners will be subordinate to the obligations of the Proposed New Owner to pay any amounts payable under this Agreement or any new Franchise Agreement that we may require the Proposed New Owner to sign in connection with the Transfer, and containing a general release of any claims that you may have against us.

j. the Franchise shall have been determined by us to contain all equipment and fixtures in good working condition, as were required at the initial opening of the Franchise. The Proposed New Owner shall have agreed, in writing, to make such reasonable capital expenditures to remodel, equip, modernize and redecorate the interior and exterior of the premises in accordance with our then existing plans and specifications for a HealthSource Chiropractic Clinic franchise, and shall have agreed to pay our expenses for plan preparation or review, and site inspection.

k. Upon receiving our consent for the Transfer or sale of the Franchise, the Proposed New Owner shall agree to assume all of your obligations under this Agreement in a form acceptable to us, and/or, at our option, shall agree to execute a new Franchise Agreement with us in the form then being used by us. We may, at our option, require that you guarantee the performance, and obligations of the Proposed New Owner.

14.6 **Death and Disability.** Upon the death or permanent disability of you or a Principal Owner, the executor, administrator, conservator or other personal representative of the deceased or disabled person must Transfer the deceased or disabled person's Interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we have approved. Such Transfers, including without limitation transfers by a will or inheritance, will be subject to all the terms and conditions for assignments and Transfers contained in this Agreement. Failure to so dispose of an Interest within the 12-month period of time will constitute grounds for termination of this Agreement.

14.7 **Effect of Consent to Transfer.** Our consent to a proposed Transfer pursuant to this Section 14 will not constitute a waiver of any claims we may have against you or any Principal Owner, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the Proposed New Owner. Unless otherwise specified

in writing, you will be subject to all post-Transfer/post-termination obligations set forth in this Agreement.

15. TERMINATION OF THE FRANCHISE.

15.1 **Event of Default.** Subject to applicable law, you will be deemed to be in default under this Agreement, and we will have the right to terminate this Agreement effective upon delivery of notice of termination to you, subject only to any right to cure to the extent expressly set forth below or mandated pursuant to applicable law, if:

a. you do not develop or open the Franchise, or you (or any individuals required to attend) fail to attend and/or successfully complete any required initial training or subsequent mandatory training, in accordance with all terms and conditions (including, without limitation, time limits) provided for in this Agreement;

b. you abandon, surrender, transfer control of, lose the right to occupy the Premises of, or do not actively operate, the Franchise, or your lease for or purchase of the location of the Franchise is terminated for any reason;

c. you or your Principal Owners assign or Transfer this Agreement, any Interest, the Franchise, or assets of the Franchise without complying with the provisions of Section 14;

d. you are adjudged a bankrupt, become insolvent or make a general assignment for the benefit of creditors, or you fail to satisfy any judgment rendered against you for a period of 30 days after all appeals have been exhausted;

e. you use, sell, distribute or give away any services or products, or use any patient referral or marketing service, that has not been formally approved by us in writing and in advance for your specific Franchise or for the System as a whole;

f. you or any of your Principal Owners are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense that is likely to adversely affect the reputation of HealthSource Chiropractic, the Franchise, and/or the goodwill associated with the Marks, or otherwise engage in any dishonest, unethical, or other conduct that is reasonably likely to reflect materially and unfavorably on the goodwill or reputation of your Franchised Business, the Marks or the System;

g. you or any of your employees violate any health or safety law, ordinance or regulation, or operate the Franchise in a manner that presents a health or safety hazard to your customers or the public;

h. you do not pay when due any monies owed to us or our affiliates, and do not make such payment within ten (10) days after written notice is given to you (unless a longer cure period is otherwise required by applicable law, in which case such longer period shall apply);

i. if you under-report gross revenues for any period, as determined by an audit or inspection, in an amount greater than five percent (5%);

j. you or any of your Principal Owners fail to comply with any other provision of this Agreement, any other agreement with us, or any mandatory specification, program, standard, or operating procedure within 30 days after written notice of such failure to comply is given to you (unless a longer cure period is otherwise required by applicable law, in which case such longer period shall apply);

k. you fail to submit when due any financial statements, reports or other data, information, or supporting records; or

l. you or any of your Principal Owners fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not such failures to comply are corrected after notice is given to you or your Principal Owners.

Notwithstanding the foregoing, in the event you fail to timely and expressly assume, ratify or confirm this Agreement in any bankruptcy proceeding and you cease, or have ceased, performance hereunder in any respect, then all rights granted to you under this Agreement shall immediately and automatically terminate and revert to us without further notice to you or action on our part.

15.2 **Legal Requirements.** In addition, if, in the opinion of our legal counsel, any provision of this Agreement is contrary to law, then this Agreement shall remain in full force and effect and you and we agree to negotiate in good faith an amendment that would make this Agreement conform to the applicable legal requirements. If you and we are unable to reach such an agreement within 30 days after notice of the issue is given to the other party, or if fundamental changes to this Agreement are required to make it conform to the legal requirements, then we reserve the right to terminate this Agreement upon notice to you, in which case neither party shall have any liability to the other but all of your post-termination obligations set forth in Section 16 shall apply.

15.3 **Our Remedies upon Termination.** In the event that we terminate this Agreement under Section 15.1 or other applicable provisions of this Agreement, but excluding the circumstances described in Section 15.2, all rights granted to you under this Agreement shall

immediately and automatically terminate and revert to us, and we shall be entitled, to recover from you any and all of the foregoing:

a. in those states in which such termination fees are enforceable, to receive from you a termination fee in the amount equal to one-half (1/2) of our then-current initial franchise fee for new HealthSource Chiropractic Start-up Clinic franchises; and

b. an amount equal to your average monthly Continuing Franchise Fee, Ad Fund contribution, and Technology Fee multiplied by the number of months remaining in the Term of this Agreement, discounted by a present value discount factor of five percent (5%) and any additional actual, economic, consequential and indirect damages incurred by us including, without limitation, the loss of future revenues (which we both agree include the expected amount of Continuing Franchise Fees, Ad Fund contributions, and Technology Fees payable by you for the remainder of the Term of this Agreement); and

c. all costs and expenses, including attorneys' fees, incurred in connection with the termination, collection of the termination fee and/or damages, and audit fees and expenses.

15.4 **Withholding of Performance.** HealthSource Chiropractic will perform its obligations under this Agreement if you are in full compliance with all or your duties and obligations to HealthSource Chiropractic under this Agreement and the Operations Manual (including any documents incorporated therein). If you are not in such compliance, we may, in our sole judgment, do any or all of the following until you fully correct the breach or default or HealthSource Chiropractic terminates this Agreement:

a. deny you access to the HealthSource Chiropractic website or Intranet;

b. remove your Franchised Business from the Franchised Business locator page and/or remove your interior pages, on the HealthSource Chiropractic Website;

c. remove your Franchised Business from the list of Franchised Businesses to which inquiries are referred;

d. remove your Franchised Business from the list of Franchised Businesses that are entitled to HealthSource Chiropractic-related discounts from approved vendors; and/or

e. remove your Franchised Business from the list of Franchised Businesses that are approved to participate in national or other alliance programs.

HealthSource Chiropractic may take any or all of these actions in addition to or instead of giving you notice of default and/or termination under this Agreement. You acknowledge and agree

that HealthSource Chiropractic's withholding of performance services in accordance with this Section 15.4 will not constitute a breach of this Agreement and/or a defense to the enforcement by us of any provision of this Agreement, including the right to receive payment of Continuing Franchise Fees as provided in Section 6.2. You also acknowledge and agree that, should we choose to withhold performance rather than terminate this Agreement, HealthSource Chiropractic's failure to exercise its right to terminate this Agreement will in no way constitute a waiver of its subsequent right to terminate this Agreement for the specified default or for any other default or to exercise any other remedies available to us under this Agreement, at law, or in equity.

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

16.1 Payment of Amounts Owed to HealthSource Chiropractic. You agree to pay us within five (5) days after the effective date of termination or expiration of the Franchise, or any later date that the amounts due to us are determined, all amounts owed to us or our affiliates which are then unpaid including, without limitation, any unpaid Initial Franchise Fee, any unpaid Continuing Franchise Fees, and any termination fee, damages, costs or expenses owed by you pursuant to Section 15.3, together with any audit costs and expenses owed by you pursuant to Section 13.2.

16.2 Marks. Use of the Marks and Copyrightable Works after the termination or expiration of the Clinic Franchise will constitute the unlawful use of our intellectual property rights, which include trademarks and service marks. You agree that after the termination or expiration of the Franchise you will:

- a. not directly or indirectly at any time identify any business with which you are associated as a current or former HealthSource Chiropractic franchisee or franchisee;

- b. not use any Mark, any colorable imitation of any Mark, or any Copyrightable Works in any manner or for any purpose, or use for any purpose any trademark or other commercial symbol that suggests or indicates an association with us;

- c. return to us or destroy (whichever we specify) all customer lists, forms and materials containing any Mark or any Copyrightable Works or otherwise relating to a HealthSource Chiropractic franchise;

- d. remove all Marks affixed to uniforms or, at our direction, cease to use those uniforms; and

e. take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark.

You irrevocably appoint HealthSource Chiropractic your attorney-in-fact to take the actions described in this paragraph if you do not do so yourself within 10 days after termination of this Agreement.

16.3 **De-Identification.** If you retain possession of the Premises, you agree to completely remove or modify, at your sole expense, any part of the interior and exterior decor that we deem necessary to disassociate the Premises with the image of a HealthSource Chiropractic franchise, including any signage, posters, furniture, equipment, products, or display units bearing the Marks. If you do not take the actions we request within 10 days after notice from us, we have the right to enter the Premises and make the required changes at your expense, and you agree to reimburse us for those expenses on demand. You irrevocably appoint HealthSource Chiropractic your attorney-in-fact to take the actions described in this paragraph if you do not do so yourself within 10 days after termination of this Agreement.

16.4 **Confidential Information.** You agree that on termination or expiration of the Franchise you will immediately cease to use any of the Confidential Information and agree not to use it in any business or for any other purpose. You further agree that all non-disclosure and related covenants set forth in Section 9 above shall survive such termination or expiration and you will immediately return to us all copies of the Operations Manual and any written Confidential Information or other confidential materials that we have loaned or provided to you.

16.5 **Other Actions.** Upon termination of this Agreement for any reason, and in addition to any other provisions contained in this Agreement, the parties will have the following further rights and obligations:

a. You must promptly execute any documents and take any steps that in the judgment of HealthSource Chiropractic are necessary to delete your listings from classified telephone directories and on-line listings, disconnect, or, at HealthSource Chiropractic 's option, assign to it all telephone numbers that have been used in your Franchised Business, assign to HealthSource Chiropractic any URLs, domain names, and social media and social networking names that you have used in connection with your Franchised Business, and terminate all other references that indicate you are or ever were affiliated with HealthSource Chiropractic. By signing this Agreement, you irrevocably appoint HealthSource Chiropractic your attorney-in-fact to take the

actions described in this paragraph if you do not do so yourself within 10 days after termination of this Agreement. If HealthSource Chiropractic chooses not to have you assign the telephone numbers to it, you may not assign the telephone number to any competitive business, use automatic forwarding to the telephone number of any competitive business, or otherwise make the telephone number directly or indirectly available to any competitive business.

b. Your Principal Owners and General Manager must immediately comply with the restrictive covenants set forth in this Agreement and any Restrictive Covenants Agreement signed by your General Manager, as applicable.

c. You must give HealthSource Chiropractic a final accounting for your Franchised Business, and you must maintain all accounts and records for your Franchised Business for a period of not less than seven years after final payment of any amounts you owe to HealthSource Chiropractic, its affiliates, and/or related persons when this Agreement is terminated, but you may not sell, disclose, or otherwise transfer any of the information contained in those accounts and records (other than patient records needed for their continuing care) to, or for use by, any competitive business.

If this Agreement is terminated because of your default, the rights of HealthSource Chiropractic described above or elsewhere in this Agreement may not necessarily be HealthSource Chiropractic's exclusive remedies but will instead supplement any other equitable or legal remedies available to HealthSource Chiropractic, including the right to withhold performance as provided in Section 15.4 of this Agreement. If this Agreement is terminated because of your default, nothing in this Section 16.5 may be construed to deprive HealthSource Chiropractic of the right to recover damages as compensation for lost profits.

16.6 **Continuing Obligations.** All obligations of this Agreement (whether yours or ours) that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire. Without limiting the foregoing, you acknowledge and agree that your covenants in Article 9 above survive the termination or expiration of this Agreement to the extent set forth in such Article 9.

17. ENFORCEMENT.

17.1 Invalid Provisions; Substitution of Valid Provisions.

a. To the extent that any of the non-competition, non-solicitation, or other restrictive covenants of this Agreement are deemed unenforceable because of their scope in terms of area, business activity prohibited, length of time, or other terms, you agree that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in such provision under the laws applied in the forum in that we are seeking to enforce such provision.

b. If any lawful requirement or court order of any jurisdiction (1) requires a greater advance notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action which is not required by this Agreement, or (2) makes any provision of this Agreement or any specification, program, standard, or operating procedure we prescribed invalid or unenforceable, then the advance notice and/or other action required or revision of the specification, program, standard, or operating procedure will be substituted for the comparable provisions of this Agreement in order to make the modified provisions enforceable to the greatest extent possible. You agree to be bound by the modification to the greatest extent lawfully permitted.

c. If a state regulator requires an amendment to this Agreement, the amendment is attached to this Agreement. We will not, however, be precluded from contesting the validity, enforceability, or applicability of such regulator's required amendment in any action relating to this Agreement or to its rescission or termination.

17.2 **Unilateral Waiver of Obligations.** Either you or we may, by written notice, unilaterally waive or reduce any obligation or restriction of the other under this Agreement. The waiver or reduction may be revoked at any time for any reason on 10 days' written notice.

17.3 **Written Consents from HealthSource Chiropractic.** Whenever this Agreement requires our advance approval 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.

17.4 **Lien.** To secure your performance under this Agreement and indebtedness for all sums due us or our affiliates, we shall have a lien upon, and you hereby grant us a security interest in, the following collateral and any and all additions, accessions, and substitutions to or for it and

the proceeds from all of the same: (a) all inventory now owned or after-acquired by the Franchise, including but not limited to all inventory and supplies transferred to or acquired by you in connection with this Agreement; (b) all accounts of the Franchise now existing or subsequently arising, together with all interest in the Franchise, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; (c) all contract rights of the Franchise, now existing or subsequently arising including, without limitation, accounts receivable and other contractual rights to payment from others; (d) all general intangibles of the Franchise, now owned or existing, or after-acquired or subsequently arising including, without limitation, all awards, damages, payments, escrowed monies, insurance proceeds, and interest, fees, charges or payments accruing on or received from or to be received on any of the foregoing in any way; and (e) all products, proceeds, substitutions, and replacements of any of the above described collateral. You agree to execute such financing statements, instruments, and other documents, in a form satisfactory to us, that we deem necessary so that we may establish and maintain a valid security interest in and to these assets, and you authorize us to file, without your signature, such financing statements as we shall deem necessary or advisable to reflect the security interest granted herein.

17.5 **No Guarantees.** If in connection with this Agreement 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, then we will not be deemed to have made any warranties or guarantees upon which you may rely and will not assume any liability or obligation to you.

17.6 **No Waiver.** If at any time we do not exercise a right or power available to us under this Agreement or do not insist on your strict compliance with the terms of the Agreement, or if there develops a custom or practice that is at variance with the terms of this Agreement, then we will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement at a later time. Similarly, our waiver of any particular breach or series of breaches under this Agreement, or of any similar term in any other agreement between us and any other HealthSource Chiropractic franchisee will not affect our rights with respect to any later breach. It will also not be deemed to be a waiver of any breach of this Agreement for us to accept payments that are due to us under this Agreement.

17.7 **Cumulative Remedies.** The rights and remedies specifically granted to either you or us by this Agreement will not be deemed to prohibit either you or us from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

17.8 **Specific Performance; Injunctive Relief; Liquidated Damages.**

a. Equitable Remedies. Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to the entry of temporary and permanent injunctions and orders of specific performance to (1) enforce the provisions of this Agreement relating to your use of the Marks and non-disclosure, non-solicitation, non-disparagement, and non-competition obligations under this Agreement and any Restrictive Covenants Agreement signed by a General Manager; (2) prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance, or regulation; constitutes a danger to the public; or may impair the goodwill associated with the Marks or HealthSource Chiropractic franchises; or (3) prevent any other irreparable harm to our interests. If we obtain an injunction or order of specific performance, then you shall pay us an amount equal to the total of our costs of obtaining it, including without limitation reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision. You further agree to waive any claims for damage in the event there is a later determination that an injunction or specific performance order was issued improperly.

b. Liquidated Damages. You agree that precise damages are difficult to calculate for a breach or violation of the provisions of Section 9 of this Agreement. Therefore, if you breach or violate Section 9 of this Agreement it is agreed that we would suffer actual damages of at least Fifty Thousand Dollars. In addition to any liquidated damages permitted herein, you must pay to us any and all actual damages in excess of the liquidated amount, plus all attorneys' fees incurred by us as a direct or indirect result of any breach or violation of this Agreement.

17.9 **Arbitration.**

a. **Agreement to Arbitrate.** Except insofar as we elect to enforce this Agreement or to seek temporary or permanent injunctive relief as provided above, all controversies, disputes or claims arising between us, our affiliates, and our and their respective owners, officers, directors, agents, and employees (in their representative capacity) and you (and your Principal Owners and guarantors) arising out of or related to: (1) this Agreement, any

provision thereof, or any related agreement (except for any lease or sublease with us or any of our affiliates); (2) the relationship of the parties hereto; (3) the validity of this Agreement or any related agreement, or any provision thereof; or (4) any specification, standard or operating procedure relating to the establishment or operation of the Franchise, shall be submitted for arbitration to be administered by the office of the American Arbitration Association.

b. **Place and Procedure.** Such arbitration proceedings shall be conducted in Lorain County, Ohio, and, except as otherwise provided in this Agreement, shall be conducted in accordance with then current commercial arbitration rules of the American Arbitration Association, and the arbitration hearing shall be conducted before a single arbitrator, not a panel.

c. **Costs of Arbitration.** You and we acknowledge and agree that neither party shall be permitted to bring or maintain any actions, claims or counter-claims against the other party in any arbitration proceeding unless the party asserting such action, claim or counterclaim timely pays all costs and fees charged to it by the American Arbitration Association and one-half of all charges and fees of the designated arbitrator for the proceeding, as and when billed. In the event a party fails to pay all costs and fees charged to it by the American Arbitration Association and one-half of all charges and fees of the designated arbitrator for the proceeding, as and when billed, the arbitrator is directed to dismiss any actions, claims or counter-claims brought by such party in the arbitration.

d. **Awards and Decisions.** The arbitrator shall have the right to award or include in his award any relief that he or she deems proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief (including permanent, temporary, and preliminary injunctive relief), attorneys' fees, and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties to this agreement, and judgment on the award may be entered in any court of competent jurisdiction, and each such party waives any right to contest the validity or enforceability of such award.

e. **Arbitration Discovery.** Discovery under the arbitration will be limited to the following for each side: (i) three depositions totaling 12 hours; (ii) six interrogatories each consisting of no more than 12 questions (with no subparts); and (iii) three document requests.

The discovery may also be limited in any other manner as specified by the arbitrator, who will limit discovery to the greatest extent possible consistent with basic fairness.

f. **Survival; Third Parties.** The provisions of this Paragraph are intended to benefit and limit third party non-signatories so that they are bound hereby and will continue in full force and effect subsequent to, and notwithstanding expiration or termination of, this Agreement.

g. **No Class Action or Consolidation.** You and we agree that any such arbitration shall be conducted on an individual, not a joint or class-wide basis, and shall not be consolidated with any other arbitration proceeding.

h. **Internal Mediation Prior to Arbitration.** Except insofar as we elect to enforce this Agreement or to seek temporary or permanent injunctive relief as provided in Section 17.8 of this Agreement, before either party commences an arbitration under this Section, the parties agree that, as a condition precedent to the filing or commencement of any arbitration, they will attempt to resolve any dispute through internal mediation between the parties to be conducted in a mutually agreeable location or, if no such location is agreed upon within 10 days after a request for mediation, then at our corporate headquarters. In the event that no settlement or resolution between the parties can be reached through internal mediation within thirty (30) days following the date on which a written request for internal mediation is made by any party, such dispute shall be submitted for arbitration pursuant to this Section. “Internal mediation” shall consist of, among other things, the parties having reasonable business discussions, whether by telephone or in person, concerning the dispute and means of resolving the same.

17.10 **Waiver of Certain Damages and Jury Trial; Limitations of Actions.** Except with respect to your obligations to indemnify us and claims that we may bring under Sections 7, 9, 15, or 16 of this Agreement, and except for claims arising from your non-payment or underpayment of any amounts owed to us or our affiliates, (1) any and all claims arising out of or related to this Agreement or the relationship between you and us shall be barred, by express agreement of the parties, unless an action or proceeding is commenced within two (2) years from the date the cause of action accrues; and (2) you hereby waive to the fullest extent permitted by law, any right to or claim for any indirect, special, consequential, incidental, punitive, exemplary, or treble damages, and other forms of multiple damages, against us, including without limitation,

any economic loss, property damage, physical injury, or lost profits arising out of this Agreement, your use of the Marks, the System, or your inability to use the Marks or the System, regardless of whether arising under breach of contract, warranty, tort, strict liability, or any other legal or equitable theory or claim, even if such loss or damage could have been reasonably foreseen. Further, you agree that, except to the extent provided to the contrary in this Agreement, in the event of a dispute between you and us, you will be limited to the recovery of any actual damages sustained by you. You and we irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either you or us.

17.11 Governing Law/Consent To Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) and except that all issues relating to arbitrability or the enforcement or interpretation of the agreement to arbitrate set forth in Section 17.9 which will be governed by the United States Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law relating to arbitration, this Agreement and the Franchise will be governed by the internal laws of the State of Ohio (without reference to its choice of law and conflict of law rules), except that the provisions of any Ohio law relating to the offer and sale of business opportunities or franchises or governing the relationship of a franchisor and its franchisees will not apply unless their jurisdictional requirements are met independently without reference to this Paragraph. You agree that the venue for any action arising out of or relating to this Agreement (which is not required to be arbitrated hereunder or as to which arbitration is waived) shall be in any state or federal court of general jurisdiction in Lorain County, Ohio, unless otherwise mutually agreed by the parties in writing, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

17.12 Binding Effect. This Agreement is binding on and will inure to the benefit of our successors and assigns and, subject to the Transfers provisions contained in this Agreement, will be binding on and inure to the benefit of your successors and assigns, and if you are an individual, on and to your heirs, executors, and administrators.

17.13 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 that is not a party to this Agreement, and no other party shall have any rights because of this Agreement. Without limiting the generality of the foregoing, you acknowledge and agree that you will not make any allegation or take any position with respect to a third party claim that is contrary to the foregoing sentence or Article 19 below.

17.14 **Construction.** All headings of the various Sections and Paragraphs of this Agreement are for convenience only, and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. The term "affiliate" as used in this Agreement is applicable to any company directly or indirectly owned or controlled by you or your Principal Owners, or any company directly or indirectly owned or controlled by us that sells products or otherwise transacts business with you.

17.15 **Joint and Several Liability.** If two (2) or more persons are the Franchise Owner under this Agreement, their obligation and liability to us shall be joint and several.

17.16 **Multiple Originals.** This Agreement will be executed using multiple copies, each of which will be deemed an original.

17.17 **Timing Is Important.** Time is of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this case, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

17.18 **Independent Provisions.** The provisions of this Agreement are deemed to be severable. In other words, the parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement.

17.19 **Exercise of Discretion.** Whenever this Agreement gives HealthSource Chiropractic discretion to take an action or make a decision, HealthSource Chiropractic will be allowed to take or make (or refrain from taking or making) that action or decision based on its

business judgment. Even if HealthSource Chiropractic has numerous motives for a particular action or decision and/or there are other reasonable and/or arguably preferable alternatives to a particular action or decision, so long as at least one motive is a reasonable business justification, the action or decision will not be subject to challenge for abuse of discretion. IF THE EXERCISE OF HEALTHSOURCE CHIROPRACTIC'S DISCRETION AS TO ANY MATTER IS CHALLENGED, THE PARTIES EXPRESSLY DIRECT THE TRIER OF FACT THAT HEALTHSOURCE CHIROPRACTIC'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF HEALTHSOURCE CHIROPRACTIC'S DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR ITS DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

18. NOTICES AND PAYMENTS.

All written notices, reports and payments permitted or required under this Agreement or by the Operations Manual will be deemed delivered: (a) at the time delivered by hand; (b) one (1) business day after transmission by telecopy, facsimile or other electronic system; (c) one (1) business day after being placed in the hands of a reputable commercial courier service for next business day delivery; or (d) three (3) business days after placed in the U.S. mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and addressed to the party to be notified or paid at the address below, or its most current principal business address of which the notifying party has been advised, or to any other place designated by either party. Any required notice, payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before it is due) will be deemed delinquent. Notice shall be sent to the following addresses:

To us: HealthSource Chiropractic, LLC
36901 American Way, Suite 7
Avon, Ohio 44011

To you: The address(es) listed in Exhibit 2.

19. INDEPENDENT PROFESSIONAL JUDGMENT OF YOU AND YOUR GENERAL MANAGER.

You and we acknowledge and agree that the specifications, programs, standards, and operating procedures related to the services offered by the Franchise under this Agreement are not intended to limit or replace the professional judgment of you, or any General Manager or any employee of the Franchise, in supervising and performing the services offered by your Franchise. The specifications, programs, standards, and operating procedures represent only the minimum standards, and you and your General Manager (if any) are solely responsible for ensuring that the Franchise performs services in accordance with all applicable laws, rules, regulations, requirements and standards of care.

Nothing in this Agreement shall obligate you or your General Manager (if any) to perform any act that is contrary to your or your General Manager's (if any) professional judgment; provided, however, that you must notify us immediately upon your determination that any specification, program, standard or operating procedure is contrary to your or your General Manager's (if any) professional judgment. Without limiting the generality of the foregoing, you acknowledge and agree that nothing contained in this Agreement or in any other agreement entered into by you in connection with this Agreement, shall be deemed to: (a) grant ownership or exclusive control of your patient records to us or any third party; (b) grant us direct or indirect control over the hiring or firing of any of your personnel who provide clinical services to your patients, or otherwise enable us to influence or control your employment decisions and practices; (c) impose, directly or indirectly, any requirements that affect your exercise of professional judgment in creating treatment plans and delivering clinical services and products to patients; or (d) directly or indirectly transfer legal liability from you to us with respect to the content of advertising or the implementation of any marketing program undertaken to promote your practice.

You further acknowledge and agree that all services and products that constitute the practice of chiropractic in your State will be provided to patients only by health care professionals that are duly licensed to provide the applicable services and products, in accordance with all applicable laws, rules and regulations, and that no entity (including us or any entity that you may form to operate your Franchised Business) will have any authority, control or influence over the scope of such services or products or the manner in which they are supplied. In the event that you enter into any Management Agreement or similar arrangement with respect to the provision of any

professional services, we reserve the right, but do not assume the obligation, to review and approve such agreement.

20. ENTIRE AGREEMENT.

This Agreement, together with the introduction and exhibits to it, constitutes the entire agreement between us, and there are no other oral or written understandings or agreements between us concerning the subject matter of this Agreement. Notwithstanding, in accordance with federal law, nothing in this Agreement shall require you to waive reliance on any representation made in the FDD. This Agreement may be modified only by written agreement signed by both you and us, except that we may modify the Operations Manual at any time as provided herein.

You will also be required to execute the Franchise Disclosure Document Questionnaire attached hereto as Exhibit 5, concurrently with or before signing this Agreement, and all of your statements and representations contained in that document are deemed to be incorporated into this Agreement, effective as of the day you sign this Agreement.

[Document Continues Below]

BY SIGNING THIS AGREEMENT, YOU REPRESENT, ACKNOWLEDGE AND AGREE THAT NO REPRESENTATIONS OR PROMISES OF ANY KIND HAVE BEEN MADE BY HEALTHSOURCE CHIROPRACTIC TO INDUCE YOU TO EXECUTE THIS AGREEMENT EXCEPT THOSE SPECIFICALLY STATED IN THE FRANCHISE DISCLOSURE DOCUMENTS THAT HAVE BEEN DELIVERED TO YOU. YOU ACKNOWLEDGE THAT NEITHER HEALTHSOURCE CHIROPRACTIC NOR ANY OTHER PERSON HAS GUARANTEED THAT YOU WILL SUCCEED IN THE OPERATION OF YOUR FRANCHISED BUSINESS. YOU HAVE MADE AN INDEPENDENT INVESTIGATION OF ALL IMPORTANT ASPECTS OF THE FRANCHISE. YOU UNDERSTAND THAT HEALTHSOURCE CHIROPRACTIC IS NOT A FIDUCIARY AND HAS NO SPECIAL RESPONSIBILITIES BEYOND THE NORMAL RESPONSIBILITIES OF A SELLER IN A BUSINESS TRANSACTION.

The parties to this Agreement now execute and deliver this Agreement in multiple counterparts as of the date of the last signature below.

HealthSource Chiropractic, LLC

By: _____

Title: _____

Date: _____

FRANCHISE OWNER

Print Name: _____

Signature(s): _____

Date: _____

[NOTE: If the Franchise Owner is a corporation, partnership, LLC or other entity, please include the title of each signing party, and have each Principal Owner sign the Personal Guaranty form]

EXHIBIT 1 TO THE HEALTHSOURCE CHIROPRACTIC FRANCHISE AGREEMENT

FRANCHISE AGREEMENT EXPIRATION DATE

PROTECTED TERRITORY

FRANCHISE OPENING

1-1 **Expiration Date ; Continuing Franchise Fee.** Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement will expire on _____.

1-2 **Protected Territory.** The Protected Territory referred to in Section 2.3 of this Agreement shall be depicted by a map of the Protected Territory, signed or initialed and dated by you and us, that may be attached hereto or otherwise agreed upon in writing by the parties, and such map shall be deemed to be incorporated herein by reference.

1-3 **Franchise Opening Schedule.** In signing the foregoing Agreement to which this Exhibit 1 is attached, you acknowledge that:

1. You have purchased the Franchise to which the Agreement corresponds as one of a group of _____ (_____) HealthSource Chiropractic Clinic Franchises. You will establish these Franchises as Start-up / Conversion (circle one) Clinics.

2. The Franchise to which this Agreement corresponds constitutes Franchise number _____ of the Franchises mentioned above.

3. You must open each Franchise mentioned above within a certain time period specified by us, the length of which depends upon the number of Franchises you have purchased and the number of these Franchises that you have developed and opened for business before developing and opening the Franchise to which the Agreement corresponds.

4. You must open the Franchise to which this Agreement corresponds within the following time period (the "Opening Deadline"), subject to the requirements of Paragraphs 0 and 0, and any other applicable provision of the Agreement: _____

EXHIBIT 2 TO THE HEALTHSOURCE CHIROPRACTIC FRANCHISE AGREEMENT

OWNERSHIP INTERESTS IN FRANCHISE OWNER

2-1. Full name and address of the owners of, and a description of the type of, all currently held Interests in Franchise Owner:

	Name	Address	Interest held, including percentage	Required minimum ownership interest
Franchise Owner			N/A	N/A
Principal Owner				
Principal Owner				
Principal Owner				
Principal Owner				

Attach Additional Sheet for Principal Owners, if required.

2-2. Minimum individual and aggregate Principal Owner ownership percentage required at all times during the Term of this Agreement:

2-2.1 During the Term of this Agreement, the Principal Owners together must have a "controlling interest" (i.e., a 100 percent "ownership interest" of the equity, voting control and profits) in Franchise owner.

2-2.2 Unless otherwise permitted, the required minimum "ownership interest" of each Principal Owner during the Term of this Agreement is as set forth above.

2-3. Each Principal Owner must sign the Owner's Guaranty and Assumption of Obligations that is attached as Exhibit 3.

EXHIBIT 3
OWNER'S GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of the foregoing Franchise Agreement dated _____, 20____ ("Agreement") by and between HealthSource Chiropractic, LLC ("us") and the Franchise Owner, _____ [insert name of franchisee], each of the undersigned owners of the Franchise Owner("you", for purposes of this Guaranty only), hereby personally and unconditionally (1) guarantees to us and our successors and assigns that the Franchise Owner will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally bound by, and personally liable for the prompt and full performance of, and any breach of, each and every provision in the Agreement, including without limitation, monetary obligations, the obligations to take or refrain from taking certain actions and arbitration of disputes.

Each of you waives (1) protest and notice of default, demand for payment or nonperformance of any obligations guaranteed by this Guaranty; (2) any right you may have to require that an action be brought against Franchise Owner or any other person as a condition of your liability; (3) all right to payment or reimbursement from, or subrogation against, the Franchise Owner which you may have arising out of your guaranty of the Franchise Owner's obligations; and (4) any and all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantor.

Each of you consents and agrees that (1) your direct and immediate liability under this Guaranty shall be joint and several; (2) you will make any payment or render any performance required under the Agreement on demand if Franchise Owner fails or refuses to do so when required; (3) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchise Owner or any other person; (4) 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 Franchise Owner or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims; (5) by signing this Agreement you are confirming that you are bound to the non-disclosure and non-competition provisions applicable to the Franchise Owner in Article 9 of the Agreement; and

(6) this Guaranty will continue and be irrevocable during the Term of the Agreement and afterward for so long as the Franchise Owner has any obligations under the Agreement.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we will be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Guaranty, you agree to reimburse us for any of the above-listed costs and expenses incurred by us.

This Guaranty is now executed as of the Agreement Date.

OWNER:

OWNER:

OWNER:

EXHIBIT 4 TO THE HEALTHSOURCE CHIROPRACTIC FRANCHISE AGREEMENT

PHUNKEY SERVICE AGREEMENT WITH HEALTHSOURCE FRANCHISEES

This agreement (“Agreement”) is entered into effective as of the 1st day of the month in which services commence to be directly provided by Phunkey, Incorporated, a Wyoming corporation with a notice address of Service Center, P.O. Box 6584, Albuquerque, New Mexico 87197-6584 and (“Phunkey”) and the HealthSource Franchisee identified on Schedule “A” (“Customer”), attached hereto and made a part hereof.

RECITALS

WHEREAS, Phunkey is a business service provider that offers access to, and use of, certain applications upon the terms and conditions all as more fully described on Schedule “A” attached hereto and made a part hereof (“Phunkey Business Services”); and

WHEREAS, Customer wants to subscribe to the Phunkey Business Services under the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, Customer and Phunkey agree as follows:

ARTICLE 1—GENERAL

This Agreement sets forth the terms and conditions under which Phunkey shall provide Customer with the Phunkey Business Services, which may be amended and modified from time to time to reflect changes in the Phunkey Business Services ordered by Customer or provided by Phunkey. Phunkey Business Services shall be provided to Customer solely via the Internet. Additional services and/or deliverables, may be procured consistent with the terms of this Agreement. Any attempt to alter or amend the terms and conditions contained in this Agreement through conflicting or inconsistent terms in any other document shall be void and of no force and effect.

ARTICLE 2—PHUNKEY BUSINESS SERVICES

- 1. EQUIPMENT.** Customer will be responsible for procuring, at Customer’s sole expense, all equipment and other software, if any, required to use Phunkey Business Services, as specified in Schedule “A”.
- 2. ACCESS RIGHTS.** During the term of this Agreement, Customer will have a limited, revocable, non-transferable and non-exclusive license for Customer’s employees (“Authorized Users”) to use the Phunkey Business Services Package and related documentation solely for Customer’s internal business purposes consistent with the terms and conditions of this Agreement. Customer shall designate one or more authorized persons to confirm additional users and the removal of users. Such designation shall be in writing. Customer shall be responsible to ensure that each Authorized User will: (a) be responsible for the security and/or use of his or her logon identifier; (b) not disclose such logon identifier to any person or entity; (c) not permit any other person or entity to use his or her logon identifier; (d) use the Phunkey Products Package consistent with the Customer’s rules; and (e) use the Phunkey Business Services Package in accordance with the terms and conditions of this Agreement. Phunkey reserves the right to deny, suspend or revoke access to the Phunkey Business Services, in whole or in part, if Phunkey believes Customer and/or its Authorized Users are in breach of this Agreement or are otherwise using or accessing the Phunkey Business Services inconsistent with the terms and conditions of this Agreement. In the event Customer sells his practice/business, Customer’s purchaser shall have the right to enter into a contract with Phunkey for the Phunkey Business Services upon the then current terms and conditions.
- 3. RESTRICTIONS.** Customer agrees that Customer and its Authorized Users will not: (a) sell, lease, license or sublicense the Phunkey Business Services; (b) modify, change, alter, translate, create derivative works from, reverse engineer, disassemble or decompile the Phunkey Business Services in any way for any reason; (c) provide, disclose, divulge or make available to, or permit use of the Phunkey Business Services by, any third party; (d) copy or reproduce all or any part of the Phunkey Business Services (except as expressly provided for herein); (e) interfere, or attempt to

interfere, with the Phunkey Business Services in any way; (f) engage in spamming, mailbombing, spoofing or any other fraudulent, illegal or unauthorized use of the Phunkey Business Services; (g) introduce into or transmit through the Phunkey Business Services any virus, worm, trap door, back door, timer, clock, counter or other limiting routine, instruction or design; (h) remove, obscure or alter any copyright notice, trademarks or other proprietary rights notices affixed to or contained within the Phunkey Business Services; or (i) engage in or allow any action involving the Phunkey Business Services that is inconsistent with the terms and conditions of this Agreement.

4. NON-EXCLUSIVITY. The parties acknowledge and agree that Phunkey is providing access to and use of the Phunkey Business Services to multiple customers and that such services are non-exclusive.

5. AVAILABILITY. Phunkey shall use commercially reasonable efforts to keep the Phunkey Business Services Package available on a 24 hour a day, 7 day a week basis, subject to scheduled downtime for maintenance purposes, unscheduled maintenance and systems outages. The parties acknowledge that since the Internet is neither owned nor controlled by any one entity, Phunkey makes no guarantees that any given user will be able to access the Phunkey Business Services Package at any given time, and Phunkey shall not be liable to Customer for failure of accessibility to the Phunkey Business Services Package. Phunkey shall provide Customer with a minimum of 7 calendar days' notice for all non-emergency, planned downtime of 4 hours duration or longer that will occur during the hours of 6 a.m. and 8 p.m., Monday through Saturday.

6. PHUNKEY'S LICENSORS.

6.1 TERMS AND CONDITIONS APPLICABLE TO SERVICES PROVIDED BY PHUNKEY'S LICENSORS.

Customer acknowledges and agrees that Phunkey Business Services are provided, in some cases, by third party Licensors to Phunkey (hereinafter "Third Party Licensors"). For all Phunkey Business Services contained in the Phunkey Business Service Package that are provided by Third Party Licensors to Phunkey, Customer agrees with and shall abide by all Third Party Licensor terms and conditions, if any. Such Third Party Licensor terms and conditions are available for review on the website of the respective Third Party Licensors and all such terms and conditions are incorporated herein by reference ("Additional Terms and Conditions"). Any Additional Terms and Conditions are in addition to and supplement the terms and conditions provided in this Agreement. Customer acknowledges and agrees that it will be subject to all Additional Terms and Conditions. Phunkey shall act in good faith at all times to maintain all reasonable license compliance.

6.2 CHANGES TO PHUNKEY LICENSORS.

Customer acknowledges that Phunkey may, at its sole discretion, change any Third Party Licensors that provide services under this Agreement, or add or delete discrete services from the Phunkey Business Services. Phunkey agrees to use reasonable efforts to prevent any service interruptions associated with Phunkey's decision, if any, to change Third Party Licensors. In the event that Phunkey changes Third Party Licensors, Phunkey shall provide Customer with a revised Schedule "A", or Phunkey may provide Customer with notification of changes in Third Party Licensors and refer Customer to information posted on Phunkey's website relative to that change which shall become Additional Terms and Conditions for the purposes of this Agreement upon Customer's receipt of either the revised Schedule "A" or notification of a change in Third Party Licensor(s) by Phunkey, whichever is received first.

7. DATA AND SOFTWARE BACKUP. Phunkey will be responsible for backup of Customer's data located on the servers generated pursuant to the Phunkey Business Services hereby provided. **Customer is solely responsible for all backup of data and software of all type and description that are located on computer(s) located at Customer's office(s). Customer acknowledges and understands that Phunkey shall not be responsible in any fashion for loss of Customer data on computers located at Customer's office(s).**

ARTICLE 3—FEES; PAYMENT TERMS

1. APPLICATION AND USE FEE. As provided in Schedule "A", Customer shall pay any applications fees, user fees, including but not limited to the then current monthly fees, and taxes according to the schedule provided therein. Such payment shall be made by electronic funds transfer via an automatic clearing house draft to Customer's bank account initiated by Phunkey. Phunkey expressly reserves the right to make reasonable changes in its fees upon

thirty (30) days' prior notice to Customer. All amounts payable to Phunkey under this Agreement shall be stated on an invoice in accordance with the terms and conditions set forth in this Article. Phunkey shall electronically invoice Customer as set forth in this Article prior to making an electronic transfer of funds from Customer to pay said invoice, as authorized by Customer on Schedule "B", the Checking Account Authorization, attached hereto and made a part hereof. *In the event such an electronic transfer of funds shall fail, for any reason, a \$35 service fee will be added and the account re-drafted in 5 banking days from the first draft. If the draft fails a second time, a second service fee, in the amount of \$50, will be due and owing by the Customer in addition to the outstanding invoice amount and prior service fee. Customer's access to the Phunkey Business Services may be immediately suspended without notice and access shall not be restored until all outstanding amounts due are paid in full. If the current monthly amount due is not paid in full within 10 calendar days after the initial ACH draft for that month, in addition to all other fees that may be due, a late fee of \$50 will also be due and payable.*

In the event Customer breaches this Agreement, or fails to remain a HealthSource franchisee in good standing, and Phunkey suspends or terminates service and Customer then requests to restart services, Customer shall pay a restart fee to Phunkey equal to \$100 for Customer office, if the first suspension reactivation and \$500 for all subsequent suspension reactivations.

2. TAXES. Customer will pay or reimburse Phunkey for all sales, use, transfer, privilege, excise and all other taxes and all duties, whether international, national, state or local, however designated, which are levied or imposed by reason of the performance by Phunkey under this Agreement, excluding, however, income taxes on profits which may be levied against Phunkey. Such taxes may be reflected on Customer invoices.

ARTICLE 4—LIMITED WARRANTIES

1. CUSTOMER WARRANTY. Customer represents and warrants to Phunkey that: (a) Customer has the authority to enter into this Agreement and perform its obligations under this Agreement; (b) Customer and its Authorized Users will only use the Phunkey Business Services for lawful purposes and will not violate any law of any country or the intellectual property rights of any third party; and c) Customer warrants that it is not located in a country where export or re-export of the contents of information received via the Internet is prohibited. Should Customer receive notice of any claim regarding the Phunkey Business Services, Customer shall promptly provide Phunkey with a written notice of such claim.

2. PHUNKEY WARRANTY. Phunkey warrants that: (a) Phunkey has the authority to enter into this Agreement; and (b) Phunkey will perform the services required under this Agreement in a professional and workmanlike manner. Phunkey's sole and exclusive obligation in the event of a breach of the warranties will be for Phunkey to re-perform the applicable services not in compliance with the warranty, provided Phunkey receives written notice from Customer of such breach within thirty (30) calendar days after such services were originally performed.

3. DISCLAIMER. EXCEPT AS EXPRESSLY SET FORTH ABOVE, PHUNKEY MAKES NO REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS, IMPLIED, REGARDING OR RELATING TO ANY OF THE SERVICES AND/OR ACCESS TO OR USE OF THE PHUNKEY BUSINESS SERVICES PROVIDED TO CUSTOMER UNDER THIS AGREEMENT. PHUNKEY SPECIFICALLY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT. PHUNKEY ALSO DOES NOT GUARANTEE THAT CUSTOMER'S ACCESS TO THE PHUNKEY BUSINESS SERVICES OR OTHER SERVICES PROVIDED UNDER THIS AGREEMENT WILL BE UNINTERRUPTED, ERROR FREE OR SECURE. PHUNKEY DOES NOT WARRANT THE ACCURACY, RELIABILITY, COMPLETENESS OR TIMELINESS OF THE CONTENT OF INTERNET WEBSITES OR OTHER DATA RECEIVED BY CUSTOMER VIA THE INTERNET.

ARTICLE 5—LIMITATION OF LIABILITY

IN NO EVENT UNDER ANY CIRCUMSTANCES WILL PHUNKEY BE LIABLE FOR ANY LOSS OF PROFITS, LOSS OF USE, BUSINESS INTERRUPTION, LOSS OF OR DAMAGE TO CUSTOMER CONTENT OR CUSTOMER DATA, COST OF COVER OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND IN CONNECTION WITH OR ARISING OUT OF THE FURNISHING, PERFORMANCE OR USE OF THE PHUNKEY BUSINESS SERVICES OR OTHER DELIVERABLES

PROVIDED OR SERVICES PERFORMED UNDER THIS AGREEMENT, WHETHER ALLEGED AS A BREACH OF CONTRACT OR TORTIOUS CONDUCT, INCLUDING NEGLIGENCE, EVEN IF PHUNKEY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN ADDITION, PHUNKEY WILL NOT BE LIABLE FOR ANY DAMAGES CAUSED BY DELAY IN DELIVERY OR FURNISHING THE PHUNKEY BUSINESS SERVICES, OTHER DELIVERABLES OR OTHER SERVICES PERFORMED UNDER THIS AGREEMENT. PHUNKEY'S LIABILITY UNDER THIS AGREEMENT FOR ANY DIRECT DAMAGES OF ANY KIND WILL NOT EXCEED AN AMOUNT EQUAL TO THE FEES PAID BY CUSTOMER TO PHUNKEY UNDER THIS AGREEMENT DURING THE TWELVE (12) MONTHS PRECEDING THE DATE ON WHICH THE CLAIM FIRST ACCRUED.

ARTICLE 6—INDEMNIFICATION

Customer agrees to indemnify, defend (at Phunkey's sole option and at Customer's sole expense) and hold harmless Phunkey, its directors, officers and employees and agents, and defend any action brought against same with respect to any claim, demand, cause of action, debt or liability, including reasonable attorneys' fees, to the extent that such action is based upon a claim arising out of or relating to Customer's use of and/or access to the Phunkey Business Services or services provided hereunder. Customer specifically acknowledges that Phunkey shall not be liable to Customer for losses, if any, incurred as a result of fraudulent or unauthorized misuse of Phunkey Business Services.

Phunkey agrees to indemnify, defend and hold harmless Customer, its directors, officers, employees and agents, and defend any action brought against same with respect to any claim, demand, cause of action, debt or liability, including reasonable attorneys' fees, to the extent that such action is based upon a claim arising out of or relating to any infringement of a copyright, trademark, trade secret, patent or other intellectual property right of any third party as a result of Customer's use of the Phunkey Business Services in accordance with this Agreement. Customer agrees to furnish Phunkey with prompt notice of such infringement claim, whereupon Customer hereby authorizes Phunkey to defend such claim and agrees to cooperate and assist Phunkey fully in such defense, at Phunkey's expense.

ARTICLE 7—CONFIDENTIAL INFORMATION

"Confidential Information" will include the terms of this Agreement, including, without limitation, all exhibits and schedules attached hereto, the Phunkey Business Services, any software provided by Phunkey under this Agreement, the logon identifiers and/or passwords provided to Customer and each Authorized User, the prices and fees charged under this Agreement, any other materials marked confidential by Customer or Phunkey and any other information conveyed under this Agreement that is identified in writing as confidential at the time of its conveyance. Each party acknowledges and agrees that: (a) the Confidential Information constitutes valuable trade secrets of the party owning such Confidential Information; (b) it will use Confidential Information solely in accordance with the provisions of this Agreement; and c) it will not disclose, or permit to be disclosed, the Confidential Information of the other party to any third party without the disclosing party's prior written consent. Each party will take all reasonable precautions necessary to safeguard the confidentiality of the other party's Confidential Information including, at a minimum, those precautions taken by a party to protect its own Confidential Information, which will in no event be less than a reasonable degree of care. Confidential Information will not include information that is: (d) publicly available; (e) already in the other party's possession and not subject to a confidentiality obligation; (f) obtained by the other party from any source without any obligation of confidentiality; (g) independently developed by the other party without reference to the disclosing party's Confidential Information; or (h) required to be disclosed by order of a court or other governmental entity; provided no less than ten (10) days written notice is given to the party owning such Confidential Information so that such party may obtain a protective order or other equitable relief.

ARTICLE 8—PROPRIETARY RIGHTS

No right (except for the license to use granted in this Agreement), title or interest of intellectual property or other proprietary rights in and to the Phunkey Business Services and/or other products or services made available under this Agreement is transferred to Customer hereunder. Phunkey and its third party licensors retain all right, title and interests, including, without limitation, all copyright and other proprietary rights in and to the Phunkey Business Services and/or other products or services provided under this Agreement. Customer will retain all right, title and interest to the documents created by Customer using the Phunkey Business Services.

Customer's data stored at the data center pursuant to the Phunkey Business Services hereby procured by Customer is the sole property of client. Phunkey will not use, distribute, sell or allow the viewing of such data by any other party other than Customer, without Customer's express written permission, which express permission is hereby granted to Phunkey solely as may be required from time to time to enable Phunkey to provide the Phunkey Business Services hereby contemplated.

ARTICLE 9—TERM AND TERMINATION

1. **TERM.** This Agreement will commence as of the day and date first above written and shall continue thereafter until terminated in accordance with this Agreement.
2. **TERMINATION BY PHUNKEY.** In addition to Phunkey's right to immediately suspend or terminate service as elsewhere provided in this Agreement, Phunkey shall have the right, upon thirty (30) days' prior written notice to Customer, to terminate this Agreement.
3. **TERMINATION BY CUSTOMER.** Customer will have the right, after the first one hundred eighty (180) days this Agreement is in effect, to terminate this Agreement upon thirty (30) days' prior written notice to Phunkey and confirmation by HealthSource of termination of its franchise agreement.
4. **TERMINATION FOR CEASING TO BE A HEALTHSOURCE FRANCHISEE IN GOOD STANDING.** In the event that Customer ceases to be a franchisee in good standing with HealthSource Chiropractic, Inc., this Agreement is subject to suspension and/or termination, with or without notice, upon notification to Phunkey by HealthSource that Customer is not in good standing under their franchise agreement.
5. **OBLIGATIONS UPON TERMINATION OR EXPIRATION AND NON-RENEWAL.** Upon the expiration and non-renewal or termination of this Agreement for any reason: (a) Customer's access to, and use of, the Phunkey Business Services will terminate; (b) Customer will return to Phunkey any and all Phunkey Business Services, equipment, software, documentation or other deliverables provided to Customer by Phunkey including any copies thereof held by Customer; (c) Phunkey will deliver to Customer all Customer documents and other materials stored by Customer on the Phunkey Network; and (d) each party shall return any and all Confidential Information in its possession to the party that disclosed such Confidential Information and provide written verification of same.

Phunkey shall provide to Customer, upon payment by Customer of all amounts that may be due and owing to Phunkey and upon receipt of confirmation of termination of its franchise with HealthSource, a CSV format electronic copy of Customer's data for importation by Customer into Customer's new software program, provided the new software provider is able to build a template to align HSWorx data fields to the new software's data fields. Phunkey shall also provide, within four weeks of the end of the month of termination, PDF versions of EHR records and account ledgers. Customer is responsible for making time available within that four week period for the PDF documentation to be downloaded onto Customer's computer. **It is also Customer's responsibility to review and confirm completeness of the data transferred before the end of the four week period or there will be no opportunity to revise such data.** If Customer wishes delivery of its data via any other means, Phunkey will accommodate any such reasonable request, provided Customer pre-pays the costs associated with the requested method. **All of Customer's data will be purged from Phunkey's system 30 days after termination.**

6. **SURVIVAL.** Any provisions of this Agreement that by their nature should survive termination of this Agreement will survive termination of this Agreement, including but not limited to Articles 2, 4, 6, 7, and 8.

ARTICLE 10—MISCELLANEOUS

1. **NOTICES.** Any written notice required or permitted to be delivered pursuant to this Agreement will be in writing and will be deemed delivered: (a) upon delivery if delivered in person; (b) three (3) business days after deposit in the United States mail, registered or certified mail, return receipt requested, postage prepaid; (c) upon transmission if sent via telecopier, with a confirmation copy sent via overnight mail; (d) one (1) business day after deposit with a national overnight courier; (e) upon transmission if sent via e-mail provided evidence of receipt is

received either via an electronic receipt being provided, an email response or acknowledgement, or verbal confirmation via a telephone call, in each case addressed, in the case of Customer, the address listed on Schedule "A", or in the case of Phunkey, the address listed on the first page of this Agreement addressed to the attention of Chief Operating Officer (or to such other address as may be specified upon notice).

2. ASSIGNMENT. Customer will not assign or otherwise transfer this Agreement, in whole or in part, nor delegate or subcontract any of its rights or obligations hereunder, without Phunkey's prior written consent. Phunkey will have the right to assign this Agreement, in whole or in part, to a third party at any time upon written notice to Customer.

3. FORCE MAJEURE. Neither party shall have any liability to the other or to third parties for any failure or delay in performing any obligation under this Agreement due to circumstances beyond its reasonable control including, without limitation, acts of God or nature, actions of the government, fires, floods, strikes, civil disturbances or terrorism, or power, communications, satellite or network failures.

4. WAIVER. Any waiver or modification of this Agreement will not be effective unless executed in writing and signed by an authorized representative of Phunkey and Customer. The parties expressly disclaim the right to claim the enforceability or effectiveness of: (a) any amendments to this Agreement that are not executed by an authorized representative of Phunkey and Customer; (b) any oral modifications to this Agreement; and c) any other amendments that are based on course of dealing, waiver, reliance, estoppel or similar legal theory. The parties expressly disclaim the right to enforce any rule of law that is contrary to the terms of this Section. The failure of either party to enforce, or the delay by either party in enforcing, any of its rights under this Agreement will not be deemed to be a waiver or modification by such party of any of its rights under this Agreement.

5. SEVERABILITY. If any provision of this Agreement is held to be unenforceable, in whole or in part, such holding will not affect the validity of the other provisions of this Agreement.

6. PUBLIC ANNOUNCEMENTS. Customer grants Phunkey the right to use Customer's name in press releases, product brochures and financial reports indicating that Customer is a customer of Phunkey.

7. COUNTERPARTS. This Agreement may be executed in counterparts, each of which so executed will be deemed to be an original and such counterparts together will constitute one and the same agreement.

8. THIRD PARTY BENEFICIARIES. Customer acknowledges that some Phunkey Business Services may be provided by Third Party Licensors. Third Party Licensors are third party beneficiaries to this Agreement, and there are no other third party beneficiaries to this Agreement.

9. GOVERNING LAW; JURISDICTION; DISPUTE RESOLUTION WITH THIRD PARTY LICENSORS. This Agreement will be interpreted and construed in accordance with the laws of the State of New Mexico, without regard to conflict of law principles. All disputes arising out of this Agreement shall be brought only in the district and federal courts located in the State of New Mexico, County of Bernalillo. **EACH PARTY CONSENTS TO THE EXCLUSIVE PERSONAL JURISDICTION AND VENUE OF THE COURTS, STATE AND FEDERAL, LOCATED IN BERNALILLO COUNTY OF THE STATE OF NEW MEXICO. Customer acknowledges and agrees that, for any dispute by Customer against a Third Party Licensor and not against Phunkey, Customer shall pursue its dispute directly against Third Party Licensor without naming Phunkey as a party to that dispute.**

10. HEADINGS. The headings used herein are for reference and convenience only and shall not enter into the interpretation hereof.

11. ENTIRE AGREEMENT. This Agreement (including the Schedules and any addenda hereto signed by both parties) contains the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes all previous communications, representations, understandings and agreements, either oral or written, between the parties with respect to said subject matter.

IN WITNESS WHEREOF, the parties have executed this Phunkey Service Agreement as of the day and date first above written.

PHUNKEY INCORPORATED

CUSTOMER

By: _____
Barry H. Barnett, President

Signature

Print Name

Rev. 220315rl

SCHEDULE A

Franchisee Customer Contact Information:

Name: _____ Telephone: _____

Address: _____

Email Address: _____

Phunkey Business Services and Fees – Rev 220315r1

Basic Monthly Services and Fees:

The service period is the 1st of the month to the end of the month. We draft your account on the 10th of each month. We start billing \$598 a month when you are live.

A set-up fee of \$1196 is payable to cover PatientCall set-up, training, data conversion, set-up of your HSWorx, EHR and FileVault databases on our server, establishing your Waystar account and up to your first 2 months of access.

It normally takes 4-8 weeks to get an office live depending upon a number of factors, some of which we do not control. If for any reason you are not live by the end of the second month of access covered by the set-up fee, we will suspend billing and your access until you are live.

Our billing rate is \$598 a month and is based on ACH payment. **You are responsible for return of the ACH draft information 30 days prior to your first non-set-up month of access. Should that ACH information not be returned within that time period, you waive the \$598 fee and will pay \$698 a month.**

Basic Electronic processing of claims information for payment of up to 1000 claims per month. Does not include processing of paper statements or paper claims, which may result in an extra charge. In addition, claims filed in excess of 1000 per month will have an additional fee according to the following schedule:

1000 to 1499 claims: \$120 additional

Over 1500 claims: \$120 plus \$0.21 per claim additional

EHR – Electronic Health Records.

Paperless Office: FileVault module requires a twain compliant scanner. Includes 5GB of Storage. Storage in excess of 5GB will be quoted upon request.

Electronic Remits: \$175 set-up fee plus \$0.08 per claim. This feature may be mandatory in certain States in order to receive Medicare remittance information.

Claims Attachments: \$175 set-up fee. \$0.25 per additional electronic attachment . Paper attachments are \$0.75 for the first page and \$0.35 for each additional page.

Waystar annual account fee \$150.00.

Charges for claims attachments and/or electronic processing of claims are subject to change by Waystar without advance notice.

Technical support for hosted software. Technical support does not include training of new staff.

New Staff and Specialized or Advanced Training is available for a fee of \$95 per hour. New Staff Training is subject to the following provisions: Multiple resources are available online without charge to help bring a new staff member up to speed on using HSWorx. These resources can be found on your HealthSource Dashboard. We also have one-on-one training for staff members (or specialized and advanced training for anyone). This training is available by appointment at a fee of \$95 per hour. Any new staff person who has not reviewed the training videos and attended the online classes and who seeks extended training on how to use the software will be charged this hourly fee for all support calls until such video and online training is completed.

Phunkey has the right to change any of the named software with another software package that provides comparable features. The feature set for the practice management software shall be no less than that which provides patient entry end edit, claim entry and edit, ability to bill electronically and via paper, and has a full scheduling component. Phunkey shall maintain the customized software that it has developed which works in conjunction with the current third party software programs that provides the reporting component with Encounter Forms, Marketing, Billing, and Management reporting capability. A capability to import between the patient management software and the patient note system shall be maintained with any change in software packages.

Additional Optional Recurring Monthly Charges (as services are ordered and implemented):

PatientCall: PC1000 – NO COST for first 1000 calls, \$0.15 per call over 1000. See License and Service Agreement for full details and current pricing. Credit of \$99 per month against the cost of higher call volume plans when your office visits warrant using a higher volume plan.

Two-Way Texting and Review Request: Two-way text communications is available for \$59 per month for a single office number assigned for two-way text communications. Review Request function is available for an additional \$59 per month. If both optional services are ordered and being utilized the total for both is \$100 per month.

Support for hosting issues provided by Phunkey. Phunkey hours of support are M-F 8:00 a.m. to 7:00 p.m. Eastern Time (daylight or standard depending upon time of year). Emergency support, for connectivity issues only, is available until 10:00 p.m. Eastern.

Support does not include support of any hardware or software used in the local office(s), except as expressly provided herein.

All hardware and software that is required to access the Server is to be provided by Customer, including Internet connection, except for Terminal Services and The Phunkey Desktop software licenses. PLEASE NOTE: Additional software that you will be required to purchase is required if using Apple hardware.

Monthly recurring charges will be billed on the 1st day of each month. The commencement month will be pro-rated with the first full month and billed in one invoice in advance.

Rev. 220315r1

SCHEDULE B
CHECKING ACCOUNT DEBIT AUTHORIZATION

Please complete and sign the form below, attach a voided check and mail or fax to the following:

PHUNKEY, INCORPORATED
PO BOX 6584
ALBUQUERQUE, NM 87197-6584

FAX: (888) 548-5845

Name of Bank _____

Address of Bank _____

Name on Checking Account: _____
(As it appears on your checks)

Address where Checking
Statement mailed _____

BANK (ABA) ROUTING NUMBER: _____

CHECKING ACCOUNT NUMBER: _____

AUTHORIZATION:

I hereby authorize PHUNKEY, INCORPORATED and the financial institution listed above to charge the account I have specified for payment of my monthly charges incurred with Phunkey, Incorporated. I understand that a fee will be charged to my account for each request returned for non-sufficient funds. I understand and agree to allow Phunkey to debit or credit my account, as appropriate, if an adjustment is required for any reason. I understand that both the financial institution and PHUNKEY, INCORPORATED reserve the right to terminate this payment plan and/or my participation therein. I may elect to discontinue my enrollment in this plan at anytime. If I so choose, I will provide written notice to PHUNKEY, INCORPORATED at PO BOX 6584, Albuquerque, NM 87197-6584.

Signature

Date

Phone

SCHEDULE C
DATA ACCESS
AUTHORIZATION

Phunkey, Inc., is hereby authorized to access data from my existing computer and software package for the purpose of extracting information to import into the Phunkey Desktop Software.

I represent and warrant that I have full authority to authorize this access and that the individual or individuals in my office who will assist in this process are also authorized to undertake such actions.

I understand that we will be required to install GoToMyPC, or a similar application, to enable Phunkey personnel and/or contractors to gain access to my computer and retrieve the required data.

EXHIBIT 5
Franchisee Disclosure Questionnaire

As you are aware, you have or are preparing to enter into a Franchise Agreement with HealthSource Chiropractic, LLC (Franchisor) for the operation of a HealthSource franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you, either verbally or in writing, that the Franchisor did not authorize and that may be untrue, inaccurate, or misleading. Please read each one of the following questions carefully and provide honest and complete responses to each question.

1. Did you receive a copy of the HealthSource Franchise Disclosure Document (and all exhibits) at least 14 calendar days before you signed the Franchise Agreement or paid any consideration for the franchise?

Yes _____ No _____

If “no”, please comment:

2. Have you reviewed the Franchise Disclosure Document we provided to you?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Disclosure Document?

Yes _____ No _____

If “no”, what parts of the Franchise Disclosure Document do you NOT understand?

4. Have you discussed your purchase of a HealthSource franchise with an attorney, accountant, or other professional advisor?

Yes _____ No _____

5. If “no”, have you had an opportunity to do so?

Yes _____ No _____

6. Do you understand the risks of investing in and operating a HealthSource franchise?

Yes _____ No _____

7. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, the number of hours you are willing to work, competition from other businesses, interest rates, the general state of the economy, changes to healthcare laws, and your understanding of our system?

Yes _____ No _____

8. Has any employee of HealthSource, or other person speaking on behalf of HealthSource, made any written or oral statement or promise regarding the actual revenue or profits of a HealthSource franchise, that is contrary to or different from the information in the Disclosure Document?

Yes _____ No _____

9. Has any employee of HealthSource, or other person speaking on behalf of HealthSource, made any written or oral statement, promise, or agreement about the advertising, marketing, training, support services, or assistance that HealthSource will provide you that is contrary to or different from the information in the Disclosure Document?

Yes _____ No _____

10. Has any employee of HealthSource, or other person speaking on behalf of HealthSource, made any written or oral statement, promise, or agreement about any other aspect of a HealthSource franchise that is contrary to or different from the information in the Disclosure Document?

Yes _____ No _____

11. Has any employee of HealthSource, or other person speaking on behalf of HealthSource, made any written or oral statement or promise regarding your initial investment to open a HealthSource franchise or the costs you may incur in operating a HealthSource franchise, that is contrary to or different from the information in the Disclosure Document?

Yes _____ No _____

If you answered “Yes” to any of Questions 8 through 11 please provide a full explanation of your answer in the following space (attach additional pages if necessary, and refer to them in the space below). If you answered “No” to every Question 8 through 11, please leave the following space blank.

You understand that your answers are important to us and that we will rely on them in entering into the Franchise Agreement with you.

NOTHING IN THIS DOCUMENT IS TO BE CONSTRUED AS A RELEASE, ESTOPPEL OR WAIVER OF ANY LIABILITY OR OBLIGATION IMPOSED BY A STATE FRANCHISE OR INVESTMENT LAW.

By signing below, you represent that you have responded truthfully to the above questions.

Date: _____ Signature _____

Date: _____ Signature _____

**EXHIBIT 6
ACH AGREEMENT**

HealthSource Chiropractic, LLC

36901 American Way Suite 7
Avon, OH 44011
Fax (440) 934-5898

CHECKING ACCOUNT - DEBIT/CREDIT AUTHORIZATION

Please complete and sign the form below, attach a voided check and mail or fax to the following: HealthSource Chiropractic, LLC at (440) 934-5898

Doctor's Name _____

Name of Bank _____

Address of Bank _____

Name on Checking Account:
(As it appears on your checks) _____

Address where Checking
Statement mailed _____

BANK (ABA) ROUTING NUMBER: _____

CHECKING ACCOUNT NUMBER: _____

AUTHORIZATION:

I hereby authorize HealthSource Chiropractic, LLC and the financial institution listed above to debit/credit the account I have specified for payment of my monthly franchise fee incurred with HealthSource Chiropractic, LLC. I understand that a fee will be charged to my account for each request returned for non-sufficient funds. I understand and agree to allow HealthSource Chiropractic, LLC to debit or credit my account, as appropriate, if an adjustment is required for any reason. I understand that both the financial institution and HealthSource Chiropractic, LLC reserve the right to terminate this payment plan and/or my participation therein. I may elect to discontinue my enrollment in this plan at any time. If I so choose, I will provide written notice to HealthSource Chiropractic, LLC.

Signature

Date

Phone

ATTACH VOID CHECK HERE
We cannot process this request without a voided check.
Deposit Slips are NOT acceptable.

EXHIBIT C

OPERATIONS MANUAL TABLE OF CONTENTS



HealthSource Chiropractic, LLC
an Ohio limited liability company
36901 American Way, Suite 7
Avon, Ohio 44011
(440) 934-5858
Email:kwallace@healthsourcechiro.com
www.HealthSourceChiro.com
www.HealthSourceFranchise.com

HealthSource Operations Manual
Table of Contents

	Number of Pages
Overview	1
History	1
Your HS Resources	1
Home Office	1
RD	1
Online Dashboard	1
Compliance Manual	1
Implementation to Excellence	1
Tuesday Trainings	1
Marketing	1
HS Worx	1
HS Vendors	1
Co-operative Trainings	
HSU	1
POD Trainings	1
Regional Trainings	1
Supercamp	1

As part of the growth and expansion of HealthSource, and due to the nature of the business conducted by HealthSource Clinic franchisees, the Operations Manual has evolved into a series of written materials and guides and video and audio presentations, including online trainings and franchise system support, which are frequently updated and supplemented. These materials are made available to franchisees through a private, password protected internet portal.

The “paper” Operations Manual to which this Table of Contents relates is reflective of the web-based evolution and serves as a guide to accessing the main HealthSource system requirements, resources and training opportunities.

The scope of the contents of the on-line library as of March 17, 2022, is outlined in the attached screenshots from the private HealthSource website.

HealthSource **HealthSource of HS corp: 2** **Welcome back, Kristen**

HS Operations Library

	TITLE	LAST MODIFIED	TYPE	
	Open Edge Merchant Services	11/15/2017	Folder	
	New Patient File Forms	09/14/2020	Folder	
	Pre-ROF Video	09/18/2020	Folder	
	Operational Forms	12/14/2020	Folder	

MY DASHBOARD
 ADMIN >
 MARKETING >
 OPERATIONS >
LIBRARY
 EMPOWERMENT REPORT
 PRODUCT REQUEST
 INNOVATION REQUEST
 CONTACT OPERATIONS
 COMPLIANCE
 TRAINING >
 CLINICAL >
 EZ STORE
 FILE LIBRARY

HealthSource

America's Chiropractor®

ASSIGNMENTS

- Directed Learning
- Foundational Track
- FranConnect Training
- HSU Pre-Course Work
- HSU Post Course Work

AVAILABLE

- 2020 Tuesday Training
- 2021 Tuesday Training
- Apex Longevity
- Bracing
- ChiroSecure Training
- Compliance Training
- COURSE LIBRARY
- Doctor Day 1 Scripting Track
- Doctor Day 2 Scripting Track
- Front Desk Day 1 Scripting Track
- Front Desk Day 2 Scripting Track
- HSWorx Admin Track
- HSWorx Doctor Track
- HSWorx Orientation
- John Maxwell Leadership
- Laser Therapy
- Marketing Fundamentals
- MOJO Feet Training
- Rehab 4.0
- RockTape Training
- Supplement Training & Materials
- Wellness Center Products
- Wellness Club
- Live Classes
- MasterMind Resources

EXHIBIT D

LIST OF HEALTHSOURCE CHIROPRACTIC FRANCHISEES

Clinic Franchisees

As of December 31, 2021, the end of our fiscal year, we had the following HealthSource Chiropractic Clinic franchisees. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Alabama

Name	Address	City	State	Zip	Phone
Dr. Devin Eernisse	1207 East Forrest St., Suite A	Athens	AL	35613	256-233-7776
Dr. Alex Waldeck	2349 Danville Road SW Suite 210	Decatur	AL	35603	256-822-1010
Dr. Timothy Peck	2934 Point Mallard Pkwy., #B2	Decatur	AL	35603	256-584-9554
William Jumper	133 Ana Dr.	Florence	AL	35630	256-275-3700
Stephanie David and Trace David	1320 North McKenzie St.	Foley	AL	36535	251-943-8630
Dr. Amanda Barnes	6388B Highway 431 S., Suite 3	Hampton Cove	AL	35763	256-536-8400
David and Jacob Mathias	5850 Hwy 53 Suite N	Harvest	AL	35749	256-852-2000
Rebecca Joy (Clinic not opened yet)	601 Sparkman St. SW	Hartselle	AL	35640	256-345-6410
Dr. Tracy Bagwell	2915 Bob Wallace Ave. SW B	Huntsville	AL	35805	256-880-8833
Dr. Sarah Jacobs	975 Airport Road SW, Suite H	Huntsville	AL	35802	256-964-6678
Dr. Joseph Lawrence	485 Providence Main St., Suite 100	Huntsville	AL	35806	256-327-4900
HS Mobile West/ David Mathias and Jacob Mathias	740 S. Shillinger Rd.	Mobile	AL	36695	256-874-1016
Dr. Kyle Gvillo	3312 Woodward Ave., Suite 101A	Muscle Shoals	AL	35661	256-314-2347
Dr. Jessie Schultz and David and Jacob Mathias	10200 Eastern Shore Blvd., Suite 106	Spanish Fort	AL	36527	251-621-4037

Arizona

Name	Address	City	State	Zip	Phone
Dr. Jonathan David	1445 S Arizona Ave., Suite 12	Chandler	AZ	85286	480-726-3305
James Van Doren (Clinic not open yet)	6502 E. Aire Libre Ln.	Scottsdale	AZ	85254	917-387-7329

California

Name	Address	City	State	Zip	Phone
Dr. Molly Cooper	504 N. State College Blvd	Anaheim	CA	92806	714-486-0432
Dr. Kevin Bugg	235 West Fifth Ave., Ste. F	Escondido	CA	92025	760-480-8684
Dr. Matthew Costantino	1100 A. Pacific Coast Hwy.	Hermosa Beach	CA	90254	310-798-3227
David Manago	777 Corporate Dr., Suite 130	Ladera Ranch	CA	92694	949-364-5656
Dustin Glass	22672 Lambert St., Suite 601	Lake Forest	CA	92630	949-273-5935
Dr. Johnny Chu	6205 Pats Ranch Rd., Suite D	Mira Loma	CA	91752	951-221-8984

Colorado

Name	Address	City	State	Zip	Phone
Dr. Chris Holowiski	5105 DTC Pkwy., Ste. 305	Denver	CO	80237	303-290-0022
Dr. Ryan Woods	8671 South Quebec St., Suite 150	Highland Ranch	CO	80130	303-683-6868
Dr. Shannon Hurley	9249 South Broadway, #100	Highland Ranch	CO	80126	303-470-1020
Dr. Chad Cotter	9126 W. Bowle Ave. #2A	Littleton	CO	80123	303-904-9994

Florida

Name	Address	City	State	Zip	Phone
Bruno Contro	8200 NW 33 rd St., Suite 407	Doral	FL	33122	786-207-1101
Dr. Jason Rabinowitz	4650 Woodbine Rd.	Pace	FL	32571	850-473-5555
Dr. Jason Rabinowitz	2122 W. Nine Mile Rd., #2	Pensacola	FL	32534	850-473-5555
Dr. Jason Rabinowitz	1090 Scenic Hwy.	Pensacola	FL	32503	850-473-5555
Dr. Sandra Hernandez	125 South St. Rd. 7, #103	Royal Palm Beach	FL	33411	561-792-4016

Georgia

Name	Address	City	State	Zip	Phone
Sharlene Smith (Clinic not opened yet)			GA		571-233-3314
Sharlene Smith (Clinic not opened yet)			GA		571-233-3314
Sharlene Smith (Clinic not opened yet)			GA		571-233-3314
Sharlene Smith	12315 Crabapple Rd.	Alpharetta	GA	30004	678-389-6451
Sharlene Smith	857 Collier Rd., Suite 6	Atlanta	GA	30318	404-351-5933
Dr. Adam Hayes	5950 Bethelview Rd, Suite 200	Cumming	GA	30040	706-383-0398
Dr. Leonard Zaprowski	11180 State Bridge Rd. Unit 501	Johns Creek	GA	30022	770-927-4023
Sharlene Smith	13083 Hwy 9 North, Suite 710	Milton	GA	30004	770-559-7413
Dr. Anthony Nearhood	1020 Woodstock Rd. Suite 2110	Roswell	GA	30075	770-817-0544
Dr. Ashleigh Spencer	116 Island Professional Park	St. Simons Island	GA	31522	912-634-2245
Chris Waters	3320 Lawrenceville-Suwanee Rd., Ste. 1C	Suwanee	GA	30024	678-714-5722

Idaho

Name	Address	City	State	Zip	Phone
Kurt Slonaker	3329 W. Cherry Lane	Meridian	ID	83642	208-712-4325

Illinois

Name	Address	City	State	Zip	Phone
Dr. Oki Villarreal	1695 N. Farnsworth Ave.	Aurora	IL	60505	630-898-6111
Cameron MacKichan	2003 Round Barn Rd., #B	Champaign	IL	61821	217-866-0520
Kari Schmidt	1448 N. Milwaukee	Chicago	IL	60622	773-237-4545
Ron Berger	18700 Wolf Rd., Ste. 211	Mokena	IL	60448	708-478-4400
Jennifer Breuer	24020 W. Riverwalk Ct.	Plainfield	IL	60544	815-782-7907
Dr. Garth Edwards	2211 Governors HWY	Richton Park	IL	60471	708-748-5600

Indiana

Name	Address	City	State	Zip	Phone
Dr. Justin Hapka	1305 Veteran's Pkwy., Suite 900	Clarksville	IN	47129	812-924-7611
Dr. Mark Grant	451 Pine Lake Ave.	LaPorte	IN	46350	219-362-3766

Iowa

Name	Address	City	State	Zip	Phone
Drs. Bowman/Sweers/Paulsen	15920 Hickmand Rd., Suite 900	Clive	IA	50325	515-987-9574
Dr. Sandy Bowman	2600 University Ave., Ste 212	West De Moines	IA	50266	515-223-1222

Kansas

Name	Address	City	State	Zip	Phone
Carl Bohannon	1425 West Central Ave.	El Dorado	KS	67042	316-321-1667

Louisiana

Name	Address	City	State	Zip	Phone
Dr. Stewart Fresh	9 Starbrush Circle, Suite 201	Covington	LA	70433	985-259-7774

Maryland

Name	Address	City	State	Zip	Phone
Dr. Ndidi Harley	2101 Concord Blvd., Suite E	Crofton	MD	21114	202-378-3870

Massachusetts

Name	Address	City	State	Zip	Phone
Drs. Stacey & Todd Dersham	657 Pleasant St.	Fall River	MA	02721	508-677-2554
Arpita Shah & Alpa Daga	138 S. Main St., Unit 14	Milford	MA	01757	401-556-2751
Dr. Damon Gangemi	294 Pleasant St., Ste. 104	Stoughton	MA	02072	781-344-8878

Michigan

Name	Address	City	State	Zip	Phone
Dustin Mattila	32738 Grand River Ave.	Farmington	MI	48336	248-615-1381
Dr. Reggie Sehgal	2095 E. Big Beaver	Troy	MI	48083	248-279-7004

Minnesota

Name	Address	City	State	Zip	Phone
Dr. Andy Konz	5676 LaCentre Ave.	Albertville	MN	55301	763-447-3434
Dr. Chris Lauer	200 E. Travelers Trail, Suite 115	Burnsville	MN	55337	952-300-2050
Kristen Rogney	639 Ryan's Way	Buffalo	MN	55313	763-258-3189
Drs. David Fandrich & Dean Bechard	11452 Jefferson Court	Champlin	MN	55316	763-427-5545
Dr. Sean Neubauer	470 W 78 th St., Suite 100	Chanhassen	MN	55317	952-934-1772
Dr. Tyler Hasse	1475 White Oak Dr.	Chaska	MN	55318	952-361-4844
Dr. Danae Hautamaki	2524 West Maple Grove Rd.	Duluth	MN	55811	218-722-1423
Dr. Timothy Wegschied	4555 Erin Dr., Suite 200	Eagan	MN	55122	651-330-3900
Dr. Katie Kearney- Bidwell	7920 Mitchell Road	Eden Prairie	MN	55344	612-396-4520
Dr. Seth Bird	3300 Edinborough Way	Edina	MN	55435	612-845-8625
Guy Odishaw	6600 France Ave. S., Suite 206	Edina	MN	55435	952-926-7515
Dr. Adam Stumne	804 Freeport Ave. NW, Suite C	Elk River	MN	55330	763-441-0644
Dr. Julie Hauring	724 Main St.	Hopkins	MN	55343	952-943-2584
Dr. Nathan Schulz	925 South Oak St.	Lake City	MN	55041	651-321-5977
Dr. Nicole Lauer	17725 Kenwood Trail Suite 3	Lakeville	MN	55044	952-683-1101
Dr. Robert Hennen	1411 East College Dr., Suite 105	Marshall	MN	56258	507-337-2423
Dr. Derek Anderson	14413 Excelsior Blvd.	Minnetonka	MN	55345	952-679-2722
Drs. Casey Paulsen and Sean Neubauer (Clinic not open yet)	314 East Main St., Suite 2	New Prague	MN	56071	952-758-4121
Dr. Amanda Kelsey	5705 Hadley Ave.	Oakdale	MN	55128	651-538-4558
Dr. Casey Paulsen	4205 Lancaster Lane North, Ste 105	Plymouth	MN	55442	952-210-9655
Dr. Samantha Hermsen/Hermsen Health & Wellness	6880 Boudin St.	Prior Lake	MN	55372	952-447-0985
Paul and Ann Zilka	7610 Lyndale Ave., S.	Richfield	MN	55423	612-223-6415
Dr. William Chase	1724 37 th St.	Rochester	MN	55901	507-424-1200
Dr. Lynnsey Jepsen	13635 Northdale Blvd.	Rogers	MN	55374	952-232-6283
Dr. Andrew Krueger	5936 Lexington Ave. N	Shoreview	MN	55126	651-967-7022
Dr. Melissa Loidolt	1246 32 nd Ave. N	St. Cloud	MN	56303	320-230-8920
Dr. Bethany Fluto	1053 Grand Ave #114	St. Paul	MN	55105	651-964-2178
Dr. Matthew Fiebelkorn	1290 Frontage Rd. W	Stillwater	MN	55082	651-717-8321

Mississippi

Name	Address	City	State	Zip	Phone
Dr. Richard Lizak	1900 23 rd Ave.	Meridian	MS	39301	601-483-6330
Dr. Paul Murry	1109 Mission Park Dr.	Vicksburg	MS	39180	601-636-8771

Missouri

Name	Address	City	State	Zip	Phone
Dr. John T. Groerich	950 Francis Place, Suite 217	Clayton	MO	63105	314-420-4586
Chad Doles	2042 Oaktimber Ct.	Kirkwood	MO	63122	636-220-1007
Brad Gould	707 Jefferson St.	Washington	MO	63090	636-288-3587

Montana

Name	Address	City	State	Zip	Phone
Dr. Warren Smith	1554 Harrison Ave., Ste A	Butte	MT	59701	406-494-2979
Dr. John Hawley	3487 W. Broadway St.	Missoula	MT	59808	406-233-6281

New Hampshire

Name	Address	City	State	Zip	Phone
Jeff Klaubert	545 Hooksett Rd., Unit 20	Manchester	NH	03104	603-860-6078

New Jersey

Name	Address	City	State	Zip	Phone
Raja Dalal and Ronald Martin	817 Erial-New Brooklyn Rd.	Sicklerville	NJ	08081	856-281-2388

North Carolina

Name	Address	City	State	Zip	Phone
Dr. Darin Denamur	414 N. Fayetteville, A	Asheboro	NC	27203	336-633-3030
Dr. Carl Horkavy	202 North Lee, P.O. Box 475	Benson	NC	27504	919-894-7120
Dr. Wykeita Worsley (Clinic not open yet)	1300 SE Maynard Rd., Suite 202	Cary	NC	27511	919-388-9595
Dr. Michael Riccoboni	6774 River Center Dr.	Clemmons	NC	27012	336-766-5935
Dr. Chris McNulty	980 Copperfield Blvd.	Concord	NC	28025	704-788-1895

North Dakota

Name	Address	City	State	Zip	Phone
Dr. Bill Nelson	1051 E. Interstate Ave.	Bismark	ND	58503	701-222-8322
Dr. Carlyle Scott	232 W. Front Ave.	Bismark	ND	58504	701-751-1660
Drs. Mindy Farrell and Courtney Carpenter	2802 N. Broadway	Fargo	ND	58102	701-866-4071
Dr. TJ Corrigan	1418 South Broadway	Minot	ND	58701	701-839-6717

Ohio

Name	Address	City	State	Zip	Phone
BKBG Enterprises LLC (Clinic not opened yet)			OH		330-242-4517
Sarah Stranko	33560 Detroit Rd.	Avon	OH	44011	440-937-8087
Dr. Ashley Rice	6775 Applewood Blvd.	Boardman	OH	44512	330-758-2353
Dr. Robert Griesse	2855 West Market St. Suite 201	Fairlawn	OH	44333	234-900-4150
Dr. James Kendel	5019 Victor Dr.	Medina	OH	44256	330-722-7709
Dr. Cory Lamar	21820 Center Ridge Rd.	Rocky River	OH	44116	440-308-7592
Jay Williams and Adam Conley	126 W. McConkey St.	Shreve	OH	44676	330-789-1099

Oregon

Name	Address	City	State	Zip	Phone
Dr. Ronald Clifton	541 Park St.	Lebanon	OR	97355	541-451-1290
Dr. Anthony Pham	7817 SE Stark St.	Portland	OR	97215	503-975-5298
Dr. Eric Hayden	605 NW 6 th St.	Redmond	OR	97756	541-548-4086

Pennsylvania

Name	Address	City	State	Zip	Phone
Dr. Amanda Kridler	3307 Liberty St.	Erie	PA	16508	814-456-4200
Dr. Duane Henriksen	632 E. Main St.	Lansdale	PA	19446	215-393-4950
Dr. Adam and Mrs. Sara Spanovich	3225 Saw Mill Run Blvd., Suite 1	Pittsburgh	PA	15227	412-502-6113
Dr. Tara Wood	1825 Washington Rd., Ste B	Washington	PA	15301	724-746-6840

South Carolina

Name	Address	City	State	Zip	Phone
Drs. Joel and Tatiana Sanders (Clinic not opened yet)			SC		703-618-1219
Drs. Joel and Tatiana Sanders	131 Professional Park Rd.	Columbia	SC	29229	803-217-3325
Dr. Adam Foster	514 St. James Ave., Suite D	Goose Creek	SC	29445	843-824-1777
Dr. Christopher Black	430 S. Herlong Ave., Ste 101	Rock Hill	SC	29732	803-328-3444
Dr. Joel and Tatiana Sanders	2427 Fish Hatchery Rd.	West Columbia	SC	29172	803-572-4173

South Dakota

Name	Address	City	State	Zip	Phone
Drs. Heath Marsh and Justin McKillip	1829 6 th St.	Brookings	SD	57006	605-692-2251
Dr. Bob McIntosh and Dr. Zachary Bergman	325 Omaha St., Suite 5	Rapid City	SD	57701	605-718-5329
Drs. Heath Marsh and Justin McKillip	1205 E. 57 th St.	Sioux Falls	SD	57108	605-357-8093
Dr. Samantha Figgins	138 E. Hudson	Spearfish	SD	57783	605-722-2225
Dr. Michael Hendricks	1024 29 th St. SE	Watertown	SD	57201	605-882-3726

Tennessee

Name	Address	City	State	Zip	Phone
Jay Schroder	284 Seaboard Ln., Suite 100	Franklin	TN	37067	615-791-9917
Dr. Christopher Talley	321 Erin Dr.	Knoxville	TN	37919	865-240-4966
Jay Schroder	925 S. Church St., Suite a200	Murfreesboro	TN	37130	615-867-1144

Texas

Name	Address	City	State	Zip	Phone
Dr. Michelle Montgomery	3330 Matlock Blvd., Suite 206	Arlington	TX	76015	972-834-2888
Jerome & Lori Bailey	4451 FM 2181, #120	Corinth	TX	76210	940-497-3562
Dr. Kyle DeFreitas	200 Market Place Ln., Ste 225	Highland Village	TX	75077	972-535-8369
Dr. Jesus Gonzalez	10988 Fuqua St.	Houston	TX	77089	281-464-0118
Dr. Shirin Maghsoudi	12315 Westheimer Rd., Suite A	Houston	TX	77077	281-835-4368
Dr. Bruce Guillory	18477 W. Lake Houston Pkwy., Suite 70	Humble	TX	77346	281-852-5600
George Bala	2944 S. Mason Rd., Suite F	Katy	TX	77490	281-815-2187
Cherie Inman	475 Hwy. 121 Bypass, Suite 100	Lewisville	TX	75077	972-333-1966
Dr. Jason Hunt	2916 Nederland Ave.	Nederland	TX	77627	409-722-3231

Washington

Name	Address	City	State	Zip	Phone
Jay Gerken	930 South 336th St., Ste C	Federal Way	WA	98003	253-874-2100
Dr. Jin Young Kim	14608 Highway 99, #309	Lynnwood	WA	98087	425-742-0332
Dr. Gregg Jones	420 W. Third Ave.	Moses Lake	WA	98837	509-765-0638
Dr. Jonathan Heslop	1211 N. 20 th Ave.	Pasco	WA	99301	509-574-1759
Dr. James Frandanisa	6923 Lakewood Dr. W, Suite B3	Tacoma	WA	98467	253-582-2122

West Virginia

Name	Address	City	State	Zip	Phone
Dr. Tara Wood	920 Charles St.	Wellsburg	WV	26070	304-737-7235

Wisconsin

Name	Address	City	State	Zip	Phone
Dr. Michael Zolper	626 14th St., Ste B	Baraboo	WI	53913	608-355-7999

Wyoming

Name	Address	City	State	Zip	Phone
Dr. Nina Pridham	426 W. 1st St.	Casper	WY	82601	307-266-6908
Dr. Matthew Arnio	110 E. Lakeway Rd., Suite 1000	Gillette	WY	82718	307-212-4523
Dr. Jonathan Faubion	910 N. 8th St. W	Riverton	WY	82501	307-463-2770

Former Clinic Franchisees

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. The following Clinic Franchisees were cancelled, terminated or voluntarily or involuntarily ceased to do business in the 2021 fiscal year, or have not communicated with us within 10 weeks of the issuance date of this disclosure document:

Alabama

Name	City	State	Telephone
Daniel Daley (transferred Clinic to new owner)	Athens	AL	256-233-7776
Cici Baudoin (Clinic never opened)	Daphne	AL	251-404-0948
Daniel Daley (transferred Clinic to new owner)	Decatur	AL	
Amanda Barnes/David Bachmann (Clinic never opened; Dr. Barnes continues to own a Clinic)	Guntersville	AL	256-536-8400
Christopher Hoover (non-renewal of Franchise Agreement)	Madison	AL	256-772-2370

California

Name	City	State	Telephone
Gagandeep Bal (terminated)	Thousand Oaks	CA	571-239-6446

Georgia

Name	City	State	Telephone
Michael Tumminello (non-renewal of Franchise Agreement)	Sandy Springs	GA	404-255-4410

Indiana

Name	City	State	Telephone
Chad Loveless (Clinic never opened)		IN	972-310-0628
Chad Loveless (transferred Clinic to new owner)	Clarksville	IN	972-310-0628

Iowa

Name	City	State	Telephone
Ross Groenendyk (non-renewal of Franchise Agreement)	Pella	IA	641-204-0029

Minnesota

Name	City	State	Telephone
Anthony Felten (non-renewal of Franchise Agreement)	Apple Valley	MN	952-953-0990
Casey Paulsen and Andre Konz (transferred Clinic to new owner; Dr. Paulsen and Dr. Konz each continue to own other Clinics)	Elk River	MN	952-210-9655

Ohio

Name	City	State	Telephone
Brandon McClelland (non-renewal of Franchise Agreement)	Mt. Gilead	OH	419-946-5921

South Carolina

Name	City	State	Telephone
Ashley Adamson-Bills (non-renewal of Franchise Agreement)	Chapin	SC	803-941-0020

Texas

Name	City	State	Telephone
Mitzi Lacey (terminated)	Baytown	TX	985-637-8424
Tamikia Prunty (terminated)	Carrollton	TX	972-294-9642
Alexander Klein (non-renewal of Franchise Agreement)	Cedar Park	TX	512-501-6941

Washington

Name	City	State	Telephone
Jay Baker (transferred Clinic to new owner)	Federal Way	WA	253-874-2100

EXHIBIT E

REGIONAL DEVELOPERS/INDEPENDENT SALES AGENTS

(AS OF DECEMBER 31, 2021)

ALABAMA

Jacob Mathias / HealthSource Consulting Services

Mr. Jacob Mathias has been an owner of HealthSource Consulting Services, which operates a Regional Developer franchise in Alabama and Mississippi, since October 2010. Mr. Mathias is also a part owner of HealthSource Chiropractic clinics located in Harvest since December 2013 and Mobile, Alabama since February 2012.

ARIZONA

Barron Johnson / HealthSource West LLC

Mr. Johnson is the owner of HealthSource West LLC, which has Regional Developer franchises operating in Arizona, Colorado, and Washington, since June 2017. Mr. Johnson is also the owner of HealthSource Northwest, Inc., which has Regional Developer franchises operating in Idaho, Oregon, Washington, Montana and Wyoming, since December 2012.

COLORADO

Barron Johnson / HealthSource West LLC

Mr. Johnson is the owner of HealthSource West LLC, which has Regional Developer franchises operating in Arizona, Colorado, and Washington, since June 2017. Mr. Johnson is also the owner of HealthSource Northwest, Inc., which has Regional Developer franchises operating in Idaho, Oregon, Washington, Montana and Wyoming, since December 2012.

IDAHO

Barron Johnson/ HealthSource Northwest, Inc.

Mr. Johnson is the owner of HealthSource Northwest, Inc., which has Regional Developer franchises operating in Idaho, Oregon, Washington, Montana and Wyoming, since December 2012. Mr. Johnson is also the owner of HealthSource West LLC, which has Regional Developer franchises operating in Arizona, Colorado, and Washington, since June 2017.

IOWA

Casey Paulsen / HealthSource Midwest America, LLC

Mr. Paulsen has been an owner of HealthSource Midwest America, LLC, which operates a Regional Developer franchise in Wisconsin, Iowa, Nebraska, North Dakota, South Dakota, and Minnesota since September 2010. Mr. Paulsen became the sole owner of HealthSource Midwest America, LLC in March 2017. Since March 2003, Mr. Paulsen has also owned and operated a chiropractic clinic (Advanced Chiropractic Health) in Plymouth, Minnesota, which converted to a HealthSource Chiropractic in 2007. Mr. Paulsen is also currently an independent sales agent/coach in Nebraska.

MINNESOTA

Casey Paulsen / HealthSource Midwest America, LLC

Mr. Paulsen has been an owner of HealthSource Midwest America, LLC, which operates a Regional Developer franchise in Wisconsin, Iowa, Nebraska, North Dakota, South Dakota, and Minnesota since September 2010. Mr. Paulsen became the sole owner of HealthSource Midwest America, LLC in March 2017. Since March 2003, Mr. Paulsen has also owned and operated a chiropractic clinic (Advanced Chiropractic Health) in Plymouth, Minnesota, which converted to a HealthSource Chiropractic in 2007. Mr. Paulsen is also currently an independent sales agent/coach in Nebraska.

MISSISSIPPI

Jacob Mathias / HealthSource Consulting Services

Mr. Jacob Mathias has been an owner of HealthSource Consulting Services, which operates a Regional Developer franchise in Alabama and Mississippi, since October 2010. Mr. Mathias is also a part owner of HealthSource Chiropractic clinics located in Harvest since December 2013 and Mobile, Alabama since February 2012.

MONTANA

Barron Johnson / Healthsource Northwest, Inc.

Mr. Johnson is the owner of HealthSource Northwest, Inc., which has Regional Developer franchises operating in Idaho, Oregon, Washington, Montana and Wyoming, since December 2012. Mr. Johnson is also the owner of HealthSource West LLC, which has Regional Developer franchises operating in Arizona, Colorado, and Washington, since June 2017.

NEBRASKA

Casey Paulsen / HealthSource Midwest America, LLC

Mr. Paulsen has been an owner of HealthSource Midwest America, LLC, which operates a Regional Developer franchise in Wisconsin, Iowa, Nebraska, North Dakota, South Dakota, and Minnesota since September 2010. Mr. Paulsen became the sole owner of HealthSource Midwest America, LLC in March 2017. Since March 2003, Mr. Paulsen has also owned and operated a chiropractic clinic (Advanced Chiropractic Health) in Plymouth, Minnesota, which converted to a HealthSource Chiropractic in 2007. Mr. Paulsen is also currently an independent sales agent/coach in Nebraska.

NORTH DAKOTA

Casey Paulsen / HS Midwest America, LLC

Mr. Paulsen has been an owner of HealthSource Midwest America, LLC, which operates a Regional Developer franchise in Wisconsin, Iowa, Nebraska, North Dakota, South Dakota, and Minnesota since September 2010. Mr. Paulsen became the sole owner of HealthSource Midwest America, LLC in March 2017. Since March 2003, Mr. Paulsen has also owned and operated a chiropractic clinic (Advanced Chiropractic Health) in Plymouth, Minnesota, which converted to a HealthSource Chiropractic in 2007. Mr. Paulsen is also currently an independent sales agent/coach in Nebraska.

OREGON

Barron Johnson / HealthSource Northwest, Inc.

Mr. Johnson is the owner of HealthSource Northwest, Inc., which has Regional Developer franchises operating in Idaho, Oregon, Washington, Montana and Wyoming, since December 2012. Mr. Johnson is also the owner of HealthSource West LLC, which has Regional Developer franchises operating in Arizona, Colorado, and Washington, since June 2017.

SOUTH DAKOTA

Casey Paulsen / HealthSource Midwest America, LLC

Mr. Paulsen has been an owner of HealthSource Midwest America, LLC, which operates a Regional Developer franchise in Wisconsin, Iowa, Nebraska, North Dakota, South Dakota, and Minnesota since September 2010. Mr. Paulsen became the sole owner of HealthSource Midwest America, LLC in March 2017. Since March 2003, Mr. Paulsen has also owned and operated a chiropractic clinic (Advanced Chiropractic Health) in Plymouth, Minnesota, which converted to a HealthSource Chiropractic in 2007. Mr. Paulsen is also currently an independent sales agent/coach in Nebraska.

WASHINGTON

Barron Johnson / HealthSource Northwest, Inc. and HealthSource West LLC

Mr. Johnson is the owner of HealthSource Northwest, Inc., which has Regional Developer franchises operating in Idaho, Oregon, Washington, Montana and Wyoming, since December 2012. Mr. Johnson is also the owner of HealthSource West LLC, which has Regional Developer franchises operating in Arizona, Colorado, and Washington, since June 2017.

WISCONSIN

Casey Paulsen / HealthSource Midwest America, LLC

Mr. Paulsen has been an owner of HealthSource Midwest America, LLC, which operates a Regional Developer franchise in Wisconsin, Iowa, Nebraska, North Dakota, South Dakota, and Minnesota since September 2010. Mr. Paulsen became the sole owner of HealthSource Midwest America, LLC in March 2017. Since March 2003, Mr. Paulsen has also owned and operated a chiropractic clinic (Advanced Chiropractic Health) in Plymouth, Minnesota, which converted to a HealthSource Chiropractic in 2007. Mr. Paulsen is also currently an independent sales agent/coach in Nebraska.

WYOMING

Barron Johnson / HealthSource Northwest, Inc.

Mr. Johnson is the owner of HealthSource Northwest, Inc., which has Regional Developer franchises operating in Idaho, Oregon, Washington, Montana and Wyoming, since December 2012. Mr. Johnson is also the owner of HealthSource West LLC, which has Regional Developer franchises operating in Arizona, Colorado, and Washington, since June 2017.

EXHIBIT F
FINANCIAL STATEMENTS

HEALTHSOURCE CHIROPRACTIC, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2021, 2020 and 2019

Park & Illenberger, C.P.A.'s, Inc.

**Certified Public Accountants
Business Advisors**

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Balance Sheets	3
Statements of Income and Comprehensive Income	4
Statements of Stockholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7-22

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www.pandicpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Of Healthsource Chiropractic, Inc.

Opinion

We have audited the accompanying financial statements of Healthsource Chiropractic, Inc., which comprise the balance sheets as of December 31, 2021, 2020 and 2019 and related statements of income, stockholders' equity, and cash flows for the years 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 Healthsource Chiropractic, Inc. as of December 31, 2021, 2020 and 2019, and the results of its operations and 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 Healthsource Chiropractic, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Healthsource Chiropractic, Inc.'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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Healthsource Chiropractic, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Healthsource Chiropractic, Inc.'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 were identified during the audit.


Park & Illenberger, CPA's, Inc.

Lorain, Ohio

March 15, 2022

HEALTHSOURCE CHIROPRACTIC, INC.
BALANCE SHEETS
December 31, 2021, 2020, and 2019

ASSETS	<u>2021</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash	\$ 904,929	\$ 618,277	\$ 145,955
Cash, restricted	590,600	499,851	280,816
Accounts receivable - trade, net	477,216	380,588	635,772
Advance receivable - affiliates	-	1,695	-
Notes receivable trade - current portion	21,000	158,004	163,778
Prepaid expenses	171,523	71,322	59,430
Other receivable - COVID Relief	132,304	76,206	-
TOTAL CURRENT ASSETS	<u>2,297,572</u>	<u>1,805,943</u>	<u>1,285,751</u>
PROPERTY AND EQUIPMENT			
Leasehold improvements	138,260	138,260	138,260
Vehicles	-	119,733	119,733
Computers and website	342,227	265,516	265,516
Office furniture and equipment	77,059	104,153	113,648
	<u>557,546</u>	<u>627,662</u>	<u>637,157</u>
Less accumulated depreciation	379,645	488,672	437,729
TOTAL PROPERTY AND EQUIPMENT	<u>177,901</u>	<u>138,990</u>	<u>199,428</u>
OTHER ASSETS			
Notes receivable - trade, net of current portion	10,979	15,000	35,000
Prepaid expenses	30,232	-	-
Territories reacquired	492,411	492,411	492,411
TOTAL OTHER ASSETS	<u>533,622</u>	<u>507,411</u>	<u>527,411</u>
TOTAL ASSETS	<u>\$ 3,009,095</u>	<u>\$ 2,452,344</u>	<u>\$ 2,012,590</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 237,937	\$ 233,892	\$ 492,534
Advance payable - affiliates	8,017	-	-
Line of Credit - Buckeye	-	180,502	200,527
Notes payable (EIDL) - current portion	1,586	1,586	-
Note payable - stockholder	132,000	-	-
Accrued expenses	132,796	116,338	143,100
Accrued payroll	27,061	130,311	201,920
Note payable - affiliate	-	-	200,000
Deferred compensation - current portion	-	-	25,000
Deferred revenue - other	180,124	158,696	105,781
Deferred revenue (Note L) - current portion	49,800	61,300	61,300
Accrued retirement plan contributions	56,112	44,136	102,988
Unfunded pension liability	131,252	315,603	388,786
TOTAL CURRENT LIABILITIES	<u>956,685</u>	<u>1,242,364</u>	<u>1,921,936</u>
LONG-TERM LIABILITIES			
Notes payable (EIDL), net of current portion	148,414	148,414	-
Deferred revenue (Note L), net of current portion	107,800	157,600	118,900
	<u>256,214</u>	<u>306,014</u>	<u>118,900</u>
STOCKHOLDERS' EQUITY			
Common stock, no par value, 100 shares issued and outstanding	64,000	64,000	64,000
Paid in capital	202,788	202,788	-
Retained earnings	1,472,475	707,567	(5,824)
Accumulated other comprehensive gain (loss)	56,933	(70,389)	(86,422)
TOTAL STOCKHOLDERS' EQUITY	<u>1,796,196</u>	<u>903,966</u>	<u>(28,246)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,009,095</u>	<u>\$ 2,452,344</u>	<u>\$ 2,012,590</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

HEALTHSOURCE CHIROPRACTIC, INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years Ended December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue			
Royalties	\$ 3,913,505	\$ 3,473,923	\$ 3,982,570
National Ad Fund	1,165,149	1,029,006	1,147,540
Technology fee	349,741	361,815	430,010
Franchise termination fees	-	361,802	970,873
Other	208,325	168,411	128,413
Franchise agreements, net	151,300	131,300	439,226
Total	<u>5,788,020</u>	<u>5,526,257</u>	<u>7,098,632</u>
Expenses			
Advertising and marketing	1,345,371	1,092,088	1,001,318
Royalties paid	1,343,218	1,137,856	1,163,648
Salaries and wages	1,296,437	1,536,485	2,209,445
Computer support and website maintenance	297,724	376,798	320,774
Settlement expense	170,000	-	-
Legal and professional fees	161,211	195,621	644,743
Payroll taxes	108,126	121,839	162,118
Rent - building	99,600	93,600	105,600
Office supplies	86,627	87,982	148,328
Retirement plan contributions	57,773	40,373	81,398
Insurance	58,244	67,211	72,676
Subcontracted services	53,874	39,989	35,991
Employee benefits	51,670	81,701	124,466
Consulting fees	48,000	53,400	64,517
Conferences & training material, net	42,651	28,889	135,560
Bank and merchant charges	42,264	38,947	33,428
Bad debt expense	42,026	171,200	116,221
Travel and meals	41,552	59,826	229,600
Telephone and utilities	29,136	37,657	38,709
Depreciation	25,445	56,369	107,467
Commissions and referral fees	25,000	12,500	# 40,625
Repairs & maintenance	20,810	21,645	21,573
Interest expense	8,967	9,967	23,366
License and permits	5,210	4,387	14,018
Pension service cost	-	-	182,944
Miscellaneous expense	77	-	-
Total expenses	<u>5,461,013</u>	<u>5,366,330</u>	<u>7,078,533</u>
Income before other income	327,007	159,927	20,099
Other income (loss)			
COVID Relief Grant Income	426,609	487,356	-
Net periodic pension gain	57,030	57,150	38,372
Other income	7,434	13,271	68,426
Gain (loss) from sale of fixed assets	43,645	(69)	-
	<u>534,718</u>	<u>557,708</u>	<u>106,798</u>
Income from Operations before tax	861,725	717,635	126,897
State and local income tax expense	15,023	4,244	6,090
Net Income	<u>\$ 846,702</u>	<u>\$ 713,391</u>	<u>\$ 120,807</u>
Other comprehensive income (actuarial gain (loss) related to pension benefits)	<u>127,322</u>	<u>16,033</u>	<u>163</u>
Total Comprehensive Income	<u>\$ 974,024</u>	<u>\$ 729,424</u>	<u>\$ 120,970</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

HEALTHSOURCE CHIROPRACTIC, INC.
 STATEMENTS OF STOCKHOLDERS' EQUITY
 Years Ended December 31, 2021, 2020, and 2019

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
Balance at December 31, 2018	\$ 64,000	\$	\$ 136,417	\$ (86,585)	\$ 113,832
Impact of change in accounting policy			(261,427)		(261,427)
Net Income - 2019			120,807		120,807
Actuarial gain related to pension benefits				163	163
Stockholder distributions			(1,621)		(1,621)
Balance at December 31, 2019	<u>64,000</u>	<u>-</u>	<u>(5,824)</u>	<u>(86,422)</u>	<u>(28,246)</u>
Net Income - 2020			713,391		713,391
Actuarial gain related to pension benefits				16,033	16,033
Stockholder distributions					-
Paid in capital		202,788			202,788
Balance at December 31, 2020	<u>64,000</u>	<u>202,788</u>	<u>707,567</u>	<u>(70,389)</u>	<u>903,966</u>
Net Income - 2021			846,702		846,702
Actuarial gain related to pension benefits				127,322	127,322
Stockholder distributions			(81,794)		(81,794)
Balance at December 31, 2021	<u>\$ 64,000</u>	<u>\$ 202,788</u>	<u>\$ 1,472,475</u>	<u>\$ 56,933</u>	<u>\$ 1,796,196</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

HEALTHSOURCE CHIROPRACTIC, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 846,702	\$ 713,391	\$ 120,807
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	25,445	56,369	107,467
(Gain) loss gain on disposal of asset	(43,645)	69	-
Actuarial gain (loss) on pension benefits	127,322	16,033	163
Decrease (increase) in assets:			
Receivables	(96,628)	255,184	131,790
Prepays	(130,433)	(11,892)	(53,617)
ERC receivable	(56,098)	(76,206)	-
Increase (decrease) in liabilities:			
Accounts payable	4,045	(258,642)	(100,975)
Deferred revenue	(39,872)	91,615	23,329
Deferred compensation	-	(25,000)	(166,667)
Accrued expenses	(86,792)	(98,371)	(97,507)
Accrued retirement plan contributions	(172,375)	(132,035)	86,385
Net cash provided by operating activities	<u>377,671</u>	<u>530,515</u>	<u>51,175</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advances from affiliate	8,017	-	-
Purchases of equipment	(76,711)	-	(1,409)
Proceeds from disposal of assets	56,000	4,000	-
Decrease in note receivable	141,025	25,774	60,678
Net cash provided by investing activities	<u>128,331</u>	<u>29,774</u>	<u>59,269</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment from (advances to) affiliate	1,695	(1,695)	410
(Decrease) in notes payable to affiliate	-	(200,000)	-
Increase in note payable - stockholder	132,000	-	-
Increase in note payable	-	150,000	-
Payments on note payable	(180,502)	(20,025)	-
Increase in paid in capital	-	202,788	-
Distributions paid to stockholders	(81,794)	-	(1,621)
Net cash (used) provided for financing activities	<u>(128,601)</u>	<u>131,068</u>	<u>(1,211)</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	377,401	691,357	109,233
Cash, cash equivalents and restricted cash, beginning of year	<u>1,118,128</u>	<u>426,771</u>	<u>317,538</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,495,529</u>	<u>\$ 1,118,128</u>	<u>\$ 426,771</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of HealthSource Chiropractic, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representation of the company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Business Activity

The Company is an Ohio Corporation located in Avon, Ohio and is in the business of selling chiropractic franchises. The Company began selling "HealthSource Chiropractic" franchises in 2006. The company sells franchises throughout the United States.

Basis of Presentation and Method of Accounting

The financial presentation follows accounting principles generally accepted in the United States of America as contained in the Accounting Standards Codifications (ASC) issued by the Financial Accounting Standards Board.

Change in Accounting Principle

In May 2014, the FASB issued guidance (Accounting Standards Codification {ASC} 606, Revenue from Contracts with Customers) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. The Company adopted ASC 606 with a date of the initial application of January 1, 2019.

The Company applied ASC 606 using the cumulative effect method, which resulted in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of retained earnings at January 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under extant revenue guidance. The details of the significant changes and quantitative impact of the changes are discussed below.

In January 2021, the FASB issued a practical expedient (ASU No. 2021-02), Franchisors – Revenue from Contracts with Customers (Subtopic 952-606) allowing franchisors to elect an accounting policy change that accounts for the pre-opening services as a single performance obligation distinct from the franchise license. The Company will apply this guidance retrospectively to the date Topic 606 was adopted (January 1, 2019).

As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; (2) ASC 606 is applied only to contracts that are not completed at the initial date of application and (3) all pre-opening services will be treated as a single performance obligation.

The adoption resulted in a decrease to beginning retained earnings of approximately \$261,000 as of January 1, 2019. The details of the significant changes are discussed below.

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D:

Prior to the adoption of ASC 606, the initial revenue recognized by the Company for a Franchise sale and Regional Developer (RD) sale/renewal was recognized in the year of the sale. In accordance with the new revenue guidance: (1) the pre-opening services related to a franchise sale are treated as a single performance obligation and recognized in the year the franchisee opens, and (2) the total consideration received for a RD sale/renewal is now allocated over the term of the 10 year agreement.

In March 2017, the FASB issued an update (ASU No. 2017-07), Compensation – Retirement Benefits (Topic 715) which requires that a company report the service cost component in the same line item or items as other compensation costs arising from service rendered by the employees during the period. Companies will present all other components of net benefit cost outside operating income. The Company adopted ASU 2017-07 as of January 1, 2019. The amendments in the update should be applied retrospectively for the presentation of the service cost component and the other components of the net periodic pension cost. The amendment allows a practical expedient that permits an employer to use the amounts disclosed in its pension note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements.

After the issuance of the financial statements dated February 28, 2020, it was determined that the components of net periodic pension costs were not properly included in the financial statements. The financial statements have been restated to reflect the following account changes for 2019.

The restatement resulted in an increase of unfunded pension liability of \$388,786 and other comprehensive income increased by \$163 in 2019. As a result of service cost being shown separate for other pension cost components: Pension service cost increased \$182,944 and other net periodic pension cost increased by \$38,372 for 2019 and are shown in Other income (loss).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash, Cash Equivalents and Restricted Cash

The Company considers cash, cash equivalents and restricted cash to be defined as demand deposits with financial institutions.

Concentration of Credit Risk and Revenue

The Company extends credit to chiropractic franchisees located throughout the United States. The receivables are concentrated in customers within the chiropractic field.

The Company has maintained its cash balances in a commercial bank located in Ohio. The balances, at times, may exceed the FDIC insurance limits. The Company has not experienced any losses in such accounts.

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D:

Accounts Receivable - Trade

The Company carries its accounts receivable at fair value using level three inputs. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. The Company's policy is not to accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely.

At times the Company provides extended payment terms and/or adds addendums to certain franchise agreements already in existence. Accordingly, such receivables are categorized as notes receivable trade.

Property and Equipment

Property and equipment are carried at cost. Major renewals and improvements are capitalized with the respective asset, while replacements, maintenance and repairs, which do not improve or extend the life of the respective asset are charged to operations when incurred.

Depreciation is computed by the straight-line method based on the expected useful lives of assets, as follows:

Leasehold improvements	15 years
Office furniture and equipment	7-10 years
Computers	5 years
Vehicles	5 years
Website	3 years

During the year ended December 31, 2021, 2020, and 2019, depreciation expense of \$25,445, \$56,369, and \$107,467, respectively was charged to operations.

Long-lived assets including the Company's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of long-lived assets have been required.

Fair Value of Financial Instruments

The FASB ASC Topic "Financial Instruments" clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D:

Disclosure includes reporting hierarchy in which the fair value measurements in their entity fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The carrying amount of cash, accounts receivable, accounts payable and accrued expense approximates fair value due to the short maturity of these financial instruments. The carrying value of long-term debts approximates fair value because those financial instruments bear interest at rates that approximate current market rates for loans with similar maturities and credit quality.

Government Grants

The Company received loans under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The Company also applied for the Employee Retention Credit (ERC) established as part of the CARES Act. The Company has determined the PPP loans and ERC refunds should be accounted for as a government grant which analogizes with ASC 958-605, Not-for-Profit Entities: Revenue Recognition. Under the provisions of ASC 958-605, government assistance received under the CARES Act should be accounted for as a conditional contribution. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met. The Company substantially met the conditions of the PPP loan agreements and the ERC requirements and recognized the contribution as other income in the statement of income and members' equity in 2021 and 2020. See Note W.

Compensated Absences

The Company pays employees for vacation and sick leave. At December 31, 2021, 2020, and 2019, all unused vacation and sick leave has expired.

Organization Costs

The Company expenses organization costs as they are incurred.

Advertising and Marketing

Advertising and marketing costs are expensed in the period they are incurred. Advertising and marketing costs for the year ended December 31, 2021, 2020, and 2019, were \$1,345,371, \$1,092,088, and \$1,001,318, respectively.

Income Taxes

The Company with the consent of its shareholders has elected under the Internal Revenue Code to be an S corporation. In lieu of federal corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no amount of federal income tax has been included in the balance sheets or statements of income.

HEALTHSOURCE CHIROPRACTIC, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D:

Sales Tax

Sales tax collected from customers and remitted to state government agencies are shown on a net basis and are not included in revenue or costs and expenses.

Reclassifications

Certain amounts from December 31, 2020 and 2019 have been reclassified to conform to the December 31, 2021 presentation.

NOTE B – CASH:

	<u>2021</u>		<u>2020</u>		<u>2019</u>
Cash and cash equivalents	\$ 904,929	\$	618,277	\$	145,955
Restricted cash - National Ad Fund	<u>590,600</u>		<u>499,851</u>		<u>280,816</u>
Total cash, cash equivalent, and restricted cash shown in the statement of cash flows	\$ <u>1,495,529</u>	\$	<u>1,118,128</u>	\$	<u>426,771</u>

Amounts included in restricted cash represent those required to be accounted for separately from other funds to be used for advertising, promotional, marketing and related administrative expenses.

NOTE C – ACCOUNTS RECEIVABLE - TRADE:

Accounts receivable consist of amounts due the Company from the sales of chiropractic franchises, regional developer agreements, royalties, franchise termination fees, and related support services. Accounts receivable at December 31, 2021, 2020 and 2019 consist of the following:

	<u>2021</u>		<u>2020</u>		<u>2019</u>
Franchise and regional developer sales	\$ 10,000	\$	-	\$	209,547
National Ad Fund	100,979		92,185		93,333
Royalties, terminations, and support services	<u>416,237</u>		<u>413,403</u>		<u>582,892</u>
	527,216		505,588		885,772
Less allowance for doubtful accounts	<u>50,000</u>		<u>125,000</u>		<u>250,000</u>
Total	\$ <u>477,216</u>	\$	<u>380,588</u>	\$	<u>635,772</u>

NOTE D – ADVANCE RECEIVABLE/PAYABLE - AFFILIATES:

The Company advanced funds of \$0, \$1,695, and \$0, during 2021, 2020 and 2019, respectively to Octalean LLC. Octalean, LLC advanced funds of \$8,017 to the Company in 2021. Octalean, LLC is 100% indirectly owned by the owners of HealthSource Chiropractic, Inc. All advances are non-interest bearing.

HEALTHSOURCE CHIROPRACTIC, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021, 2020 and 2019

NOTE E – NOTES RECEIVABLE – TRADE:

The Company provides extended payment terms and/or adds addendums to certain franchise agreements and regional developer agreements. Accordingly, such receivables are categorized as notes receivable trade.

The amounts owed the Company on such notes receivable - trade at December 31 was as follows:

	<u>2021</u>		<u>2020</u>		<u>2019</u>
Current portion	\$ 21,000	\$	158,004	\$	163,778
Long term portion	10,979		15,000		35,000
Total	<u>\$ 31,979</u>	\$	<u>173,004</u>	\$	<u>198,778</u>

The following is a summary of principal maturities of notes receivable during the next three years:

Year ending December 31,	
2022	\$ 21,000
2023	6,000
2024	4,979
	<u>\$ 31,979</u>

NOTE F – TERRITORIES REACQUIRED:

During prior years the company reacquired territories previously sold to Regional Developers and this amount is shown at cost. The territories are classified as long-term assets as they are currently not offered for sale.

NOTE G – LINE OF CREDIT:

The Company had a \$250,000 line of credit with Buckeye Community Bank that matured March 22, 2021. The Company did not renew the line of credit. The line was secured by all business assets and the personal guarantee of the shareholder. Interest was charged at prime. The outstanding balance on the line of credit was \$180,502 at December 31, 2020, and \$200,527 at December 31, 2019.

NOTE H – NOTE PAYABLE:

On June 29, 2020, the Company executed the standard loan documents required for securing a loan (the "EIDL Loan") from the SBA under its Economic Injury Disaster Loan ("EIDL") assistance program in light of the impact of the COVID-19 pandemic on the Company's business.

HEALTHSOURCE CHIROPRACTIC, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021, 2020 and 2019

NOTE H – NOTE PAYABLE CON'T:

Pursuant to that certain Loan Authorization and Agreement (the "SBA Loan Agreement"), the principal amount of the EIDL Loan is up to \$150,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly beginning July 15, 2022 in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the SBA Note. In connection therewith, the Company received an additional \$10,000 advance, which does not have to be repaid (see Note W).

The following is a summary of principal maturities of long-term debt during the next five years and thereafter:

<u>Year ending December 31,</u>	
2022	\$ 1,586
2023	3,262
2024	3,387
2025	3,516
2026	3,650
Thereafter	<u>134,599</u>
	<u>\$ 150,000</u>

Total interest cost incurred on all indebtedness for the years ended December 21, 2021, 2020 and 2019 was \$8,967, \$9,967, and \$23,366, respectively.

NOTE I – NOTE PAYABLE -STOCKHOLDER

The Company has a note payable to a stockholder totaling \$132,000. The note is due December 31, 2022 and bears interest at 1% payable at the time of the lump sum payoff.

NOTE J – NOTE PAYABLE AFFILIATE:

The Company had a note payable to Roxy 1 Limited Partnership totaling \$200,000. The note was due August 31, 2020. The note pays interest at 5.0% and is payable monthly. Accrued interest of \$12,625 was recorded at December 31, 2019. The note was paid in full during 2020.

NOTE K – DEFERRED COMPENSATION:

Deferred Compensation consists of a separation agreement to pay for services provided by a former key employee and recorded as consulting expense. The outstanding December 31, 2019 balance of \$25,000 was paid in full June 2020.

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE L – DEFERRED REVENUE:

Prior to the adoption of ASC 606 (Note A), the initial revenue recognized by the Company for a Regional Development sale was recognized in the year of the sale. In accordance with the new revenue guidance, the total consideration in the contract is now allocated over the term of the developer agreement (10 years) resulting in deferred revenue at the time of the sale.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning balance Deferred Revenue as a result of 2019 accounting change	218,900	180,200	261,427
Increase due to current year RD Sales/renewals	-	90,000	56,700
Revenue recognized in current year included in the deferred balance at the beginning of the period	<u>(61,300)</u>	<u>(51,300)</u>	<u>(137,927)</u>
Ending Balance Deferred Revenue	<u><u>157,600</u></u>	<u><u>218,900</u></u>	<u><u>180,200</u></u>

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. RD sales/renewals will be allocated and recognized using the straight-line method over the 10-year term of the agreement.

2022	\$ 49,800
2023	16,300
2024	16,300
2025	16,300
2026	16,300
Thereafter	<u>42,600</u>
Franchise Sales Agreements	<u>\$ 157,600</u>

If the change in accounting principle was not applied during 2019, the Company would have recognized \$358,000 in revenue for renewals, instead of \$439,226 as a result of the accounting change.

NOTE M – FAIR VALUE:

The carrying amounts reflected in the balance sheet for cash, accounts receivable, notes receivable, accounts payable and notes payable approximate the respective fair values due to the short maturities of those instruments.

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE N – COMMON STOCK:

On December 5, 2005 two stockholders subscribed to purchase a total of 100 shares of common stock for \$64,000. The stock has no par value.

The stockholders contributed paid in capital in the amount of \$202,788 during 2020.

NOTE O – VARIABLE INTEREST ENTITIES:

The Company consolidates all variable interest entities in which it holds a variable interest and is the primary beneficiary of the entity. Generally, a variable interest entity, a VIE, is a legal entity with one or more of the following characteristics: (a) the total at risk equity investment is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; (b) as a group the holders of the equity investment at risk lack any one of the following characteristics: (i) the power, through voting or similar rights, to direct the activities of the entity that most significantly impact its economic performance, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) some equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The primary beneficiary of a VIE is required to consolidate the VIE and is the entity that has (a) the power to direct activities of the VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

In determining whether the Company is the primary beneficiary of a VIE, the Company considers qualitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of the Company's interests and other involvements in the VIE; the obligation or likelihood for the Company or other investors to provide financial support to the VIE; and the similarity with and significance to the business activities of the Company and the other investors. Significant judgments related to these determinations include estimates about the current and future fair values and performance of real estate held by these VIEs and general market conditions.

At December 31, 2021, 2020 and 2019, the Company holds a variable interest in a single VIE, SCZ Enterprises, Ltd. for which the Company is not deemed to be the primary beneficiary. The Company has concluded, based on its qualitative consideration of the operating agreement, the structure of the limited liability company, and the role of the managing member in the limited liability company, that the managing member is the primary beneficiary of SCZ Enterprises, Ltd. In making that determination, the Company considered the following factors:

- The managing member conducts and manages the business of SCZ Enterprises, Ltd.
- The managing member is responsible for approving operating and capital budgets for the property owned by SCZ Enterprises, Ltd.
- The managing member is obligated to fund any recourse obligations of SCZ Enterprises, Ltd.
- The managing member is authorized to borrow funds on behalf of SCZ Enterprises, Ltd.
- The Company does not have the ability to direct or otherwise significantly impact its economic performance.

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE O – VARIABLE INTEREST ENTITIES CONT'D:

SCZ Enterprises, Ltd. is directly engaged in the ownership and management of three buildings. The Company's maximum exposure to loss as a result of its involvement with the unconsolidated VIE is limited to its future minimum lease payments to SCZ Enterprises, Ltd. The details of this are disclosed in Note R Related Party Lease. The Company may be subject to additional losses to the extent of any financial support that it voluntarily provides in the future. The Company has provided no explicit or implicit financial or other support to SCZ Enterprises, Ltd. that it was not previously contractually obligated to provide for the periods ended December 31, 2021, 2020 and 2019. The Company has no intent to provide such support for the foreseeable future.

NOTE P – RELATED PARTY TRANSACTIONS:

The details concerning related party transactions are included in Note D – Advance Receivable/Payable – Affiliates, Note I – Note Payable – Stockholder, Note J – Note Payable – Affiliate, Note S – Related Party Lease and Note T – Operating leases.

NOTE Q – REVENUE:

Franchise Agreements

Franchise agreement revenue is derived from the sale or transfer of chiropractic franchises across the United States. The pre-opening services are distinct from the franchise license and are accounted for as a single performance obligation. Sales prices for new franchises range from \$10,000 to \$20,000. To transfer a franchise is \$10,000.

It is possible that franchise fee revenue will decline in the future because sales will reach a saturation point. The number of franchises sold in 2021 was 6, in 2020 was 15, and in 2019 was 11, and there were 154, 161, and 197, franchise outlets in operation at December 31, 2021, 2020, and 2019, respectively, none of which were owned by HealthSource Chiropractic, Inc.

Royalty Revenue

Royalty payment obligations payable by franchisees to HealthSource Chiropractic, Inc. are computed at seven percent (7%) of sales. Royalty fees are payable monthly.

Termination Fees

Termination fees are an agreed upon sum that result when a franchisee terminates the franchise agreement prior to the agreement's expiration date.

National Ad Fund Revenue

Ad Fund payment obligations payable by franchisees to HealthSource Chiropractic, Inc. are computed at two percent (2%) of sales. Ad funds fees are payable monthly and to be used for advertising, promotional, marketing and related administrative expenses.

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE Q – REVENUE CONT'D:

Technology Fund Revenue

Technology Fund payment obligations payable by franchisees to HealthSource Chiropractic, Inc. are computed at \$199 per month. Technology fund fees are payable monthly.

NOTE R – FRANCHISE COMMITMENTS AND OBLIGATIONS:

Under the terms of the Company's standard chiropractic franchise agreement, HealthSource Chiropractic, Inc. offers a potential franchisee a specific territory and then provides training, operating manuals, software, and marketing materials.

NOTE S - RELATED PARTY LEASES:

In April 2012, the Company entered into a lease with SCZ Enterprises, Ltd. (a related party) for a vehicle. The term of the lease was for four years and called for monthly payments of \$700. In April 2016, an amendment to the lease was signed renewing the lease for an additional term of four years. In April 2020, an amendment to the lease was signed renewing the lease for an additional term of three years and calls for monthly payments of \$500. A new lease was entered into in February 2021 which calls for monthly payments of \$700 and expires May 2023. Lease payments totaled \$8,000 for 2021, \$6,600 for 2020 and \$8,400 for 2019.

The Company conducts its operations in an office facility, owned by a related party (SCZ Enterprises, Ltd.), and located in Avon, Ohio. SCZ Enterprises LTD is 100% owned by the shareholders of HealthSource Chiropractic, Inc.

In September 2011, the Company entered into a lease agreement with SCZ Enterprises, Ltd. (the related party) for office space with a termination date of December 31, 2016 with an option to renew this lease for one additional term of five years. In January 2014, an addendum increased rent to \$7,600. In January 2017, an amendment to the office space lease was signed renewing for a five year term with monthly payments of \$7,800 through December 31, 2021. In January 2018, an amendment to the office lease increased the rent to \$8,300. In December 2021, an addendum to the lease was signed renewing for an additional two year term with monthly payments of \$8,300 through December 31, 2023. The Company is responsible for utilities, insurance, maintenance and repairs, and certain common area maintenance items. Rent payments for the office lease totaled \$99,600 for 2021, \$93,600 for 2020, and 99,600 for 2019.

The Company entered into a month-to-month lease with the owners of HealthSource Chiropractic, Inc. for event space on January 1, 2014. The monthly payment is \$500. Lease payments totaled \$0 for 2021, \$0 for 2020, and \$6,000 for 2019.

HEALTHSOURCE CHIROPRACTIC, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021, 2020 and 2019

NOTE T – OPERATING LEASES:

The operating leases are all from a related party (see Note S).

Minimum future lease payments required under operating lease agreements in effect as of December 31, 2021 were as follows:

Year ended December 31,	
2022	\$ 108,000
2023	<u>103,100</u>
	<u>\$ 211,100</u>

NOTE U – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 3,580	\$ 7,155	\$ 23,366
State and local income taxes	\$ 13,623	\$ 4,244	\$ 5,540

NOTE V – RETIREMENT PLANS:

The Company provides a 401K safe harbor cross tested profit sharing plan (the plan) to provide retirement benefits for its employees. Employees may contribute a percentage of compensation to the plan, limited to the maximum amount allowed by law.

The Company had an obligation at December 31, 2021, 2020 and 2019 to contribute three percent (3%) of qualified wages under the terms of the plan. The Company may also make discretionary contributions.

The Company also has a cash balance defined benefit pension plan covering all eligible employees. The benefits are based on an annual contribution to a hypothetical account which is then offset by any employer discretionary contributions made to the Company's 401(K) profit sharing plan. The Plan was opened January 1, 2009. The Company's funding policy is to make the contribution equal to the net hypothetical contribution to each employee's account. The plan was frozen at January 1, 2020. No contributions were made for 2021, 2020 or 2019.

The following summarizes contributions to both plans:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Mandatory contributions	\$ 42,087	\$ 44,136	\$ 102,988
Discretionary contributions	<u>14,025</u>	<u>-</u>	<u>-</u>
	<u>\$ 56,112</u>	<u>\$ 44,136</u>	<u>\$ 102,988</u>

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE V – RETIREMENT PLANS CONT'D:

The following information is provided regarding the cash balance defined benefit pension plan as of December 31, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Change in benefit obligation			
Projected benefit obligation at beginning of year	\$ 1,545,992	\$ 1,521,992	\$ 1,227,056
Service cost	-	-	182,944
Interest cost	27,336	34,701	40,984
Actuarial (gain)/loss	(19,221)	(10,701)	71,008
Benefits paid	-	-	-
Expenses paid	-	-	-
Projected benefit obligation at end of year	<u>\$ 1,554,107</u>	<u>\$ 1,545,992</u>	<u>\$ 1,521,992</u>
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 1,230,389	\$ 1,133,206	\$ 982,679
Actual return on plan assets	192,466	97,183	150,527
Receivable employer contributions	-	-	-
Benefits paid	-	-	-
Expenses paid	-	-	-
Fair value of plan assets at end of year	<u>\$ 1,422,855</u>	<u>\$ 1,230,389</u>	<u>\$ 1,133,206</u>
Funded status (unfunded)	<u>\$ (131,252)</u>	<u>\$ (315,603)</u>	<u>\$ (388,786)</u>

The Measurement of the Net Pension Cost at December 31, 2021, 2020 and 2019 Utilizes the Following Assumptions:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
a. Weighted-average discount rate	2.19%	3.34%	2.80%
b. Weighted-average rate of compensation increase	0.00%	0.00%	0.00%
c. Weighted-average	7.50%	7.50%	7.50%
d. Mortality	417 (e) Acceptable Mortality		
e. Turnover	NA	NA	NA
f. Employee data utilized	12/31/21	12/31/20	12/31/19

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE V – RETIREMENT PLANS CONT'D:

1 Accumulated benefit obligation			
a. Balance at beginning of period	\$ 1,545,992	\$ 1,521,992	\$ 1,227,056
b. Increase (decrease) due to			
I. Plan amendments			
II. FAS 88 event			
III. Benefit accumulation/interest increase or decrease	8,115	24,000	294,936
IV. Benefits paid			
V. Net change	<u>8,115</u>	<u>24,000</u>	<u>294,936</u>
c. Balance at end of period	\$ <u><u>1,554,107</u></u>	\$ <u><u>1,545,992</u></u>	\$ <u><u>1,521,992</u></u>
2 Unrecognized prior service cost	NONE	NONE	NONE
3 Unrecognized net (loss) gain	(94,381)	(213,789)	(229,822)

There are no benefit payments, which reflect expected future service costs.

The following summarizes net periodic pension gain:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Interest Cost	\$ 35,249	\$ 34,701	\$ 40,984
Expected (Gain) Loss on Assets	<u>(92,279)</u>	<u>(91,851)</u>	<u>(79,356)</u>
Net Periodic Pension Gain	\$ <u><u>(57,030)</u></u>	\$ <u><u>(57,150)</u></u>	\$ <u><u>(38,372)</u></u>

NOTE W – COVID RELIEF GRANT INCOME:

The Company received a loan from Northwest Bank in the amount of \$391,150 (on April 28, 2020) under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020. The Company applied for and was notified on January 6, 2021 that \$391,150 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. The Company received a loan from Foundtainhead SBF LLC in the amount of \$294,305 (on January 28, 2021) under round two of the Paycheck Protection Program. The Company applied for and was notified on November 2, 2021 that \$294,305 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. In accordance with the Company's government grant policy, the funds will be recognized during the period the eligible expenditures for payroll and other expenses were incurred.

In June 2020, the Company received an advance of \$10,000 on the EIDL Loan (See Note H).

In December 2020, the Company received a grant of \$10,000 from the State of Ohio under the CARES Act Coronavirus Relief Fund.

HEALTHSOURCE CHIROPRACTIC, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021, 2020 and 2019

NOTE W – COVID RELIEF GRANT INCOME CON'T:

Under section 206(c) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, an employer that is eligible for the employee retention credit (ERC) can claim the ERC even if the employer has received a Small Business Interruption Loan under the Paycheck Protection Program (PPP). The eligible employer can claim the ERC on any qualified wages that are not counted as payroll costs in obtaining PPP loan forgiveness. Any wages that could count toward eligibility for the ERC or PPP loan forgiveness can be applied to either of these two programs, but not both. The Company applied for the Employee Retention Credit (ERC) for the 2nd quarter of 2020 in the amount of \$76,206 and for the 2nd and 3rd quarters of 2021 in the amount of \$132,304. In accordance with the Company's government grant policy, the funds will be recognized during the period the eligible expenditures for payroll were incurred.

	<u>2021</u>	<u>2020</u>
Paycheck Protection Program	\$ 294,305	\$ 391,150
Employee Retention Credit	132,304	76,206
EIDL Advance Forgiveness	-	10,000
State of Ohio Relief Grant	-	10,000
Total COVID Relief Grant Income	\$ 426,609	\$ 487,356

NOTE X – TAX DISCLOSURE FOR PASS-THROUGH ENTITIES:

Effective December 5, 2005, the Company with the consent of its stockholders, elected under the Internal Revenue Code to be an S corporation. No provision for federal income tax has been made for any year as the income is includable in the tax return of the stockholders under S corporation provisions of the Internal Revenue Code.

The Company files its income tax return using the cash basis, for tax purposes. The amount of taxable income passed through to the owners as of December 31, 2021, 2020 and 2019 was approximately \$190,372, \$140,000, and \$50,000, respectively. For the years ended December 31, 2021, 2020 and 2019 the Company made \$81,794, \$0 and \$1,621, respectively, in distributions to its owners.

The Company files a U.S. federal and various state income tax returns. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2018.

NOTE Y – SETTLEMENT:

In May 2020, a former employee filed a case against the Company alleging he was wrongfully terminated. HealthSource responded with a counterclaim for breach of fiduciary duty among other claims. The claim was settled in 2021 for \$150,000.

In January 2021, a former consultant filed a case against the Company for breach of a consulting contract. A settlement between the parties was reached for \$20,000 in April 2021.

HEALTHSOURCE CHIROPRACTIC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

NOTE Z – LITIGATION:

The Company is involved in several lawsuits in the normal course of business. From time to time, a franchisee who wishes to separate itself from the Company's franchise system will ask for a refund of the franchise fee it paid. The Company does not believe these demands have any merit, and the Company generally does not accept or pay any demands for refunds.

As of December 31, 2021, management cannot predict the outcome of the lawsuits nor estimate the amount of any loss that may result. Management believes that losses resulting from these matters, if any, would not have a material effect on the financial position of the Company. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements.

NOTE AA – SUBSEQUENT EVENTS:

Management has evaluated subsequent events through March 15, 2022, the date the financial statements were available to be issued and concluded the following subsequent events have occurred that requires disclosure in the notes to the financial statements.

On March 10, 2022, the CEO of the company received a threat of litigation and demand from a former employee, who claims that certain anonymous emails were authored by a HealthSource employee and resulted in causing him emotional distress and other damages. This dispute is in its initial stages, there has been no discovery or court proceedings, and neither the Company nor any employees have been named in a lawsuit as of the date of this report.

On March 15, 2022, HealthSource converted its legal entity status from an Ohio corporation to an Ohio limited liability company. Under Ohio law, the converting entity (Healthsource Chiropractic, Inc.) is continued in the converted entity (HealthSource Chiropractic, LLC), and the converted entity keeps all assets, liabilities, tax id numbers and other characteristics of the converting entity.

Management anticipates (March 20, 2022) that Franworth–HES Holdings, LLC will acquire a non-controlling 30% profits interest in the Company in exchange for certain services to be provided to the Company, and Franworth–HES Holdings, LLC will be entitled to appoint one of three members of the Board of Directors.

EXHIBIT G

GENERAL RELEASE AGREEMENT
(For Clinic Franchises)

THIS GENERAL RELEASE AGREEMENT (“Release”) is made and entered into this _____ day of _____, 20____, by and between HealthSource Chiropractic, LLC, an Ohio limited liability company (“**Franchisor**”), and _____, a _____ corporation/limited liability company/partnership (circle one) (“**Franchisee**”), and each shareholder/member/partner of Franchisee (individually, an “**Owner**,” and collectively, the “**Owners**”) (collectively, Franchisor, Franchisee, and the Owners are referred to hereinafter as the “**Parties**”).

WITNESSETH

WHEREAS, the Parties previously entered into that certain Franchise Agreement, dated _____, 20____ (the “**Agreement**”) granting Franchisee a single HealthSource Chiropractic Clinic franchise of Franchisor for a specific Term (as defined in the Agreement); and

WHEREAS, Franchisee desires to renew the Agreement for an additional Term (as defined in the Agreement); and

WHEREAS, Section 2.4(c) of the Agreement requires Franchisee and each of its Owners to execute, in favor of Franchisor and its officers, directors, agents, and employees, and Franchisor’s affiliates and their officers, directors, agents, and employees, as a condition to renew the Agreement, a general release from liability of all claims that Franchisee and its Owners may have against Franchisor and its affiliates and their respective officers, directors, employees, and agents; and

WHEREAS, the Parties desire to enter into this Release to comply with the requirements of the Agreement and preserve Franchisee’s eligibility to renew the Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and other valuable consideration, the Parties hereby agree as follows:

1. Recitals. The foregoing Recitals are incorporated into and made part of this Release.

2. Release. Franchisee and each Owner, on behalf of themselves and their present or former affiliated entities, predecessors, successors, assigns, heirs, and personal representatives, as well as all other persons, firms, corporations, limited liability companies, associations or partnerships or other affiliated entities claiming by or through them (the “**Releasing Entities**”), hereby fully release Franchisor and its present or

former affiliates entities and their respective officers, directors, shareholders, partners, members, employees, contractors, agents, predecessors, successors, assigns, attorneys, representatives, heirs, and personal representatives (the “**Released Entities**”) from any and all liabilities, claims, demands, debts, damages, obligations and causes of action of any nature or kind, whether presently known or unknown, which the Releasing Entities, or any of them, may have against the Released Entities as of the date this Agreement is executed, except for any claims under the Illinois Franchise Disclosure Act, the Indiana Franchise Act, the Maryland Franchise Registration and Disclosure Law, the Minnesota Franchise Law (Minnesota Statutes 1973 Supplement, sections 80C.01 to 80C.22), or the Washington Franchise Investment Protection Act.

3. Miscellaneous.

A. This Release contains the entire agreement and representations between the Parties hereto with respect to the subject matter hereof. This Release supersedes and cancels any prior understanding or agreement between the parties hereto whether written or oral, express or implied. No modifications or amendments to this Release shall be effective unless in writing, signed by all Parties.

B. In the event any provision hereof, or any portion of any provision hereof shall be deemed to be invalid, illegal or unenforceable, such invalidity, illegality, or unenforceability shall not affect the remaining portion of any provision, or of any other provision hereof, and each provision of this Release shall be deemed severable from all other provisions hereof.

C. This Release shall be governed by the laws of the State of Ohio. Any litigation or court action arising under or related to this Release shall be filed in state or federal court in Lorain County, Ohio.

D. In the event a court action is brought to enforce or interpret this Release, the prevailing Party in that proceeding or action shall be entitled to reimbursement of all of its legal expenses, including, but not limited to, reasonable attorneys’ fees and court costs incurred. The prevailing Party shall be entitled to reimbursement of all such expenses both in the initial proceeding or action and on any appeal therefrom.

E. This Release is binding on the Parties hereto and their respective successors, heirs, beneficiaries, agents, legal representatives, and assigns, and on any other persons claiming a right or interest through the Parties.

F. This Release may be executed in any number of counterparts, all of which shall be deemed to constitute one and the same instrument, and each counterpart shall be deemed an original.

Signature Pages Follow

IN WITNESS WHEREOF, the Parties hereto affix their signatures and execute this Release as of the day and year first above written.

FRANCHISOR:

HEALTHSOURCE CHIROPRACTIC, LLC
an Ohio limited liability company

By: _____
Its: _____

FRANCHISEE:

By: _____
Title: _____

OWNERS:

	Owner's Residential Address:	Owner's % Ownership:
_____ Signature of Owner	_____	
_____ Printed/Typed Name of Owner	_____	_____%
	Owner's Title/Position with Franchisee: _____	
		Date: _____, 20__

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	Owner's Residential Address:	Owner's % Ownership:
_____	_____	
Signature of Owner		
_____	_____	_____ %
Printed/Typed Name of Owner	Owner's Title/Position with Franchisee:	

		Date: _____, 20__

	Owner's Residential Address:	Owner's % Ownership:
_____	_____	
Signature of Owner		
_____	_____	_____ %
Printed/Typed Name of Owner	Owner's Title/Position with Franchisee:	

		Date: _____, 20__

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_____	Owner's Residential Address:	Owner's %
Signature of Owner	_____	Ownership:
_____	_____	_____ %
Printed/Typed Name of Owner	Owner's Title/Position with Franchisee:	

	Date: _____, 20__	

_____	Owner's Residential Address:	Owner's %
Signature of Owner	_____	Ownership:
_____	_____	_____ %
Printed/Typed Name of Owner	Owner's Title/Position with Franchisee:	

	Date: _____, 20__	

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	Owner's Residential Address:	Owner's % Ownership:
_____	_____	
Signature of Owner		
_____	_____	_____ %
Printed/Typed Name of Owner	Owner's Title/Position with Franchisee:	

		Date: _____, 20__

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EXHIBIT H
TRANSFER AGREEMENT

THIS TRANSFER AGREEMENT (“**Agreement**”) is made and entered into as of _____, 20__ (the “Effective Date”), by and between HealthSource Chiropractic, LLC, an Ohio limited liability company (“**Franchisor**”), and _____ (“**Franchisee**”), and each undersigned shareholder/member/partner of Franchisee (individually, an “**Owner**,” and collectively, the “**Owners**”), and _____ (collectively, and jointly and severally, “**Assignee**”) (collectively, Franchisor, Franchisee, the Owners and Assignee are referred to hereinafter as the “**Parties**”).

WITNESSETH:

WHEREAS, Franchisor and Franchisee previously entered into that certain Franchise Agreement, dated _____ (as amended to date, the “**Franchise Agreement**”), granting to Franchisee that certain HealthSource Chiropractic Clinic franchise located in _____ (the “**Franchise**”);

WHEREAS, Franchisee and each Owner wish to Transfer (as defined in Section 14.4 of the Franchise Agreement) to Assignee all of its right, title and interest in and to the Franchise and the Franchise Agreement (the “**Transferred Interest**”);

WHEREAS, Franchisor is willing to consent to the above Transfer of the Transferred Interest, and the Parties desire that the Transfer be made in accordance with the following terms and conditions;

NOW, THEREFORE, in consideration of the mutual agreements, covenants and undertakings herein contained and other valuable consideration, the adequacy of which is acknowledged by all Parties, the Parties hereby agree as follows:

1. Recitals. The above Recitals and sections of the Franchise Agreement referred therein are hereby incorporated into and made part of this Agreement.

2. Transfer; Assumption; Consent to Transfer. Franchisee and each Owner does hereby Transfer to Assignee all of his, her or its right, title and interest in and to the Transferred Interest, and each Assignee, jointly and severally, does hereby assume and agree to discharge all liabilities and obligations of the Franchisee arising under or in connection with the Franchise Agreement on or after the Effective Date. Franchisor hereby consents to the Transfer of the Transferred Interest as described in the Recitals, but such consent does not relieve Franchisee or any Owner from any liabilities or obligations arising under or in connection with the Franchise Agreement on or before the Effective Date, or any covenants or obligations that by their terms survive Transfer or termination of the Franchise Agreement.

3. Conditions for Approval of Transfer. Franchisee and each Owner and Assignee hereby represent and warrant that the conditions for approval of Transfer as set forth in Section 14.5 of the Franchise Agreement, to the extent such conditions are not specifically addressed or resolved under this Agreement, have been fully and completely satisfied as provided in such Section 14.5 and to Franchisor's satisfaction; provided, however, that (a) a non-refundable \$10,000.00 Transfer Fee shall be paid by _____ to Franchisor concurrently with the execution of this Agreement, and (b) Franchisor's consent and execution of this Agreement are expressly conditioned upon payment by Franchisee of all Continuing Franchise Fees due for periods up to and through the Effective Date, including \$_____ in past due amounts, prior to or concurrently with the execution of this Agreement.

In addition to the foregoing, and notwithstanding anything to the contrary in the Franchise Agreement or the New Franchise Agreement, Assignee agrees that it will conform the equipment, furnishings and décor of the Franchise business to Franchisor's current standards within 6 months of the Effective Date.

4. Release. Franchisee and each Owner, on behalf of themselves and their present or former affiliated entities, predecessors, successors, assigns, heirs, and personal representatives, as well as all other persons, firms, corporations, limited liability companies, associations or partnerships or other affiliated entities claiming by or through them (the "**Releasing Parties**"), hereby fully release Franchisor and its present or former affiliated entities and their respective officers, directors, shareholders, partners, members, employees, contractors, agents, predecessors, successors, assigns, attorneys, representatives, heirs, and personal representatives (the "**Released Parties**"), from any and all liabilities, claims, demands, debts, damages, obligations and causes of action of any nature or kind, whether presently known or unknown, which the Releasing Parties may have had, now have or may now or hereafter have or assert against any such Released Parties on account of any matter whatsoever arising from the beginning of time through the Effective Date, whether such claims be known or unknown, knowable or unknowable, suspected or unsuspected, which were or could have been asserted by any such Releasing Party, including but not limited to any claims relating or pertaining to the Franchise Agreement, the offering or purchase of the Franchise, business opportunity or similar statutes, and/or the business and franchise relationship between the parties. Franchisee and the Owners hereby represent and warrant to Franchisor and Assignee that Owners are the sole owners of the Franchise and Franchisee and no other person has any right, title or interest in or to the Franchise, the Franchisee, the Franchise Agreement, the Transferred Interest or any of the claims being released above.

5. Confidentiality ; Non-Disparagement.

a. Definitions. Wherever used in this Section 5, the term "Franchisor" shall refer to Franchisor and any affiliate, subsidiary, successor or assign of Franchisor. Wherever used in this Section, the phrase "directly or indirectly" includes, but is not limited to, acting, either personally or as principal, owner, shareholder, employee, independent contractor, agent, manager, partner, joint venturer, consultant, or in any other capacity or by means of any corporate or other device, or acting through the spouse, children, parents, brothers, sisters, or any other relatives, friends, trustees, agents, or associates of any of the Parties. Whenever used in this Section, the term "Confidential Information" shall be defined as provided in Section 9.1 of the Franchise

Agreement, which provisions are hereby incorporated by reference, and such term shall also include the terms and conditions hereof.

b. Consideration. The Parties acknowledge that consideration for this Agreement has been provided and is adequate. The consideration includes, but is not limited to, the granting of the Franchise to Franchisee and/or each Owner, and Franchisor's consent to the Transfer of the Transferred Interest as provided in this Agreement.

c. Need for this Agreement. The Parties recognize that in the highly competitive business in which Franchisor and its affiliates and franchisees are engaged, preservation of Confidential Information is important in securing new franchisees and employees, and retaining the goodwill of present franchisees, employees, customers, and suppliers. Franchisee and each Owner recognizes that it has had substantial contact with Franchisor's employees, customers, and suppliers and Confidential Information. For that reason, Franchisee and each Owner may be in a position to take for his or her benefit all or a portion of the Confidential Information now or in the future. If Franchisee or any Owner, after the Transfer of the Transferred Interest as provided in this Agreement, takes advantage of such Confidential Information for Franchisee's or any Owner's own benefit, then the competitive advantage that Franchisor has created through its efforts and investment will be irreparably harmed.

d. Confidential Information. Franchisee and each Owner agrees at all times following the Effective Date, to hold the Confidential Information in the strictest confidence and not to use such Confidential Information for Franchisee's and/or each Owner's personal benefit, or the benefit of any other person or entity other than Franchisor, or disclose it directly or indirectly to any person or entity without Franchisor's express authorization or written consent. Franchisee and each Owner fully understand the need to protect the Confidential Information and all other confidential materials and agrees to use all reasonable care to prevent unauthorized persons from obtaining access to Confidential Information at any time.

e. Non-Disparagement. Franchisee and each Owner agrees that it shall not make any negative or critical statements to any third parties, either verbally or in any other form or media, about (i) Franchisor or its prior relationship and business dealings with Franchisor, or (ii) the actions, operations or character of Franchisor or any owners, officers, directors, employees, consultants or agents of Franchisor.

6. Subordination. Franchisee and each Owner and Assignee agree that all of Assignee's obligations to make any installment payments to or for the benefit of Franchisee and/or an Owner in connection with the Transfer of the Transferred Interest as provided under this Agreement shall be subordinate to Assignee's obligations under the Franchise Agreement or New Franchise Agreement (as defined below) to pay to us or our affiliates any Continuing Franchise Fees, Advertising Fees, and other fees and payments provided for therein.

7. New Franchise Agreement. Assignee agrees that in connection with the Transfer of the Transferred Interest to it, Assignee shall sign at Franchisor's request the form of Franchise Agreement (including applicable guaranties of Principal Owners) currently used by Franchisor in selling and offering franchises like the Franchise (the "New Franchise Agreement"). If Franchisor

requires that a New Franchise Agreement be signed, it will replace the Franchise Agreement for periods following the execution of the New Franchise Agreement; provided, however, that Assignee will not be required to pay the Initial Franchise Fee and the execution of the new Franchise Agreement will not extinguish any of Franchisee's continuing obligations under the Franchise Agreement.

8. Owner Remains Bound by Franchise Agreement. Owner hereby acknowledges and agrees that nothing contained herein shall relieve or discharge him with respect to any duties, obligations or liabilities to which he is subject under the Franchise Agreement. Without limiting the foregoing, and in consideration of, and as an inducement to, the execution of this Agreement by Franchisor, Owner hereby personally and unconditionally agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement, including without limitation, monetary obligations, the obligations to take or refrain from taking certain actions and arbitration of disputes. If Franchisor is required to enforce the guaranty provided for under this Section in a judicial or arbitration proceeding, and prevail in such proceeding, then Owner agrees that Franchisor will be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by Owner to comply with the provisions of this Section, then Owner shall reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

9. Breach. The Parties hereby agree that each of the matters stated herein are important, material, and confidential, and substantially affect the effective and successful conduct of the business of Franchisor and its reputation, and goodwill. Any breach of the terms of this Agreement is a material breach of this Agreement, which will result in substantial and irreparable injury to Franchisor, for which the breaching party may be preliminarily and permanently enjoined and for which the breaching party shall also pay to Franchisor all damages (including, but not limited to, compensatory, incidental, consequential and lost profits damages) which arise from the breach, together with interest, costs and Franchisor's reasonable attorneys' fees (through final unappealable judgment) to enforce this Agreement. This Agreement does not limit any other remedies available at law or in equity available to Franchisor.

10. No Waiver. Franchisor may waive a provision of this Agreement only in writing executed by an authorized representative. No Party shall rely upon any oral representations as to a waiver of any provision of this Agreement. No waiver by a party of a breach by another party of any provision of this Agreement shall operate or be construed as a waiver of any subsequent breach by the breaching party.

11. Assignment. This Agreement is fully transferable by Franchisor. Neither Franchisee, any Owner nor Assignee may assign, convey, sell, delegate, or otherwise transfer this Agreement or any right or duty hereunder without obtaining Franchisor's prior written consent.

12. Binding Agreement. This Agreement shall be binding upon the Parties' heirs and legal representatives. This Agreement shall be enforceable by the successors and assigns of Franchisor, any person or entity which purchases substantially all of the assets of Franchisor, and any subsidiary, affiliate or operation division of Franchisor. **The obligations of the Owners and Franchisee hereunder shall be joint and several.**

13. Tolling. To ensure that Franchisor will receive the full benefit of this Agreement, the provisions of this Agreement will not run, for purposes of the prohibitions on any competition and solicitation, statute of limitations, or for laches, at any time that a party to this Agreement is actually acting in any way in contravention to this Agreement.

14. Headings. The paragraph headings of this Agreement are not a substantive part of this Agreement and shall not limit or restrict this Agreement in any way.

15. Choice of Law and Venue. This Agreement shall be construed in accordance with and governed for all purposes by the laws of Ohio. If any action or proceeding shall be instituted by any Party, or any representative thereof, all Parties and their representatives hereby consent and will submit to the jurisdiction of, and agree that venue is proper in Lorain County, Ohio. Notwithstanding the foregoing provisions of this Section 15, in the event this Agreement is subject to the Illinois Franchise Disclosure Act, this Agreement shall be governed by Illinois law, and venue shall be proper in the state of Illinois.

16. Severance and Reformation. In case any one or more of the provisions or restrictions contained in this Agreement, or any part thereof, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions or restrictions of this Agreement. In case any one or more of the provisions or restrictions contained in this Agreement shall, for any reason, be held to be unreasonable, improper, overbroad or unenforceable in any manner, it is agreed that they are divisible and separable and should be valid and enforceable to the extent allowed by law. The intention of the Parties is that Franchisor shall be given the broadest protection allowed by law with respect to this Agreement.

17. Entire Agreement. No change, addition, deletion or amendment of this Agreement shall be valid or binding upon any Party unless in writing and signed by the Parties. Insofar as matters within the scope of this Agreement are concerned, this Agreement is the entire Agreement between the Parties and replaces and supersedes all prior agreements and understandings pertaining to the matters addressed in this Agreement. There are no oral or other agreements or understandings between the Parties affecting this Agreement. Notwithstanding the foregoing, nothing contained herein shall limit, modify or revoke any covenants or obligations contained in the Franchise Agreement that by their terms survive Transfer or termination of the Franchise Agreement.

18. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be deemed to constitute one and the same instrument, and each counterpart shall be deemed an original

19. Opportunity to Seek Independent Advice. The Parties recognize that this Agreement is an important document that affects their legal rights. For this reason, the Parties may wish to seek independent legal advice before accepting the terms stated herein. The undersigned Parties acknowledge that they have had an opportunity to seek such independent legal advice. The Parties each acknowledge that such Party has read and understand the provisions contained herein and acknowledge receipt of a copy of this Agreement.

IN WITNESS WHEREOF, the Parties hereto affix their signatures and execute this Agreement as of the day and year first above written.

FRANCHISOR:

HEALTHSOURCE CHIROPRACTIC, LLC
an Ohio limited liability company

By: _____

Its: _____

FRANCHISEE:

By: _____

Its: _____

OWNERS:

ASSIGNEE:

By: _____

-and-

_____, Individually
and on behalf of any entities or persons
that may own, operate or have an interest
in the Franchise

EXHIBIT I

SUPPLEMENTAL AGREEMENTS **(INCLUDING HIPAA BUSINESS ASSOCIATE AGREEMENT)**

I. HIPAA Business Associate Agreement.

This Business Associate Agreement (this “Agreement”) is entered into effect as of _____, 20__ by and among HealthSource Chiropractic, LLC and the undersigned franchisee in order to comply with 45 C.F.R. 164.504(e), governing protected health information (“PHI”) and business associates under the Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191), 42 U.S.C. Section 1320d, et seq., the Health Information for Economic and Clinical Health Act, as incorporated in the American Recovery and Reinvestment Act of 2009 (the “HITECH Act”), and applicable regulations, as amended from time to time (these statutes and regulations hereafter collectively referred to as “HIPAA”) [HealthSource Chiropractic, LLC and the undersigned franchisee may be referred to herein individually as a “Party” or collectively as the “Parties”].

Definitions

The following terms used in this Agreement shall have the same meaning as those terms in the HIPAA Rules: Breach, Data Aggregation, Designated Record Set, Disclosure, Health Care Operations, Individual, Minimum Necessary, Notice of Privacy Practices, Protected Health Information, Required By Law, Secretary, Security Incident, Subcontractor, Unsecured Protected Health Information, and Use.

- (a) **Business Associate.** “Business Associate” shall generally have the same meaning as the term “business associate” at 45 CFR 160.103, and in reference to the party to this agreement, shall mean HealthSource Chiropractic, LLC.
- (b) **Covered Entity.** “Covered Entity” shall generally have the same meaning as the term “covered entity” at 45 CFR 160.103, and in reference to the party to this agreement, shall mean the undersigned franchisee.

Statement of Agreement

1. **HIPAA Compliance and Agents:** Business Associate hereby agrees to fully comply with the “Business Associate” requirements under HIPAA, throughout the term of this Agreement. Further, Business Associate agrees that to the extent it has access to PHI, Business Associate will fully comply with the requirements of HIPAA and this Agreement with respect to such PHI; and, further, that every agent, employee, subsidiary, subcontractor, vendor and affiliate of Business Associate to who it provides PHI received from, or created or received by Business Associate on behalf of, Covered Entity, will be required to fully comply with HIPAA, and will be bound by written agreement to the same restrictions and terms and conditions as set forth in the Agreement. To the extent Business Associate is to carry out one or more of Covered Entity’s obligations under the Security and Privacy provisions of HIPAA, Business Associate will comply with such requirements that apply to Covered Entity in the performance of such obligation(s).
2. **Use and Disclosure Rights:** Business Associate agrees that it shall not use or disclose PHI

except as permitted under this Agreement or as required by law. Business Associate acknowledges that this Agreement does not in any manner grant Business Associate any greater rights than Covered Entity enjoys, nor shall it be deemed to permit or authorize Business Associate to use or further disclose PHI in a manner that would otherwise violate the requirements of HIPAA if done by Covered Entity. Business Associate shall comply with HIPAA and its applicable regulations as it pertains to marketing, fundraising and/or the sale of PHI. Business Associate shall not disclose PHI to a health plan for payment or health care operations purposes if the patient has requested this special restriction and has paid out of pocket in full for the health care item or service to which the PHI solely relates. Business Associate shall not directly or indirectly receive payment or other consideration in exchange for PHI, except as permitted under HIPAA; however, this prohibition shall not affect payment from Covered Entity to Business Associate for services provided by Business Associate.

3. Required or Permitted Uses: Business Associate shall not – and Covered Entity shall not request Business Associate to - use or disclose PHI in any manner that would not be permissible under HIPAA if done by Covered Entity, except for any specific uses or disclosures set forth below. Business Associate may only use or disclose PHI incidental to the performance of its services required under the Franchise Agreement with Covered Entity. Business Associate agrees that it is permitted to use or disclose PHI only as follows: (a) upon obtaining the authorization of the patient to whom such information pertains in accordance with 45 C.F.R. 164.502 (a)(1)(iv) and 164.508, (b) upon obtaining the consent of a patient to whom such information pertains, if the use or disclosure is for purposes of treatment, payment, or health care operations, (c) without an authorization or consent, if in accordance with 45 C.F.R. 164.506, 164.510, 164.512, 164.514(e), 164.514(f), 164.514(g), (d) Business Associate may use PHI for data aggregation services relating to the health care operations of Covered Entity, (e) Business Associate is authorized to use PHI to de-identify the PHI, (f) Business Associate may use PHI for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate, (g) Business Associate may disclose PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of the Business Associate, provided (1) the disclosures are required by law, or (2) Business Associate obtains reasonable assurances from the person or entity to whom the PHI is disclosed that the information will remain confidential and be used or further disclosed only as required by law or for the purposes for which it was disclosed the such person or entity, and the person notified Business Associate of any instances of which it is aware in which the confidentiality of the PHI has been breached, and (h) as otherwise permitted or required by agreement or law.
4. Subcontractors. If applicable, Business Associate will ensure that any subcontractors or agents that create, receive, maintain, or transmit PHI or electronic PHI on behalf of Business Associate will agree to the same restrictions, conditions, and requirements that apply to the Business Associate with respect to such information. As necessary, Business Associate will enter into a business associate agreement that is in compliance with the requirements of HIPAA with any and all subcontractors of Business Associate in order to disclose PHI to such subcontractor. For purposes hereof, Phunkey Incorporated and HS Worx are subcontractors of Covered Entity, not Business Associate.
5. Safeguards; Location: Business Associate agrees to (1) develop and use appropriate administrative,

procedural, physical, and electronic safeguards in accordance with and as required by HIPAA, as may be amended, and (2) comply with the Security and Privacy provisions of HIPAA with respect to electronic PHI, to prevent misuse or disclosure of PHI (including unsecured PHI) other than as provided by this Agreement. Business Associate agrees to notify Covered Entity of the location of any PHI disclosed by Covered Entity or created by Business Associate on behalf of Covered Entity and held by or under the control of Business Associate or those to whom Business Associate has disclosed such PHI. Business Associate will only disclose PHI to a subcontractor if it receives satisfactory assurances from the subcontractor in accordance with applicable law that the subcontractor will appropriately safeguard the PHI.

6. Minimum Necessary: Covered Entity and Business Associate must make reasonable efforts to limit any use, disclosure, or request for use or disclosure to the minimum amount necessary to accomplish the intended purpose of the use, disclosure, or request in accordance with the requirements of HIPAA. Covered Entity may, pursuant to HIPAA, reasonably rely on any requested disclosure as the minimum necessary for the stated purpose when the information is requested by Business Associate. Business Associate acknowledges that if Business Associate is also a covered entity, as defined by HIPAA, Business Associate is required, independent of Business Associate's obligations under this agreement, to comply with the HIPAA minimum necessary requirements when making any request for PHI from Covered Entity.
7. Records Covered Entity Access: Business Associate shall maintain such records of PHI received from, or created or received on behalf of, Covered Entity and shall document subsequent uses and disclosures of such information by Business Associate as may be deemed necessary and appropriate in the sole discretion of Covered Entity. Business Associate shall provide the Covered Entity with reasonable access to examine and copy such records and documents of Business Associate during normal business hours. Business Associate agrees to fully cooperate in good faith with and to assist Covered Entity in complying with the requirements of HIPAA and an investigation of Covered Entity regarding compliance with HIPAA conducted by the U.S. Department of Health and Human Services ("DHHS"), Office of Civil Rights, or any other administrative or judicial body with jurisdiction.
8. DHHS Access to Books, Records, and other Information: Business Associate shall make available to the Secretary of the DHHS its internal practices, books, and records relating to the use and disclosure of PHI received from, or created or received by Business Associate on behalf of, Covered Entity for purposes of determining the Covered Entity's or Business Associate's compliance with HIPAA.
9. Designated Record Set or Individual Access: Business Associate shall maintain a designated record set, as defined by HIPAA, for each individual patient for which it has PHI. In accordance with an individual's right to access to their own PHI under HIPAA, Business Associate shall make available all PHI in that designated record set to the individual to whom that information pertains, or such individual's representative, all PHI in that designated record set, upon a request by such individual or such individual's representative.
10. Accounting: Business Associate shall make available PHI or any other information required to provide, or assist in preparing, an accounting of disclosures in accordance with HIPAA as

necessary to satisfy Covered Entity's obligations. Business Associate shall implement a policy permitting for an accounting to be collected and maintained by Business Associate for at least six (6) years prior to the request. Accounting of disclosures from an electronic health record for treatment, payment or health care operation purposes are required to be collected and maintained for only three (3) years prior to the request, and only to the extent required under HIPAA and applicable regulations. The information collected and maintained by the Business Associate must include (1) the date of disclosure, (2) the name and, if known, the address of the entity or person who received PHI, (3) a brief description of the PHI disclosed, and (4) a brief statement of the purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or in lieu of such statement, a copy of a written request for the disclosure. If Business Associate receives a request for an accounting directly from an individual patient, Business Associate shall forward such request to Covered Entity within ten (10) business days. Covered Entity shall have the sole responsibility for providing an accounting to the individual patient.

11. Report Improper Use or Disclosure: Business Associate shall notify and report to Covered Entity in writing of any access, use or disclosure of PHI not permitted by this Agreement or by law, and any breach of "unsecured PHI" of which it becomes aware and of any security incident of which it becomes aware without unreasonable delay and in no case later than sixty (60) calendar days after discovery of the breach. This notice or report shall, to the extent such information is available, (1) identify the nature of the breach or non-permitted access, including the date of the breach, (2) a description of PHI that was involved in the breach, (3) identify the individual who caused the breach and who received the PHI, (4) identify the corrective action the Business Associate took or will take to prevent further breaches, (5) identify what Business Associate did or will do to mitigate any losses from the breach and (6) provide such other information as Cover entity may reasonably request.

Business Associate agrees to require its agents and subcontractors to promptly report to Business Associate any use or disclosure of PHI in violation of this Agreement and to report to Covered Entity any use or disclosure of the PHI not provide for by this Agreement. Business Associate shall report any such violation to Covered Entity as required by applicable law.

12. Requirements of Covered Entity to Inform Business Associate. Business Associate shall only be required to comply with the respective limitation, restriction or changes and/or revocation if Covered Entity notifies Business Associate of (1) any limitation in the notice of privacy practices, (2) any restriction on the use of disclosure of PHI that Covered Entity has agreed to or is required to abide by, and (3) any changes in, or revocation of, the permission by an individual to use or disclose his or her PHI.
13. Amendment of and Access to PHI Notification: Business Associate shall make available PHI in a designated record set to Covered Entity for amendment and shall incorporate any amendments to PHI accordingly. Business Associate shall make reasonable efforts to notify persons, organizations, or other entities, including other business associates, known by Business Associate to have received the erroneous or incomplete information and who may have relied, or could foreseeably rely, on such information to the detriment of the individual patient. Business Associate must update this information when notified by the Covered Entity. If Business Associate receives a request for amendment to PHI directly from an individual patient, Business Associate shall forward such request to Covered Entity within ten (10) business days. Covered

Entity shall have the sole responsibility for determining whether to approve an amendment to PHI and to make such amendment.

14. Term and Termination Rights: The term of this Agreement shall commence upon execution of this Agreement and continue in effect until the termination of the Franchise Agreement executed between the Parties or as otherwise provided for in this Agreement. Each party acknowledges and agrees that the other party shall have the right to immediately terminate this Agreement in the event the party fails to comply with HIPAA requirements concerning PHI and the above requirements. This agreement authorizes a party to terminate the Agreement if the party determines, in its sole discretion, that the other party has violated or breached a material term of the Agreement required by HIPAA.
15. Breach or Violation Knowledge: If a party knows of a pattern of activity or practice of the other party that constitutes a material breach or violation of the other party's obligations under this Agreement, the other party shall take any steps reasonably necessary to cure such breach or end such violation. If such steps are unsuccessful, the party shall either (a) terminate this agreement, if feasible, pursuant to paragraph 12, or (b) if termination is not feasible, report the breach or violation to DHHS. If Business Associate as a covered entity, defined by HIPAA, violates the terms and conditions of this Agreement in its capacity as a business associate of another covered entity, Business Associate will be in non-compliance with the standards, implementation specifications, and requirements of HIPAA.
16. Return of PHI upon Termination: Business Associate agrees that upon termination of this Agreement, and if feasible, Business Associate shall (a) return or destroy all PHI received from, or created or received by Business Associate on behalf of, Covered Entity that Business Associate still maintains in any form and retain no copies of such information or (b) if such return or destruction is not feasible, extend the protection of this agreement to such PHI and limit further uses and disclosures to those purposes that make the return or destruction of the PHI feasible.
17. Notices: All notices and other communications under this Agreement to any Party shall be in writing and shall be deemed given when delivered personally, telecopied (which is confirmed) to that Party at the telecopy number for that Party set forth at the end of this Agreement, mailed by certified mail (return receipt requested) to that Party at the address for that Party set forth at the end of this agreement, mailed by certified mail (return receipt requested) to that Party at the address for that Party set forth at the end of this Agreement (or at such other address for such Party as such Party shall have specified in a notice to the other Parties), or delivered to Federal Express, UPS, or any similar express delivery service for delivery to that Party at that address.
18. NonWaiver: No failure by any Party to insist upon strict compliance with any term or provision of this Agreement, to exercise any option, to enforce any right, or to seek any remedy upon any default of any other Party shall affect, or constitute a waiver of, any Party's right to insist upon such strict compliance, exercise that option, enforce that right, or seek that remedy with respect to that default or any prior, contemporaneous, or subsequent default. No custom or practice of the Parties at variance with any provision of this Agreement shall affect or constitute a waiver of any Party's right to demand strict compliance with all provisions of this Agreement.

19. Gender and Number Headings: Where permitted by the context, each pronoun used in this Agreement included the same pronoun in other genders and numbers, and each noun used in this Agreement includes the same noun in other numbers. The headings of the various sections of this Agreement are not part of the context of this Agreement, are merely labels to assist in locating such sections, and shall be ignored in construing this Agreement.
20. Regulatory References. A reference in this Agreement to a section in the Privacy, Security, Breach Notification, and Enforcement HIPAA Rules at 45 CFR Part 160 and Part 164 means the section as in effect or as amended.
21. Interpretation. Any ambiguity in this Agreement shall be interpreted to permit or require compliance with HIPAA.
22. Counterparts: This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one of the same agreement.
23. Entire Agreement: This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.
24. Binding Effect: This Agreement shall be binding upon, inure to the benefit of and be enforceable by and against the Parties and their respective heirs, personal representatives, successors, and assigns. Neither this Agreement nor any of the rights, interests, or obligations under this Agreement shall be transferred or assigned by Business Associate without the prior written consent of Covered Entity.
25. Severability Governing Law: With respect to any provision of this Agreement finally determined by a court of competent jurisdiction to be unenforceable, such court shall have jurisdiction to reform such provision so that it is enforceable to the maximum extent permitted by applicable law., and the Parties shall abide by court's determination. In the even that any provision of this Agreement cannot be reformed, such provision shall be deemed to be severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect. This Agreement shall be governed and construed in accordance with the laws of the State of Ohio.
26. Relationship of Parties. This Agreement does not create a partnership, franchise, joint venture, agency, fiduciary, or employment relationship between the Parties.
27. Survival: All representations, covenants, and agreements in or under this Agreement or any other document executed in connection with the transactions contemplated by this Agreement, shall survive the execution, delivery, and performance of this Agreement and such other documents.
28. Further Assurances: Each Party Shall execute, acknowledge or verify, and deliver any and all documents which may from time to time be reasonably requested by the other Party to carry out the purpose and intent of this Agreement.

II. Marketing Agreement

The undersigned, being a HealthSource Chiropractic franchisee, acknowledges and agrees to use the HIPAA forms and other items supplied by HSC as it pertains to marketing to patients, including, without limitation, patient authorization forms, the Electronic Sign-In Procedures, the HSWorx Electronic Opt In methods and HIPAA's Business Associate Agreement between HSC and my franchise. I agree to comply with all requirements and specifications relating to HIPAA. I acknowledge and agree that I must obtain patient authorization or consent before the patient will be subject to marketing by me, HS Worx or any other entity.

I understand that I must sign, date and return this marketing agreement and that I must use the forms identified-above in my franchise immediately.

Initial each of the following to signify that I am responsible for such item:

_____ I will use the HSC Electronic Sign-In Procedures, effective immediately.

_____ I will use the HSC HIPAA patient authorization form, effective immediately.

_____ I will return to the fully executed HIPAA Business Associate agreement to HSC immediately.

_____ I will use the HSWorx Electronic Opt In methods for communication preferences, effectively immediately.

III. Disclaimer Acknowledgement

Nothing contained or stated in HealthSource Chiropractic, LLC's ("HSC") Operations Manual and training program should be construed as medical or legal advice. The training program for HSC franchises is for informational purposes only. Any reference with regard to treatment plans, diagnosis coding, documentation, frequency of treatment plans, x-rays, duration of treatment plans, types of treatment performed, doctor-patient communications, marketing and advertising is purely for informational purposes only and HSC expects that you will exercise independent medical judgment when treating patients. All medical and chiropractic related decisions, acts or omissions made by, or in connection with any person in any way associated with you or your franchise will be the decisions of the individual professionals involved and will not be affected by or attributed to HSC. HSC's operational systems are designed to assist you in improving efficiency within your practice, when appropriately implemented. Most of your training is geared toward system implementation and none of HSC's systems are designed to be a substitute for your professional judgment.

Treatment programs, documentation and coding should only be based upon your professional judgment as to medical necessity as presented via the patient and as required by applicable law. We do not teach or participate in the design or rendering of treatment of patients. Under no circumstances should you implement, recommend, or offer a blanket treatment program to each and every patient that comes into your clinic. This may constitute fraud. Any references we make regarding patient payments is also for educational purposes only. Any specific coding and billing decisions are based on a specific set of material facts and applicable regulations as well as standards of care and clinical

documentation and are always subject to the doctor's own professional judgment. We do not teach or participate in coding and billing of claims or any related practices that are not in compliance with applicable state and federal laws and regulations. We explicitly follow the OIG special advisory bulletin: Practices of Business Consultants. We advocate the appeals of incorrectly denied claims.

HSC is not engaged in rendering legal, accounting, or other professional services or advice. If you require legal advice or other expert assistance, the services of a competent professional person should be sought. HSC is not a law firm. We do not practice law and cannot provide you with legal advice about your patients, taxes, employees, or disputes.

Agreed and accepted by:

Signature of Franchisee

Date

Printed Name

Acknowledged and agreed by:

HealthSource Chiropractic, LLC

By: _____

Its: _____

EXHIBIT J

Franchise Deposit Acknowledgment and Amendment

**HEALTHSOURCE CHIROPRACTIC, LLC
FRANCHISE DEPOSIT ACKNOWLEDGEMENT**

TO HEALTHSOURCE CHIROPRACTIC, INC:

1. Introduction. I understand that my application for the grant of a franchise to operate a HealthSource Chiropractic, LLC ("HealthSource") clinic in the area set forth on the attached map (the "Protected Territory"), has been approved, subject to entering into a Franchise Agreement and paying the Initial Franchise Fee. To continue the process of obtaining a franchise to operate a HealthSource Chiropractic clinic in the Protected Territory, I am submitting this Franchise Deposit Acknowledgement (this "Acknowledgement") and my deposit in the amount of \$_____ (the "Deposit") to HealthSource. Upon receipt of this signed Acknowledgement and the Deposit, HealthSource agrees to not grant the Protected Territory to any third party until after _____, 20__ (the "Deadline Date"), and to provide me with access to certain training, information and materials relating to operating a HealthSource franchise.

2. Deposit Terms. In connection with making the Deposit, I understand and acknowledge the following:

- a. My entire Deposit will be applied toward the Initial Franchise Fee payable under the HealthSource Franchise Agreement, if and when I enter into a Franchise Agreement with HealthSource.
- b. Upon my submission of this Acknowledgement, my entire Deposit will be deemed earned by HealthSource for the processing of my application, for reserving the Protected Territory, providing initial training and disclosure of confidential information, and for services performed following approval of my application.
- c. If HealthSource and I do not sign a Franchise Agreement or I do not pay the entire remaining portion of the Initial Franchise Fee on or before the Deadline Date, I will not have the right to operate a HealthSource Chiropractic franchise in the Protected Territory or use any HealthSource marks, logos, information or materials, and HealthSource may grant all or any portion the Protected Territory to another person or entity.
- d. HealthSource's acceptance of the Deposit does not constitute the grant of any rights to me to operate a HealthSource chiropractic clinic or use HealthSource's marks, logos, information or materials in practice or otherwise, and that such rights may only be granted through a Franchise Agreement that has been duly executed by both me and HealthSource.
- e. **NO REPRESENTATIONS, PROMISES, GUARANTIES OR WARRANTIES OF ANY KIND WERE MADE BY HEALTHSOURCE TO INDUCE ME TO SIGN THIS ACKNOWLEDGEMENT EXCEPT THOSE SPECIFICALLY STATED HEREIN, AND HEALTHSOURCE HAS MADE NO PROMISES OR WARRANTIES CONCERNING THE APPROPRIATENESS OF THE PROTECTED TERRITORY OR CONCERNING THE PROFITABILITY OR LIKELIHOOD OF SUCCESS OF THE FRANCHISED BUSINESS.**

3. Non-Disclosure of Confidential Information. After I submit my Deposit, I further understand that HealthSource may disclose to me its confidential and proprietary information, including: (a) services and products offered and sold at HealthSource franchises; (b) knowledge of sales and profit performance of any one or more HealthSource franchises; (c) knowledge of sources of products sold at HealthSource franchises, advertising and promotional programs, and image and decor; (d) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of HealthSource franchises; and (e) the selection and methods of training employees, all of which may be disclosed verbally or visually via training programs, or in written form via HealthSource's Operations Manual, or otherwise (referred to as "Confidential Information")

whether or not marked as such). I acknowledge and agree that HealthSource is the sole owner of the Confidential Information and that I and my employees, representatives and agents: (x) will not use the Confidential Information for any purpose other than the operation of a HealthSource franchise; (y) will maintain the absolute confidentiality of the Confidential Information; and (z) will not make unauthorized copies of any portion of the Confidential Information, and will return to HealthSource all tangible materials and media containing Confidential Information, including all copies thereof, upon HealthSource's request. I agree that the foregoing restrictions will apply even if I do not enter into a Franchise Agreement with HealthSource or if this Acknowledgement is revoked or expires or terminates, but nothing contained herein shall prevent me from using information or knowledge that is publicly available.

4. FDD. I have received the HealthSource Franchise Disclosure Document, and all Exhibits attached thereto, more than 14 calendar days before the date of my execution hereof. I have received a completed form of this Acknowledgement more than 7 business days before the date of my execution hereof.

5. Governing Law, Venue. This Acknowledgement will be governed by the laws of the State of Ohio, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction. I agree that any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Acknowledgement must be brought exclusively in the courts of the State of Ohio located in Lorain County, Ohio, or, if it has or can acquire jurisdiction, in the United States District Court for the Northern District of Ohio, and I consent to the jurisdiction of those courts.

6. Miscellaneous. This Acknowledgement may not be amended or modified except by a written agreement that specifically references this Acknowledgement and is signed by each of the parties hereto. This Acknowledgement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations, representations and discussions of the parties, whether oral or written, express or implied. No party hereto may assign any of its rights or benefits or delegate any of its duties, obligations or liabilities under this Acknowledgement without the prior consent of each of the other parties hereto. This Acknowledgement will apply to, be binding in all respects upon, and inure to the benefit of the heirs, executors, trustees, guardians, personal representatives, successors and permitted assigns of the parties. The provisions of this Acknowledgement are severable, and if any provision should, for any reason, be held invalid or unenforceable in any respect, it will not invalidate, render unenforceable or otherwise affect any other provision, and such invalid or unenforceable provision will be construed by limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. This Acknowledgement may be executed in one or more counterparts, including by facsimile or electronic signature included in an Adobe PDF file, each of which shall be an original and all of which together shall constitute one and the same agreement. The execution of counterparts shall not be deemed to constitute delivery of this Acknowledgement by any party until all of the parties have executed and delivered their respective counterparts.

Signature Page Follows

FRANCHISEE	ACCEPTED BY HEALTHSOURCE CHIRPORACTIC, LLC
Signed: _____	
Printed Name: _____	By: _____
Date: _____	Title: _____

(DEPOSIT ACKNOWLEDGMENT AMENDMENT)

**ADDENDUM
TO FRANCHISE AGREEMENT**

This Addendum (this “Addendum”) to the Franchise Agreement between the parties hereto dated _____, 20__ for your chiropractic clinic located in _____ (the “Franchise Agreement”), is effective as of the effective date of the Franchise Agreement. The parties to the Franchise Agreement and this Addendum are HealthSource Chiropractic, LLC, an Ohio corporation (“we,” “us,” or “HealthSource Chiropractic”); and _____, as Franchise Owner (“you,” “Franchise Owner,” or “Franchisee”).

1. **Introduction.** You and Healthsource Chiropractic have entered into the Franchise Agreement, and wish to modify certain of its terms as set forth herein. Any capitalized terms used in this Addendum, but not given a definition in this Addendum, shall have the meaning given to them in the Franchise Agreement. In the Franchise Agreement, you agree to pay us an Initial Franchise Fee of \$_____ in a lump sum when the Franchise Agreement is signed. However, at your request, we have agreed to allow you to pay the Initial Franchise Fee as set forth below:

Amount Paid at Signing: \$_____

Amount to be Deferred: \$_____

Payment Date for Deferred Amount: _____

You agree that you will pay the balance of the Initial Franchise Fee on or before _____, 20__. All payments must be made by credit card or ACH auto-debit, as we determine, and not by personal or company check – you agree to provide us with complete and accurate written ACH instructions on the form we provide or credit card information, and to update any information that becomes outdated.

2. **Remedies for Breach of this Agreement.** **If you do not pay the Initial Franchise Fee at the times specified above, you will be subject to, and we retain the right to exercise, any remedies that may exist under the Franchise Agreement and applicable law, as well as the following additional remedies:**

(a) **The entire amount of the Initial Franchise Fee will become immediately due and payable, and any unpaid portion of the Initial Franchise Fee will begin to accrue interest at fifteen percent (15%) per annum or, if less, the highest commercial contract interest rate permitted by law.** You acknowledge that the inclusion of this Paragraph in this Addendum does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to finance your operation of the Franchise. We have the right to require that any payments due us be made by certified or cashier's check, or declare a default, in the event that any payment or

auto-debit is not honored. Payments due us will not be deemed received until such time as funds are deposited into our account.

(b) The provisions of Section 15 of the Franchise Agreement will apply, and upon expiration of any applicable notice and cure period we will have the right to terminate the Franchise Agreement and collect the termination fee and other damages specified in Section 15.

(c) We will be entitled to recover all costs, including attorneys' fees, incurred in connection with the termination and enforcement of the Franchise Agreement (including this Addendum) and the collection of the termination fee and damages.

3. **No Other Changes to the Franchise Agreement.** Except for the provisions set forth above, this Addendum does not change any of the provisions of the Franchise Agreement and you remain subject to all of the obligations and other provisions contained therein. This Addendum is part of the Franchise Agreement and is governed by all of the terms and conditions of the Franchise Agreement that are not changed by or inconsistent with this Addendum.

4. **Independent Provisions.** The provisions of this Addendum are deemed to be severable. In other words, the parties agree that each provision of this Addendum will be construed as independent of any other provision of this Addendum. If any term or provision of this Addendum shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions hereof shall in no way be affected thereby.

The parties to this Addendum now execute and deliver this Addendum as of date set forth above.

HEALTHSOURCE CHIROPRACTIC, LLC FRANCHISE OWNER

By: _____

Title: _____

EXHIBIT K

MULTI-STATE ADDENDA AND RIDERS

CALIFORNIA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF CALIFORNIA

Additional Disclosures Required in California

Registration of this franchise with the Commissioner of Business Oversight does not constitute approval, recommendation, or endorsement by the Commissioner.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your Franchise Agreement.

With respect to the disclosures in Item 3 of the Disclosure Document, neither HealthSource Chiropractic, LLC nor any person identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et. seq.*, suspending or expelling such persons from membership in that association or exchange. .

With respect to the information disclosed in Item 17 of the Disclosure Document:

- (i) California Business and Professions Code Sections 20000 and 20043 provide rights to the franchisee concerning termination and non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
- (ii) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 *et seq.*).
- (iii) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- (iv) The Franchise Agreement requires binding arbitration. The arbitration will occur in Lorain County, Ohio, with the costs being borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

- (v) The Franchise Agreement requires application of the laws of the State of Ohio. This provision may not be enforceable under California law.
- (vi) You must sign a general release of claims if you transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 through 31516). Business and Professions Code Section 30010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
- (vii) The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Our website addresses are www.HealthSourceChiro.com and www.HealthSourceFranchise.com. OUR WEBSITES HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

With respect to the disclosures in Item 19, and pursuant to Cal. Code Regs. tit. 10, § 310.114.1, HealthSource hereby supplemented as follows:

THE EARNINGS CLAIMS FIGURE(S) DOES (DO) NOT REFLECT THE COSTS OF SALES, OPERATING EXPENSES, OR OTHER COSTS OR EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS REVENUE OR GROSS SALES FIGURES TO OBTAIN YOUR NET INCOME OR PROFIT. YOU SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE COSTS AND EXPENSES YOU WILL INCUR IN OPERATING YOUR (FRANCHISED BUSINESS). FRANCHISEES OR FORMER FRANCHISEES, LISTED IN THE DISCLOSURE DOCUMENT, MAY BE ONE SOURCE OF THIS INFORMATION.

INDIANA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF INDIANA

Additional Disclosures Required in Indiana

With respect to the information disclosed in Item 8 of the Disclosure Document:

- a. Indiana Code (“IC”) Section 23-2-2.7-1(1) prohibits us from requiring you (if you are a resident of Indiana or a non-resident who will operate a franchise in Indiana) to purchase goods, supplies, inventories, or services exclusively from us or sources designated by us where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by us. However, the (i) publication by us of a list of approved suppliers of goods, supplies, inventories, or services, (ii) the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by us, and/or (iii) our reasonable right to disapprove a supplier does not constitute designation of a source. This above prohibition does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by us.
- b. IC Sections 23-2-2.7-1(4) and 23-2-2.7-2(6) prohibit us from obtaining money, foods, services, or any other benefit from any other person with whom you do business, on account of, or in relation to, the transaction between you and the other person, other than for compensation for services rendered by us, unless the benefit is promptly accounted for and transmitted to you.

With respect to the advertising-related information disclosed in Item 11 of the Disclosure Document, IC Section 23-2-2.7-1(11) prohibits us from requiring you to participate in any (i) advertising campaign or contest, (ii) promotional campaign, (iii) promotional materials, or (iv) display decorations or materials, at an expense that is indeterminate, determined by a third party, or determined by a formula, unless your Franchise Agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that you may be required to pay.

With respect to the information disclosed in Item 17 of the Disclosure Document:

- a. IC 23-2-2.7-1(5) prohibits us from requiring you to prospectively asset to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability imposed by the Indiana Franchise Act.
- b. IC section 23-2-2.7-1(7) prohibits the Franchise Agreement from permitting unilateral termination of your franchise if termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the Franchise Agreement.

- c. IC section 23-2-2.7-1(8) prohibits us from failing to renew your Franchise Agreement without good cause or in bad faith. This provision does not prohibit your Franchise Agreement from providing that it is not renewable upon expiration, or that renewal is conditioned upon your meeting certain conditions specified in the Franchise Agreement.
- d. IC section 23-2-2.7-1(9) prohibits us from requiring you to covenant not to compete with us for a period longer than three (3) years or in an area greater than the exclusive area granted by your Franchise Agreement.
- e. IC section 23-2-2.7-1(10) prohibits the Franchise Agreement from limiting litigation brought for breach of the Agreement in any manner whatsoever.
- f. The choice of law provisions of the Disclosure Document and Franchise Agreement, are subject to the superseding provisions of IC sections 23-2-2.5 and 23-2-2.7.

MICHIGAN

See State Addenda for the State of Michigan located after the cover page of the Franchise Disclosure Document.

MINNESOTA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA

Additional Disclosures Required in Minnesota

The following information is added to the cover page of the Franchise Disclosure Document:
THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

With respect to the disclosures in Items 6 and 17 of the Disclosure Document, regarding termination fees, Minn. Rule 2860.4400J prohibits termination fees. Accordingly, Items 6 and 17 of the Disclosure Document and Section 15 of the Franchise Agreement are hereby amended to remove all provisions regarding termination fees with respect to franchises governed by Minnesota law.

With respect to the disclosures in Item 13 of the Disclosure Document, the Disclosure Document and the Franchise Agreement state that we have discretion to control any litigation or other proceeding arising out of any actual or alleged infringement, challenging, or claim relating to any Mark, and that we will (i) indemnify you against all damages for which you are held liable in any trademark infringement proceeding arising out of your use of any Mark under and in compliance with your Franchise Agreement; and (ii) reimburse for all costs you reasonable incur in defending the claim; however, you must have timely notified us of the claim, and complied with your Franchise Agreement. Minnesota law requires that the Disclosure Document and Franchise Agreement must state that the franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols, and/or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the same.

With respect to the disclosures in Item 17 of the Disclosure Document

- (i) The Disclosure Document and Franchise Agreement provisions name Ohio law as the governing law, and Ohio as the choice of forum and jurisdiction and venue. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation arising from claims under Minnesota franchise laws (Minn. Stat. §§80C.01 through 80C.22) to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- (ii) With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. § 80C.14, subds. 3, 4, and 5, which require, except in certain specified cases, (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure), and 180 days' notice for non-renewal of the Franchise Agreement and (2) that consent to the transfer of a franchise will not be unreasonably withheld whenever the franchisee to be substituted meets the present qualifications and standards required of the franchisees by us.
- (iii) Minn. Rule Part 2860.4400J prohibits you from waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- (iv) The Disclosure Document and Franchise Agreement state that you must sign in favor of us, officers, directors, agents, and employees, and our affiliates and their officers, directors, agents, and employees, as a condition to renew or transfer your franchise, a release from liability of all claims that you may have against us, our officers, directors, agents, employees, or our affiliates or their officers, directors, agents, and employees, as a condition to renew or transfer your franchise, a release from liability of all claims that you may have against us and/or our officers, directors, agents, and employees under the Franchise Agreement or any other agreement. Minnesota Rule part 2860.4400D prohibits requiring a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by the Minnesota Franchise Law, provided that this rule shall not bar the voluntary settlement of disputes. Accordingly, Item 17 of the Disclosure Document and Sections 2.4(c) and 14.5(f) of the Franchise Agreement are hereby revised to exclude any claims arising under the Minnesota Franchise law from any general release of liability that you or may be required to sign in favor of us, our directors, officers, agents, and employees, and our affiliates and their directors, officers, agents, and employees, as a condition to renew the Franchise Agreement, or transfer the Franchise Agreement.
- (v) Any limitation on claims period must comply with Minnesota Statute 80C.17 Subd. 5. As such, Section 17.10 of the Franchise Agreement are revised to change the limitation of claims period from two (2) years to three (3) years.

HEALTHSOURCE CHIROPRACTIC, LLC

ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”) is made and entered into this _____ day of _____, 20__, by and between HealthSource Chiropractic, LLC, an Ohio limited liability company (“**Franchisor**”), and _____, a _____ corporation/limited liability company/partnership (circle one) (“**Franchise Owner**”) (collectively, Franchisor and Franchise Owner are referred to hereinafter as the “**Parties**”), and is attached to and made part of that certain Franchise Agreement dated _____, 20__, (the “**Agreement**”) between the Parties.

A. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation from claims arising under Minnesota franchise laws (Minn. Stat. §§80C.01 through 80C.22) to be conducted outside Minnesota, requiring a waiver of jury trial, and prohibits Franchisor from requiring the Franchise Owner to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement or Franchise Disclosure Document can abrogate or reduce any of Franchise Owner’s rights as provided for in Minnesota Statutes, Chapter 80C, or Franchise Owner’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

B. With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. § 80C.14, subs. 3, 4, and 5, which require, except in certain specified cases, that (1) Franchise Owner be given ninety (90) days’ notice of termination (with sixty (60) days to cure) and one-hundred eighty (180) days’ notice for non-renewal of the Agreement and (2) consent to the transfer of a franchise by Franchise Owner will not be unreasonably withheld whenever the franchisee to be substituted meets the present qualifications and standards required of the franchisees by us.

C. Minnesota considers it unfair to not protect Franchise Owner’s right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). Franchisor will protect Franchise Owner’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols, and/or indemnify Franchise Owner from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the same.

D. Minnesota Rules 2860.4400(D) prohibits Franchisor from requiring Franchise Owner to assent to a general release. Articles 2.4(c) and 14.5(f) of the Agreement require Franchise Owner and its Principal Owners (as defined in Section 1 of the Franchise Agreement) to sign, in favor of Franchisor, its officers, directors, agents, and employees, and its affiliates and their officers, directors, agents, and employees, as a condition to renew or Transfer (as defined in Section 14.4 of the Agreement) the Agreement, a release from liability of all claims that Franchise Owner and its Principal Owners may have against Franchisor, its officers, directors, agents, and employees, and its affiliates and their officers, directors, agents, and employees. Specifically, Minn. Rule 2860.4400D prohibits a franchisor from requiring a prospective franchisee agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability imposed by Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22 (the “**Minnesota Franchise Law**”). Accordingly, (1) Article 2.4(c) of the Agreement

is hereby amended to require Franchise Owner and its Principal Owners to sign as a condition to renew this Agreement, and (2) Article 14.5(f) of the Agreement is hereby amended to require Franchise Owner and its Principal Owners to sign, as a condition to Transfer the Agreement: a general release from liability for any and all claims that that Franchise Owner and its Principal Owners may have against Franchisor, its officers, directors, agents, or employees, and Franchisor's affiliates or their officers, directors, agents, or employees, except those claims arising under the Minnesota Franchise Law.

E. Section 15 of the Agreement requires Franchisee to pay to the Franchisor a termination fee in the event that the Agreement is terminated for any reason set forth in the Agreement. However, Minn. Rule 2860.4400J prohibits termination fees. Accordingly, Section 15 of the Agreement is hereby amended to remove all provisions regarding termination fees with respect to franchises governed by Minnesota law.

F. Section 17.10 of the Agreement requires the Parties to waive the right to a jury trial, and states that, except for certain claims arising from Franchisee's breach of certain obligations under the Agreement, any and all claims arising out of or related to the Agreement or the relationship between Franchisor and Franchisee shall be barred, by express agreement of the Parties, unless an action or proceeding is commenced within two (2) years from the date the cause of action accrues. However, Minn. Rule 2860.4400J prohibits waiver of a jury trial, and Minnesota Franchise Law provides for a limitation of actions period of three (3) years. Accordingly, Section 17.10 of the Agreement is hereby amended to delete all provisions regarding waiver of a jury trial by Franchisor or Franchise Owner, and to change the limitation of claims period from two (2) years to three (3) years.

Signature

Page

Follows

IN WITNESS WHEREOF, the Parties hereto affix their signatures and execute this Addendum as of the day and year first above written.

FRANCHISOR:

HEALTHSOURCE CHIROPRACTIC, LLC,
an Ohio limited liability company,

By: _____
Title: _____

FRANCHISE OWNER:

By: _____
Title: _____

NORTH DAKOTA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF NORTH DAKOTA, AS WELL AS TO THE FRANCHISE AGREEMENT

North Dakota Securities Department requires the following statement to be included in the Disclosure Document:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (N.D. Cent. Code § 51-19-09):

- A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to N.D. Cent. Code § 9-08-06, without further disclosing that such covenants will be subject to the statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
- C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
- I. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- J. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

RHODE ISLAND

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND**

Additional Disclosures Required in Rhode Island

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision of a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.”

SOUTH DAKOTA

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA**

Additional Disclosures Required in South Dakota

With respect to the disclosures in Item 17 of the Disclosure Document, the following provisions apply for franchises in South Dakota:

- a. You will receive 30 days' written notice with an opportunity to cure a breach of the Franchise Agreement, failure to meet performance and quality standard, and failure to make royalty payments before termination.
- b. Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances as provided by law.
- c. Liquidated damage provisions may be unenforceable under South Dakota law. Liquidated damage provisions are void.
- d. Pursuant to SDCL 37-5B-21, any condition, stipulation or provision purporting to waive compliance with, or relieving a person of a duty or liability under, any provision of Chapter 37-5B of South Dakota Codified Law or any rule or order thereunder is void.

WASHINGTON

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF WASHINGTON

Washington requires that the following risks be highlighted concerning this Franchise:

1. The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the Franchisor's financial ability to provide services and support you.
2. During the last 3 years, a large number of franchised outlets (158) were terminated, not renewed, re-acquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

Additional Disclosures Required in Washington

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be

adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Item 17(d) of the Franchise Disclosure Document, regarding termination by a franchisee of a franchise agreement – is revised to state that such provision is subject to Washington law.

Items 17(q) and (r) of the Franchise Disclosure Document, regarding non-competition covenants during and after the term of the franchise, is revised to state that such provisions are subject to Washington law.

The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

In *In re: Franchise No Poaching Provisions, HealthSource Chiropractic, Inc.*, State of Washington, King County Superior Court No. 19-2-27562-6 SEA, on October 18, 2019, the Attorney General of the State of Washington alleged certain provisions contained in HealthSource's prior versions of the franchise agreement contained "no-poach" provisions, and also alleged these provisions could constitute a violation of the State of Washington's Consumer Protection Act, RCW 19.86.030. Specifically, HealthSource's franchise agreement previously contained language that prohibited a franchisee from soliciting or hiring employees who worked for HealthSource during the term of the franchise agreement, or who worked for that particular franchise location if the current franchise owner sold the clinic and left the HealthSource system.

HealthSource and the State of Washington entered into an Assurance of Discontinuance whereby HealthSource agreed to not enforce any "no-poach" provisions contained in any existing franchise agreements, to amend franchise agreements with entities within the State of Washington to remove any "no-poach" provisions, and to not include any "no-poach" provisions in franchise agreements in the future. The Assurance of Discontinuance resolved all issues raised by the State of Washington against HealthSource, and HealthSource has fully performed its duties under the Assurance of Discontinuance.

HEALTHSOURCE CHIROPRACTIC, LLC

**WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT, DISCLOSURE
QUESTIONNAIRE, AND RELATED AGREEMENTS**

THIS ADDENDUM TO FRANCHISE AGREEMENT, DISCLOSURE QUESTIONNAIRE, AND RELATED AGREEMENTS (the “**Addendum**”) is made and entered into this _____ day of _____, 20__, by and between HealthSource Chiropractic, LLC, an Ohio limited liability company (“**Franchisor**”), and _____, a _____ corporation/limited liability company/partnership (circle one), (“**Franchise Owner**”) (collectively, Franchisor and Franchise Owner are referred to hereinafter as the “**Parties**”), and is attached to and made part of that certain Franchise Agreement dated _____, 20__, (the “**Agreement**”) between the Parties.

A. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

B. RCW 19.100.180 may supersede the Agreement including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Agreement including the areas of termination and renewal of the franchise.

C. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Agreement, the Franchise Owner may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

D. A release or waiver of rights executed by Franchise Owner may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

E. Transfer fees are collectable to the extent that they reflect Franchisor’s reasonable estimated or actual costs in effecting a transfer.

F. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of Franchise Owner, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of Franchise Owner under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted

annually for inflation). As a result, any provisions contained in the Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

G. RCW 49.62.060 prohibits Franchisor from restricting, restraining, or prohibiting Franchise Owner from (i) soliciting or hiring any employee of a franchisee of the same Franchisor or (ii) soliciting or hiring any employee of the Franchisor. As a result, any such provisions contained in the Agreement or elsewhere are void and unenforceable in Washington.

H. Section 6.1 of the Agreement is amended to include the following: Notwithstanding the forgoing, in lieu of an impound, payment of the Initial Franchise Fee is deferred and will not be required or accepted until HealthSource Chiropractic has satisfied its pre-opening obligations to the Franchisee (specifically those set forth in Sections 2.3, 3.1, 3.2, 3.4, 4.2, 5.1, 5.2, 11.1, and 11.2 of this Agreement) and the Franchisee is open for business.

IN WITNESS WHEREOF, the Parties hereto affix their signatures and execute this Addendum as of the day and year first above written.

FRANCHISOR:

HEALTHSOURCE CHIROPRACTIC, LLC, an Ohio limited liability company

By: _____
Title: _____

FRANCHISE OWNER:

By: _____
Title: _____

EXHIBIT L

SAMPLE CLINIC MANAGEMENT AGREEMENT

[SUBJECT TO COMPLETION PER APPLICABLE LAW]

CLINIC MANAGEMENT AGREEMENT

This Clinic Management Agreement (the "Agreement"), made to be effective as of _____, by and between [the HealthSource Franchisee], which with its successors and assigns is herein called "Management Company", and [the chiropractor or professional corporation], which with its successors and assigns is herein called "Licensed Provider", is to EVIDENCE THAT:

WHEREAS, Management Company has entered into a Franchise Agreement (the "Franchise Agreement") with HealthSource Chiropractic, LLC ("HealthSource"), dated as of the date of this Agreement, whereby HealthSource grants to Management Company a franchise (the "Franchise") to operate a Clinic Management Business and the right to use HealthSource's business model, services and products (the "System") and Marks (as defined in Section 4.2 below);

WHEREAS, Licensed Provider desires to provide chiropractic, physical therapy, and wellness services utilizing HealthSource's System and Marks, and Licensed Provider requires the provision of certain management, administrative, and similar services; and

WHEREAS, Management Company and Licensed Provider desire to enter into an arrangement under the terms and conditions stated in this Agreement whereby Management Company can provide (or cause to be provided) certain the management, administrative and similar services requested by Licensed Provider and whereby Licensed Provider can provide chiropractic, physical therapy, and wellness services using the System and Marks at the Licensed Provider's chiropractic clinic business, which may be carried out directly by the Licensed Provider or through an entity authorized to carry out such business (the "Clinic").

NOW, THEREFORE, in consideration of the foregoing statements and the mutual covenants and promises made in this Agreement and for other valuable consideration (the receipt and sufficiency of which are hereby acknowledged), Management Company and Licensed Provider (herein collectively called the "Parties" and individually called a "Party") hereby agree as follows:

1. Agreement Term.

1.1 The initial term of this Agreement shall commence as of the date first written above and continue until _____ *[end of Franchise Agreement Initial Term]*, unless terminated or renewed as provided in this Agreement.

1.2 This Agreement will automatically renew for additional one (1) year periods following the end of the initial term unless Management Company or Licensed Provider provides written notice of non-renewal at least 60 days prior to the end of the initial term or current renewal term.

1.3 The initial term and any renewal terms are referred to herein as the "Agreement Term."

2. Management Company Responsibilities.

2.1 For purposes of this Agreement, the phrase "Management Company Services" specifically includes the following, except to the extent any of the foregoing would constitute Clinical Services (as defined in Section 3.1 below): *[Subject to change in order to comply with applicable law]*

(a) Acquiring the site for Management Company and Licensed Provider to provide their respective services for the operation of the Clinic under this Agreement (the "Premises"). The Premises shall comply in all respects with HealthSource's System requirements. Management Company shall perform all tenant responsibilities under the lease agreement for the Premises (or similar responsibilities if Management Company owns the Premises), including, but not limited to, paying rent, acquiring and maintaining connections to utilities, phone and internet services, and performing, or causing to be performed, maintenance, repair, replacement, and janitorial services;

(b) Acquiring all fixtures, equipment, and furnishings necessary for the operation of a HealthSource Clinic Management Business and the operation of the Clinic, and maintaining, repairing, and replacing such fixtures, equipment, and furnishings;

(c) Developing and implementing a business plan for the Clinic and managing the operational workflow of the Clinic business, specifically, scheduling patient appointments and responding to patient inquiries, determining fees charged for the provision of supplies and devices to patients, assisting the Licensed Provider in the billing and the collection of fees payable for Licensed Provider's provision of the Clinical Services, devices, and supplies to patients pursuant to Section 3.1(c), arranging for participation in discount medical plan organizations, including collection of fees from third-party payors, and maintaining patient records, including the confidentiality thereof, under the direction of Licensed Provider, pursuant to Section 3.1(d) below;

(d) Providing office management for the Clinic, including purchasing supplies (including office, chiropractic and physical therapy supplies), computer and peripherals, practice management software, off-the-shelf software, general secretarial services, answering telephones and responding to emails and facsimiles, and procuring uniforms;

(e) Hiring, training, scheduling, supervising and managing all administrative and office staff of the Clinic Management Business and the Clinic, as applicable, and ensuring that the Clinic Management Business and Clinic business are sufficiently and adequately staffed;

provided, however, that Licensed Provider, and not Management Company, shall be solely responsible for assigning and supervising staff for purposes of providing the Clinical Services;

(f) Administering payroll and all insurance and fringe benefit plans of Licensed Provider and any employees of Licensed Provider;

(g) Billing and collecting fees charged by Licensed Provider for the Clinical Services, or for other goods or services sold at or through the Clinic, in compliance with all laws and regulations and all requirements under third party payor contracts and requirements, depositing payments made by patients and third party payors to the Clinic into a bank account meeting Management Company's requirements (the "Licensed Provider Account");

(h) Performing all bookkeeping and accounting for the Clinic Management Business and the Clinic operations, including maintaining records, preparing any required financial reports, billing and collection of expenses, preparing and filing all federal, state, and local sales, payroll, and business tax returns of the Clinic Management Business and Clinic/Licensed Provider, except such fees which shall remain the responsibility of Licensed Provider pursuant to Section 3.1(e);

(i) Managing and establishing advertising, promotions, and marketing programs for the Clinic, subject to Licensed Provider's confirmation as to compliance with applicable laws, rules and regulations;

(j) Obtaining and managing Licensed Provider's malpractice insurance and other necessary insurance coverages set forth in Section 8, including the payment of applicable premiums and deductibles; and

(k) Applying funds transferred to it from the Licensed Provider Account to pay the designated operating expenses of the Clinic.

2.2 During the Agreement Term, Management Company shall provide Licensed Provider the Management Company Services in compliance with the terms and conditions set forth in this Agreement and the Franchise Agreement, and all applicable laws, rules and regulations. Licensed Provider hereby grants to Management Company the right and authority, and designates Management Company as its attorney-in-fact, to sign all documents on behalf of Licensed Provider to the extent necessary to provide the Management Company Services to Licensed Provider hereunder and to perform Management Company's duties and obligations under this Agreement.

3. Licensed Provider Responsibilities.

3.1 During the Agreement Term, Licensed Provider shall provide the Licensed Provider Services in compliance with the terms and conditions set forth in this Agreement and all applicable laws, rules and regulations. For purposes of this Agreement, the phrase "Licensed Provider Services" specifically includes the following: *[Subject to change in order to comply with applicable law]*

(a) Performing all chiropractic (as such term is defined by applicable state laws and regulations) and physical therapy provided at the Clinic (collectively, the “Clinical Services”). Licensed Provider shall devote his/her best efforts to the Clinic business and shall provide, and create billing and coding records for, the Clinical Services, and any additional services required by the Management Company, in a professional manner, in compliance with all laws, rules and regulations, applicable System requirements, all requirements under third party payor contracts, and the generally accepted standards of care for the area in which the Premises is located;

(b) Maintaining at all times during the Agreement Term all licenses, certifications and accreditations necessary to provide the Clinical Services, including obtaining any additional licenses, certifications and accreditations and complying with all continuing education requirements required to remain in good standing with applicable state boards;

(c) Causing the money in the Licensed Provider Account to be transferred at the end of each day into Management Company’s operating account, and granting Management Company such rights as are necessary for Management Company to have access to all information regarding the Licensed Provider Account and to cause funds to be transferred on a daily basis as provided above;

(d) Maintaining patient contact, payment, health, billing and coding records (the “Patient Records”), including the confidentiality thereof, in compliance with all applicable laws, rules and regulations, and granting Management Company access to the Patient Records for performance of Management Company’s Management Company Services pursuant to a HIPAA Business Associate Agreement in the form provided by Management Company, so long as such access is not prohibited by law. At all times during the Agreement Term, the Patient Records shall remain the property of the Licensed Provider;

(e) Reviewing and approving all marketing and advertising material and promotions for compliance with applicable laws, rules and regulations; and

(f) Paying all other necessary fees and charges that are not the responsibility of Management Company pursuant to Section 2 above and that are approved by Management Company, specifically including Licensed Provider’s salary and fringe benefits (and, if applicable, the Clinic’s employees’ salary and wages and fringe benefits), the Clinic’s payroll taxes and other withholding items, and Licensed Provider’s and/or the Clinic’s income taxes.

3.2 Licensed Provider agrees that during the term of this Agreement, it will not obtain from any third parties any services that are the same as, or similar to, the Management Company Services.

3.3 All payments received by Licensed Provider for the provision of the Licensed Provider Services is assigned and belongs to Management Company, including any such payments arising from intellectual property, inventions, and teaching revenues created or carried out by Licensed Provider in the course of performing the Licensed Provider Services.

4. Grant of Limited Rights to Licensed Provider.

4.1 Management Company hereby grants Licensed Provider a revocable, non-assignable license to use the Premises, and all fixtures, equipment, and furnishings located therein, during the Agreement Term. The license to use the Premises granted by this Section 4.1 is not a lease or sublease of the Premises and this Agreement shall not be interpreted to create a landlord and tenant relationship between Management Company (or the owner of the Premises) and Licensed Provider or to give Licensed Provider any right to continued use, possession or occupancy of the Premises, except to the extent expressly stated in this Agreement. This license shall be deemed to end automatically upon the termination of this Agreement. Licensed Provider shall use all fixtures, equipment and furnishings granted by this Section 4.1 in the manner in which they are intended and in compliance with all rules and requirements of Management Company and, if applicable, its landlord; provided, however, that in all cases Licensed Provider shall have the discretion and authority to use such fixtures, equipment and furnishings to provide Clinical Services only as deemed necessary or advisable by Licensed Provider in his/her discretion. Licensed Provider shall return to Management Company the Premises, fixtures, equipment, and furnishings in the same condition, reasonable wear and tear excepted, as they were in as of the date of this Agreement.

4.2 With the prior consent of HealthSource, Management Company hereby grants Licensed Provider a revocable, non-assignable and non-exclusive sub-license to use certain identifying trade and service marks, names, service marks and other commercial symbols, including the marks "HS" and "HealthSource Chiropractic" and certain associated designs, artwork, and logos (as may be changed by HealthSource from time to time, the "Marks"), as well as certain System materials, forms, intellectual property and décor items, during the Agreement Term. Licensed Provider hereby agrees to use the Marks in accordance with all applicable laws, rules and regulations, in accordance with the rules and requirements of HealthSource, and under the direction of Management Company. Licensed Provider acknowledges and agrees that it has no right, title or interest in or to the Marks, or any System materials, forms, intellectual property and décor items, and that HealthSource is the sole owner thereof. This license shall be deemed to end automatically upon the termination of this Agreement.

4.3 Licensed Provider shall not assign any of its rights to use the Premises, the Marks, the System, or any other items licensed to Licensed Provider pursuant to Section 4 of this Agreement to any third party, and Licensed Provider shall not create or cause to be created any lien or encumbrance on the Premises, the Marks, the System, or any other licensed item identified in this Section 4.

5. Fees and Other Charges for Management and Administrative Services.

5.1 In consideration for Management Company's performance of the Management Company Services and the grant of the licenses and sub-license set forth in Section 4, Licensed Provider hereby agrees to pay Management Company a management fee (herein called the "Management Fee"), which shall be the amount equal to the Gross Revenues of the Clinic Management Business remaining after subtracting costs associated with Licensed Provider's

salary and fringe benefits (and, if applicable, the Clinic's employees' salary and wages and fringe benefits) as approved by Management Company, the Clinic's payroll taxes and other withholding items, and any other Clinic operating costs incurred by the Clinic in accordance with this Agreement.

(a) As used herein "Gross Revenues" shall mean the total of all revenue and receipts derived from the operation of the Clinic, including all amounts received at or away from the site of the Clinic or through the business the Clinic conducts (such as fees for Clinical Services, fees for the sale of any other services, gift certificate sales, and revenue derived from products sales, whether paid in cash or by check, credit card, or debit card, or other credit transactions); and excludes only sales taxes collected from patients and paid to the appropriate taxing authority, and any patient refunds and credits the Clinic actually makes.

5.2 The Management Fee shall be paid to Management Company from the money transferred each day from Licensed Provider's Account into Management Company's operating account pursuant to Section 3.1(c).

5.3 The Management Fee, or any other fees due and payable under this Agreement, are not intended to be, and shall not be interpreted to be, payment for the referral of patients or recommendation of a referral of patients from Management Company to Licensed Provider or from Licensed Provider to Management Company.

6. Representations and Warranties.

6.1 Licensed Provider hereby makes the following representations and warranties:

(a) Licensed Provider (or, if Licensed Provider is an entity, all owners, members, or individuals employed of/by Licensed Provider who will be providing the Clinical Services under this Agreement) is not a party to any agreement or instrument that would prevent Licensed Provider from entering into or performing Licensed Provider's duties in any way under this Agreement. Licensed Provider and/or its authorized employees are duly licensed and in good standing to provide the Clinical Services in the state in which the Premises is located, and will remain licensed and in good standing at all times during the Agreement Term;

(b) If Licensed Provider is an entity, this Agreement has been authorized by all necessary corporate action of Licensed Provider, and is a valid and binding agreement of Licensed Provider enforceable in accordance with its terms, and the individual signing on behalf of Licensed Provider is duly authorized to enter into and executed this Agreement; and

(c) Licensed Provider shall immediately disclose to Management Company in writing as soon as is possible after, but in any case within 5 days of, (1) the commencement of any action, suit, or proceeding, and/or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental unit (including regulatory boards or professional groups), that may adversely affect Licensed Provider and/or the Clinic's operation, financial condition, or reputation, including, without limitation, any and all claims of malpractice brought against Licensed Provider or any person affiliated with Licensed Provider, regardless of the

nature of the claim, anticipated outcome or remedies sought; and/or (2) Licensed Provider's receipt or knowledge any notice of violation of any law, ordinance, or regulation relating to health or safety.

6.2 Management Company hereby makes the following representations and warranties:

(a) This Agreement has been authorized by all necessary corporate action of Management Company, and is a valid and binding agreement of Management Company enforceable in accordance with its terms, and the individual signing on behalf of Management Company is duly authorized to enter into and executed this Agreement; and

(b) The Franchise Agreement is in full force and effect and HealthSource has been provided with a true, correct and complete copy of this Agreement and has approved it as to form and content (provided, however, that Licensed Provider and Management Company acknowledge and agree that such consent does not mean HealthSource has reviewed or approved the legality of this Agreement with respect to applicable state or local laws governing Licensed Provider or agreements of this nature).

6.3 The Parties expressly acknowledge and agree that Management Company makes no express or implied warranties regarding the quality of Management Company Services rendered to Licensed Provider under this Agreement, or with respect to the income or profit to be earned by Licensed Provider or the Clinic.

7. Practice of Chiropractic Medicine.

7.1 Notwithstanding anything to the contrary in this Agreement, Licensed Provider shall have exclusive authority and control, and be free to exercise his/her professional judgment, over the Clinical Services and the practice of chiropractic at the Clinic, including all treatments, diagnosis, policies, and ethical determinations which are required to be decided by a licensed chiropractor. Licensed Provider shall further have the discretion and authority to choose which medical equipment and devices are used in connection with providing the Clinical Services; provided, however, that Licensed Provider acknowledges that it has reviewed and approved all fixtures, equipment and devices located at the Premises and agrees that if Licensed Provider chooses to utilize other medical equipment or devices, it shall do so at its own cost, expense and risk.

7.2 Management Company shall not be permitted or required to engage in the Clinical Services and/or any activities that constitute the practice of chiropractic, so long as applicable laws and regulations prohibit the same. Any delegation of authority by Licensed Provider to Management Company that would permit or require Management Company to practice chiropractic or other Clinical Services at the Premises shall be prohibited. Nothing in this Agreement shall be construed to permit the Management Company to control, influence, or otherwise affect Licensed Provider's rendering of the Clinical Services and any provision of this Agreement which may be interpreted or deemed to constitute Management Company's practice of chiropractic shall be null, void, and of no force and effect, and such invalid or unenforceable

provision will be reformed and construed by limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law.

7.3 THE PARTIES HAVE MADE ALL REASONABLE EFFORTS TO ENSURE THAT THIS AGREEMENT COMPLIES WITH ANY APPLICABLE STATE LAWS AND REGULATIONS THAT PROHIBIT THE CORPORATE PRACTICE OF CHIROPRACTIC MEDICINE AND FEE-SPLITTING, AND THE PARTIES HEREBY UNDERSTAND AND AGREE THAT THEY WILL COMPLY WITH ANY CHANGES TO SUCH LAWS DURING THE AGREEMENT TERM. LICENSED PROVIDER SHALL HAVE THE EXCLUSIVE CONTROL AND AUTHORITY OVER THE PRACTICE OF CHIROPRACTIC MEDICINE.

7.4 MANAGEMENT COMPANY SHALL HAVE NO CONTROL OR DIRECTION OVER THE NUMBER, TYPE, OR RECIPIENT OF PATIENT REFERRALS MADE BY LICENSED PROVIDER AND NOTHING IN THIS AGREEMENT SHALL BE INTERPRETED AS DIRECTING OR INFLUENCING SUCH REFERRALS. NONE OF MANAGEMENT COMPANY'S SERVICES HEREUNDER SHALL CONSTITUTE OBLIGATIONS OF MANAGEMENT COMPANY TO GENERATE PATIENTS TO LICENSED PROVIDER.

8. Insurance.

8.1 During the Agreement Term, Licensed Provider must maintain in force, under policies of insurance issued by carriers in good standing in the state where the Premises is located: (1) comprehensive commercial general liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Clinic or otherwise in conjunction with the performance of the Licensed Provider Services pursuant to this Agreement, under one or more policies of insurance containing minimum liability coverage of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate; (2) worker's compensation and employer's liability insurance as required by law, with limits equal to or in excess of those required by statute; (3) professional liability (malpractice) insurance, for each doctor providing the Licensed Provider Services, having limits of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate; and (4) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements. Management Company may periodically increase or decrease the amounts of coverage required under these insurance policies, and/or require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Licensed Provider agrees that compliance with any state minimum insurance requirements does not relieve Licensed Provider from the obligation to comply with the contractual insurance requirements in this Agreement.

8.2 Licensed Provider must provide Management Company with 30 days' advance written notice of any material modification, cancellation, or expiration of any policy.

8.3 Deductibles must be in reasonable amounts and are subject to review and written approval by Management Company.

8.4 Licensed Provider's commercial general liability insurance policy must be an "occurrence" policy and must name Management Company, HealthSource and their respective owners, directors, employees, agents, and affiliates, as an additional insured on a primary and non-contributory basis.

8.5 The malpractice policy for each doctor providing the Licensed Provider Services and/or working at the Clinic must be endorsed, to the fullest extent possible, to name Management Company, HealthSource and their respective owners, directors, employees, agents, and affiliates, as an additional insured as an additional insured. If any of these policies are written on a "Claims Made" basis, Licensed Provider agrees to purchase and maintain unlimited tail coverage that shall remain in effect following the termination or expiration of this Agreement and/or such policy.

8.6 In accordance with Management Company's obligations in Section 2.1(i), Management Company will provide Licensed Provider with (i) certificates and copies of additional insured endorsements evidencing the existence of such insurance concurrently with execution of this Agreement and from time to time upon demand of Management Company, and (ii) upon Licensed Provider's request stating the reason therefor (such as a claim has been filed), copies of the insurance policies, along with all applicable endorsements.

8.7 Notwithstanding the existence of such insurance, Licensed Provider is and will be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the performance of the Licensed Provider Services or the operation of the Clinic, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

8.8 Management Company must maintain any and all insurance coverage in such amounts and under such terms and conditions as may be required in connection with the lease or purchase of the Premises.

8.9 The insurance Management Company requires is for its own protection. Licensed Provider should consult with Licensed Provider's own insurance agents, brokers, and attorneys to determine what types of coverages and what level of insurance protection Licensed Provider may need or desire, in addition to the coverages and minimum limits specified by Management Company. Licensed Provider's obligation to maintain insurance coverage as described in this Agreement will not be reduced in any manner by reason of any separate insurance Management Company maintains on Management Company's own behalf, nor will Management Company's maintenance of Management Company's insurance relieve Licensed Provider of any obligations under this Agreement.

9. Relationship of Parties.

9.1 The Parties hereto are independent contractors and nothing in this Agreement shall be deemed to create any association, partnership, joint venture, principal and agent relationship, master and servant relationship, or employer and employee relationship between the

Parties or to provide either Party with the right, power or authority, whether express or implied, to create any such duty or obligation on behalf of the other Party.

9.2 Licensed Provider further agrees not to be treated, or seek to be treated, as an employee of Management Company for any purpose, including for disability income, social security taxes and benefits, Federal unemployment compensation taxes, State unemployment insurance benefits and Federal income tax withholding. Licensed Provider hereby understands and agrees to maintain timely payments of all income taxes due to the Internal Revenue Service and all other government agencies.

9.3 Notwithstanding the fact that HealthSource is made a third party beneficiary of Sections 10 and 11.1 and certain other provisions in this Agreement, Licensed Provider and Management Company acknowledge and agree that HealthSource is not a party to this Agreement, and that Licensed Provider has no contract or other rights against HealthSource with respect to any matter including, without limitation, the operation or profitability of the Clinic business, any employee-related matters, and any marketing or other System materials, methods or guidelines.

10. Restrictive Covenants.

10.1 *Types of Confidential Information.* Pursuant to the Franchise Agreement, Management Company possesses a license to use certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, products, services and knowledge developed by HealthSource, including but not limited to: (a) services and products offered and sold at HealthSource franchises; (b) knowledge of sales and profit performance of any one or more HealthSource franchises; (c) knowledge of sources of products sold at HealthSource franchises, (d) advertising and promotional programs and image and decor; (e) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of HealthSource franchises; (f) copyrighted materials, including, without limitation, office forms and procedures, marketing materials, telephone scripts and the content of HealthSource's Operations Manual; and (g) the methods of training employees. Management Company will disclose much of the above-described information to Licensed Provider in the performance of the Management Company Services under this Agreement and the operation of the Clinic Management Business. In addition, in the course of the performance of the Licensed Provider Services, Licensed Provider (or its employees) may develop ideas, concepts, methods, or techniques of improvement relating to the Clinic Management Business that Licensed Provider agrees to disclose to Management Company, who then may disclose to HealthSource to use or authorize others to use in other HealthSource franchises owned or franchised by HealthSource or its affiliates. (All of such information disclosed to or developed by Licensed Provider will be referred to in this Agreement as the "Confidential Information".)

10.2 *Non-Disclosure Agreement.*

(a) Licensed Provider agrees that its relationship with Management Company does not vest in Licensed Provider any interest in the Confidential Information, other than the right to

use it solely in the performance of the Licensed Provider Services during the Agreement Term, and that the use or duplication of the Confidential Information in any other business or for any other purpose would constitute an unfair method of competition or otherwise result in irreparable damage to Management Company and/or HealthSource.

(b) Licensed Provider acknowledges and agrees that the Confidential Information belongs to HealthSource, may contain trade secrets belonging to HealthSource, and is disclosed to Licensed Provider or authorized for his/her/its use solely on the condition that Licensed Provider agrees, and Licensed Provider therefore does agree, that Licensed Provider (1) will not use, directly or indirectly, the Confidential Information in any business or capacity or for any purpose other than as needed in the performance of the Licensed Provider Services pursuant to and in accordance with this Agreement during and after the Agreement Term; (2) will maintain the absolute confidentiality of the Confidential Information during and after the Agreement Term and not directly or indirectly publish or otherwise disclose it to any third party; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form or media that may be copied or duplicated; and (4) will adopt and implement all reasonable procedures, including any that HealthSource or Management Company may prescribe from time to time, to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to or by Licensed Provider's employees, and the use of non-disclosure, non-solicitation, non-disparagement and non-competition agreements HealthSource or Management Company may prescribe or approve for Licensed Provider's owners, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information. Licensed Provider and Management Company acknowledge and agree that HealthSource is a third-party beneficiary of the foregoing covenants and agreements, but that HealthSource is under no duty or obligation to Licensed Provider or Management Company to enforce any such agreements for its or HealthSource's benefit. Licensed Provider's duties and obligations with respect to the Confidential Information shall survive the termination or expiration of this Agreement.

10.3 *Non-Competition Agreement and Other Restrictive Covenants.*

(a) Non-Competition. During the Agreement Term, Licensed Provider will not, directly or indirectly, perform services for, or have any direct or indirect interest as an owner, investor, partner, director, officer, employee, manager, consultant, representative, or agent in, any business that offers products or services the same as or similar to those offered or sold at the Clinic. Licensed Provider's duties and obligations under this Section 10.3(a) shall survive for two (2) years following any termination or expiration of this Agreement; provided, however, that following such termination or expiration of this Agreement, this covenant shall only apply with respect to a competitive business that has a place of business located within a five (5) mile radius of the location of the Premises.

(b) Non-Disparagement. Licensed Provider agrees that during the Agreement Term and thereafter, Licensed Provider will not, directly or indirectly, make any negative or critical statements to any third parties, either verbally or in any other form or media, about (a) Management Company, the Clinic Management Business, HealthSource or any of its franchisees, or any of their respective products, services, businesses or business practices, or (b)

the actions, operations or character of any of Management Company's or HealthSource's respective owners, officers, directors, employees, consultants or agents.

(c) Non-Solicitation. Licensed Provider agrees that during the Agreement Term, and thereafter for a period of two (2) years following any termination or expiration of this Agreement, Licensed Provider will not, directly or indirectly, (a) solicit for chiropractic, physical therapy, rehabilitation, weight loss, or related services or products with any person who was a patient of the Clinic within the two year period prior to such termination or expiration; (b) solicit, recruit or employ any employee who works or worked for HealthSource, Management Company or the Clinic at any time during the Agreement Term; or (c) interfere with Management Company's or HealthSource's relationship with any of its franchisees, vendors, suppliers or referral sources.

10.4 Licensed Provider further agrees that it will cause Licensed Provider's employees to enter into and deliver to Management Company a "Restrictive Covenant Agreement" in such form as Management Company may prescribe, either concurrently with the execution of this Agreement or at such later date as determined by Management Company.

10.5. Licensed Provider acknowledges and agrees that a breach of any provision of this Section 10 would cause immediate and irreparable harm to Management Company and HealthSource. Therefore, Licensed Provider acknowledges and agrees that the foregoing restraints are fair and reasonable, are required for the protection of Management Company's and HealthSource's legitimate business interests, and do not impose any undue hardship on Licensed Provider. HealthSource shall be deemed to be a third party beneficiary of all of the covenants contained in this Section 10.

11. Indemnification.

11.1 Licensed Provider agrees to defend, indemnify and hold harmless Management Company, HealthSource and their respective owners, directors, officers, employees, agents, successors, and assigns (each a "Management Indemnified Party"), from and against any and all claims, lawsuits, demands, actions, causes of action or other events, and for all costs and expenses incurred by the Management Indemnified Party in connection therewith, including without limitation actual and consequential damages, reasonable attorneys', accountants', and/or expert witness fees, cost of investigation and proof of facts court costs, other litigation expenses, and travel and living expenses, to the extent caused by, relating to or otherwise arising out of (1) the effects, outcomes and consequences of Licensed Provider's acts and omissions and the acts and omissions of Licensed Provider's employees, representatives and agents in connection with or relating to the provision of the Licensed Provider Services or the operation of the Clinic, (2) any agreements, representations, or warranties Licensed Provider makes to third parties that are not expressly authorized under this Agreement, (3) any damages to any person or property directly or indirectly arising out of the performance of the Licensed Provider Services or the operation of the Clinic, whether or not caused by Licensed Provider's negligent or willful action or failure to act or acts or omissions deemed to be professional malpractice, and/or (4) Licensed Provider's breach of any provision of this Agreement. HealthSource shall be deemed to be a third party beneficiary of all of the covenants contained in this Section 11.1.

11.2 The indemnification obligations described in this Section 11 will continue in full force and effect after, and notwithstanding, the expiration, renewal or termination of this Agreement.

12. Default and Termination.

12.1 Licensed Provider will be deemed to be in default under this Agreement, and Management Company will have the right to terminate this Agreement effective upon delivery of notice of termination to Licensed Provider, subject only to any right to cure to the extent expressly set forth below, if:

(a) Licensed Provider assigns or transfers this Agreement, or the ownership of Licensed Provider (if an entity) changes, without the prior written consent of Management Company;

(b) Licensed Provider or, if Licensed Provider is an entity, any of its owners, is adjudged a bankrupt, becomes insolvent or makes a general assignment for the benefit of creditors, or fails to satisfy any judgment rendered against it for a period of 30 days after all appeals have been exhausted;

(c) Licensed Provider uses, sells, distributes, or gives away any services or products, or use any patient referral or marketing service, that has not been formally approved by Management Company in writing and in advance;

(d) Licensed Provider or, if Licensed Provider is an entity, any of its owners, is convicted of or pleads no contest to a felony or are convicted or plead no contest to any crime or offense that is likely to adversely affect the reputation of Management Company, the Clinic Management Business, HealthSource, and/or the goodwill associated with the System or the Marks, or otherwise engages in any dishonest, unethical or other conduct that is reasonably likely to reflect materially and unfavorably on the goodwill or reputation of Management Company, the Clinic Management Business, the System or the Marks;

(e) Licensed Provider (or any of Licensed Provider's employees) violates any health or safety law, ordinance or regulation, or performs the Licensed Provider Services in a manner that presents a health or safety hazard to patients or the public;

(f) Licensed Provider does not pay when due any monies owed to Management Company, including the Management Fee, and does not make such payment within 2 days after written notice is given to Licensed Provider;

(g) Licensed Provider (or, if Licensed Provider is an entity, any owner, member, or individual employed of/by Licensed Provider who will be providing the Clinical Services under this Agreement) is no longer licensed and/or in good standing to provide the Clinical Services in the state in which the Premises is located at any time during the Agreement Term;

(h) Licensed Provider (or, if Licensed Provider is an entity, its owners, shareholders, partners, or members) fails to comply with any other provision of this Agreement, any other agreement with Management Company, or any mandatory specification, program, standard or operating procedure within 10 days after written notice of such failure to comply is given to Licensed Provider; or

(i) Licensed Provider, if an individual, dies, becomes permanently disabled, or is temporarily disabled such that he/she fails to operate the Clinic on a full-time basis for more than 10 scheduled business days in any 3 calendar month period.

12.2 This Agreement may be terminated by either Party (a) in its sole and absolute discretion upon sixty (60) days' written notice to the other Party, or (b) immediately by written notice to the other Party if such Party reasonably believes, based upon an opinion of qualified legal counsel, that this Agreement is in violation of applicable law; provided, however, that the Parties will negotiate in good faith to amend the Agreement to comply with all such applicable law while still achieving the primary purposes hereof, or (c) immediately by written notice to the other Party upon termination of the Franchise Agreement.

12.3 This Agreement may be terminated by Licensed Provider in the event Management Company fails to comply with any provision of this Agreement within 60 days after written notice of such failure to comply is given to Management Company.

12.4. Upon termination of this Agreement by either Party, Licensed Provider must immediately pay Management Company any and all fees and amounts then due and owing (including the Management Fee), return all Confidential Information to Management Company (and shall neither make nor retain any copies thereof), cease use of all Marks and other elements of the System, provide Management Company's designee with the Patient Records pursuant to Section 15.2 below, and vacate the Premises and return all keys, pass cards and codes to Management Company.

13. Waiver of Certain Damages; Waiver of Trial by Jury.

13.1 Licensed Provider hereby waives to the fullest extent permitted by law, any right to or claim for any indirect, special, consequential, incidental, punitive, exemplary, or treble damages, and other forms of multiple damages, against Management Company and/or HealthSource, including without limitation, any economic loss, property damage, physical injury, or lost profits arising out of this Agreement, Licensed Provider's use of the Marks or other elements of the System, or Management Company's provision of the Management Company Services, regardless of whether arising under breach of contract, warranty, tort, strict liability or any other legal or equitable theory or claim, even if such loss or damage could have been reasonably foreseen. Further, Licensed Provider agrees that, except to the extent provided to the contrary in this Agreement, in the event of a dispute between the Parties, Licensed Provider will be limited to the recovery of any actual damages sustained by Licensed Provider. The Parties irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either Party.

14. Arbitration.

14.1 ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT (INCLUDING A BREACH HEREOF) OR THE OPERATION OF THE CLINIC MANAGEMENT COMPANY OR THE PERFORMANCE OF THE MANAGEMENT COMPANY SERVICES OR LICENSED PROVIDER SERVICES SHALL BE SETTLED BY BINDING ARBITRATION IN THE CITY IN WHICH THE PREMISES IS LOCATED, IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION THEN EXISTING. THIS AGREEMENT TO ARBITRATE SHALL BE SPECIFICALLY ENFORCEABLE AND THE ARBITRATION AWARD SHALL BE FINAL AND BINDING, AND JUDGMENT MAY BE ENTERED THEREUPON IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF THE DISPUTE. EACH PARTY TO THE ARBITRATION SHALL PAY SUCH PARTY'S LEGAL FEES AND OTHER COSTS AND EXPENSES OF THE ARBITRATION.

15. Access to Records.

15.1 In accordance with Title 42, Section 1395x(v)(1)(I) of the United States Code, for a period of four (4) years beginning as of the date of the termination of this Agreement, Management Company and/or Licensed Provider shall make available upon written request from the Secretary of the United States Department of Health and Human Services ("USDHHS"), or upon written request from the Comptroller General of the United States General Accounting Office ("USGAO"), or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by Management Company and/or Licensed Provider under this Agreement.

15.2 Upon termination or expiration of this Agreement, Licensed Provider covenants and agrees that it will transfer the original or complete copies of the Patient Records to the designee of Management Company for use by a successor licensed person or entity at the Premises or otherwise, and Management Company and Licensed Provider agree to cooperate with each other regarding the transfer of Patient Records and securing the continuity of patient care.

16. Miscellaneous.

16.1 This Agreement may not be amended or modified except by a written agreement that specifically references this Agreement and is signed by each of the Parties.

16.2 This Agreement constitutes the entire agreement between the Parties regarding the subject matter hereof. All prior or contemporaneous oral or other written agreements, negotiations, representations, and arrangements regarding the subject matter hereof are hereby merged into and superseded by this Agreement.

16.3 The provisions of this Agreement are severable, and if any provision should, for any reason, be held invalid or unenforceable in any respect, it will not invalidate, render

unenforceable or otherwise affect any other provision, and such invalid or unenforceable provision will be construed by limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law.

16.4 For purposes of this Agreement, the singular includes the plural and vice-versa and the feminine, masculine and neuter include each other. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation.

16.5 All notices and other communications hereunder will be in writing and will be sent either by (a) certified mail, postage prepaid, return receipt requested; (b) an overnight express courier service that provides written confirmation of delivery; or (c) facsimile or email with written confirmation by the sending machine or with telephone confirmation of receipt, addressed as follows:

If to Management Company	If to Licensed Provider
_____:	_____:
_____	_____
_____	_____
_____	_____
Attn: _____	Attn: _____
Fax No: _____	Fax No: _____

Any Party may change its address for receiving notice by giving notice of a new address in the manner provided herein. Any notice given under this section, will be deemed to be delivered on the third business day after the same is deposited in the United States Mail, on the next business day if sent by overnight courier, or on the same business day if sent by facsimile before the close of business of the recipient, or the next day, if sent by facsimile after the close of business of the recipient.

16.6 No course of dealing between the Parties, no waiver by either Party and no refusal or neglect of either Party to exercise any right hereunder or to enforce compliance with the terms of this Agreement shall constitute a waiver of any provision herein, unless such waiver is expressed in writing by the waiving Party and is clearly designated as a waiver to a specific provision(s) of this Agreement.

16.7 The laws of the state in which the Premises are located shall govern all disputes, controversies and litigation arising under this Agreement.

16.8 This Agreement may be executed in one or more counterparts, including by facsimile or electronic signature included in an Adobe PDF file, each of which shall be an original and all of which together shall constitute one and the same agreement. The execution of counterparts shall not be deemed to constitute delivery of this Agreement by any party until all of the parties have executed and delivered their respective counterparts.

16.9 The Parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement.

16.10 No Party hereto may assign any of its rights or benefits or delegate any of its duties, obligations or liabilities under this Agreement without the prior consent of each of the other Parties hereto; provided, however, that Management Company may assign all of its right, title and interest, in whole or in part, to HealthSource or HealthSource’s designee at any time. This Agreement will apply to, be binding in all respects upon, and inure to the benefit of the heirs, executors, trustees, guardians, personal representatives, successors and permitted assigns of the parties.

IN WITNESS WHEREOF, the Parties have set their hands as of the day and year first above written.

By: _____

Its: _____

-Management Company-

By: _____

Its: _____

-Licensed Provider-

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	
Illinois	
Indiana	
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

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 HealthSource Chiropractic, LLC offers you a franchise, it must provide you 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. Rhode Island 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 or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If HealthSource Chiropractic, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in Exhibit A of this disclosure document.

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

The issuance date of this disclosure document is: March 20, 2022.

The franchisor is HealthSource Chiropractic, LLC, located at 36901 American Way, Suite 7, Avon, Ohio 44011. Its telephone number is (440) 934-5858.

HealthSource Chiropractic, LLC authorizes the agents listed in Exhibit A of this disclosure document to receive service of process for it.

I have received a disclosure document dated March 20, 2022, that included the following Exhibits:

Exhibit A	State Administrators/Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Operations Manual Table of Contents
Exhibit D	List of HealthSource Chiropractic Franchisees
Exhibit E	Regional Developers/Independent Sales Agents
Exhibit F	Financial Statements
Exhibit G	General Release Agreement
Exhibit H	Transfer Agreement
Exhibit I	Supplemental Agreements
Exhibit J	Franchise Deposit Acknowledgment and Amendment
Exhibit K	Multi-State Addenda and Agreement Riders
Exhibit L	Sample Clinic Management Agreement

Date

Signature of Franchisee

RECEIPT

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

The issuance date of this disclosure document is: March 20, 2022.

The franchisor is HealthSource Chiropractic, LLC, located at 36901 American Way, Suite 7, Avon, Ohio 44011. Its telephone number is (440) 934-5858.

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Date

Signature of Franchisee