

## FRANCHISE DISCLOSURE DOCUMENT



### SCOLICARE FRANCHISING LLC

a Delaware limited liability company  
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Kogarah, New South Wales  
Australia 2217  
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The franchise offered is for the establishment and operation of “ScoliCare” clinics dedicated to the treatment of scoliosis for children and adults (each, a “Clinic”).

The total investment necessary to begin operation of a new franchised Clinic is \$284,300 to \$541,500, and the total initial investment necessary to begin operation of a Clinic when converting an existing chiropractic or similar use and layout premises is \$161,800 to 246,000. This includes \$58,000 that must be paid to the franchisor and/or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Andrew Lyme at [andrew.lyme@scolicare.com](mailto:andrew.lyme@scolicare.com) (tel: +61 459 654 146).

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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: December 15, 2023, as amended March 26, 2024.

## HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

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

## WHAT YOU NEED TO KNOW ABOUT FRANCHISING *GENERALLY*

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

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

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

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

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

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

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

### SOME STATES REQUIRE REGISTRATION

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

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

## SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

**Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation in Los Angeles, California and litigation in New York, New York. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate in Los Angeles and litigate in New York than in your own state.

**Limited Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

**Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

**Minimum Royalty Payments.** You must make minimum royalty payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

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### EXHIBITS:

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|--|--|
| A: List of State Administrators/Agents<br>for Service of Process | F: List of Franchisees Who Have Left The<br>System   |
| B: State Specific Addenda  | G: Table of Contents of Brand Manual                 |
| C: Franchise Agreement   | H: Franchisee Disclosure Acknowledgment<br>Statement |
| D: Financial Statements  | I: Form of General Release                           |
| E: List of Franchisees   | J: State Effective Dates                             |
|  | K: FDD Receipts                                      |

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

### Franchisor

The Franchisor is ScoliCare Franchising LLC, which for the ease of reference, is referred to as “**we**,” “**us**” or “**ScoliCare**” in this disclosure document. We refer to the party (whether an individual or an entity) that buys the franchise as “you” throughout this disclosure document. If you are a corporation or other form of business entity, certain provisions of the Franchise Agreement also apply to your owners and will be noted.

We are a Delaware limited liability company that was formed on April 19, 2021. Our franchisees will do business as “ScoliCare.” Our principal business address is Level 5, 15 Kensington Street, Kogarah, New South Wales, Australia 2217 (tel: 1300 883 884).

We are engaged in the business of granting and supporting franchises to operate “ScoliCare” clinics dedicated to the treatment of scoliosis in children and adults (“**ScoliCare Clinics**” or “**Clinics**”). We do not own or operate any businesses of the type to be operated by our franchisees. We do not conduct business in any other line of business. We have been offering franchises of the type being offered in this disclosure document since June 2021. We have never offered franchises in any other line of business.

Our agents for service of process are attached as Exhibit A to this Disclosure Document.

### Our Parents, Predecessors and Affiliates

Our parent is Lasio Rhinus Holdings, Inc. (“**LRHI**”), a Delaware corporation that was formed on April 14, 2021, with its principal place of business at Level 5, 15 Kensington Street, Kogarah, New South Wales, Australia 2217. LRHI will not provide you with any products or services, nor will it guaranty our performance. LRHI has never offered franchises in this or any other business.

Our affiliate is ScoliCare IP Pty Ltd (ACN 646 766 350) (“**SIPL**”), an Australian limited liability company, formed on December 22, 2020, with its principal place of business at Level 5, 15 Kensington Street, Kogarah, New South Wales, Australia 2217. SIPL owns our proprietary marks, and has licensed the proprietary marks to SUIL (defined below) so that SUIL may, in turn, sub-license them to us. SIPL has never offered franchises in this or any other business.

Our affiliate is ScoliCare US IP LLC (“**SUIL**”) a Delaware limited liability company that was formed on April 19, 2021, with its principal place of business at Level 5, 15 Kensington Street, Kogarah, New South Wales, Australia 2217. As noted above, SIPL has licensed the proprietary marks SUIL, and SUIL has, in turn, licensed the proprietary marks to us so that we may sub-license them to our franchisees. SUIL has never offered franchises in this or any other business.

Our affiliate is ScoliCare Pty Ltd. (“**SPL**”) an Australia limited company that was formed on December 22, 2020 in New South Wales, with its principal place of business at Level 5, 15 Kensington Street, Kogarah, New South Wales, Australia 2217. SPL sells scoliosis braces (ScoliBrace) and other specialized stock, consumables and uniforms to franchisees for use in the operation of ScoliCare Clinics. SPL has never offered franchises in this or any other business.

## ScoliCare Franchises

A ScoliCare Clinic will be operated in a building that bears our trade dress (interior, exterior, or both) and specializes in the non-surgical treatment of scoliosis using observation, physical therapy and exercise, bracing, and complementary and alternative therapies, which include Proprietary Items (as defined below) as well as non-proprietary items provided to patients on-site (the “**Products**”). The services that are associated with offering Products to consumers are referred to as the “**Services**.”

Among the distinguishing characteristics of a Clinic are that it operates under our “ScoliCare” System. Our System includes (among other things): Products; distinctive interior and exterior design and accessories; opening hours; operational procedures; signage; standards and specifications; quality and uniformity of treatments, products and services offered; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, the Proprietary Marks (defined below), as well as advertising and promotional programs (together, the “**System**”).

We offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified corporations and persons (“**you**”) that wish to establish and operate a ScoliCare Clinic. Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate one ScoliCare Clinic (the “**Franchised Business**”) at an agreed-upon location (the “**Accepted Location**”) that will be specified in the Franchise Agreement. You will either establish a new Clinic at the Accepted Location (a “**New Clinic**”) or if you operate an existing chiropractic or similar use and layout premises at the Accepted Location, you will convert that existing business to a Clinic (a “**Conversion Clinic**”). Unless otherwise specified, all references to a Clinic will apply to both a New Clinic and a Conversion Clinic.

We do not require you to be a medical professional. However, we do require the primary healthcare clinician/s that are employed at the Franchised Business to undertake our scoliosis specific training programs and are, at a minimum, a licensed practitioner of physiotherapy, chiropractics, or osteopathy, or a licensed medical doctor.

We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark “SCOLICARE” and logo), service marks, trademarks, logos and emblems, as well as other trade names, service marks, and trademarks that we may periodically specify (all of these are referred to as our “Proprietary Marks”). ScoliCare Clinics must operate according to our standards and procedures, as set out in our confidential brand manual and other written instructions relating to the operation of a ScoliCare Clinic (the “**Brand Manual**”).

## Market and Competition

The general market for the type of scoliosis treatment Clinic that we are marketing is developing. The Franchised Business will compete primarily with local healthcare clinics (such as chiropractors, physical therapy businesses and orthopedic surgery practices) the market is competitive. A ScoliCare Clinic markets to adolescents and adults with scoliosis and to health professionals. We plan to continue controlled expansion to improve name recognition and the reputation of the System.

Industry Specific Laws

You must comply with all applicable local, state, and federal laws that apply to the operation of the Franchised Business, including, for example, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and related regulations, patient privacy, chiropractic and physiology licenses, employment, and tax laws. You will likely be subject to additional regulations, including, for example, zoning, building code, health, sanitation, no-smoking laws. The Americans with Disability Act of 1990 and state equivalents require readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You may be required to obtain permits and business licenses before undertaking construction or operating the business. We urge you to make inquiries about any laws or regulations that may affect the operation of your Franchise.

## ITEM 2 BUSINESS EXPERIENCE

### **Chief Executive Officer and Chairman of the Board of Directors: Jeb McAviney**

Mr. McAviney has been our Chief Executive Officer and Chairman of our Board of Directors since our inception in April 2021. He is also, and has been since August 2011, a Member of the Board of Directors and Chief Executive Officer for our affiliate SPL.

### **Chief Innovation Officer: Michelle McAviney**

Ms. McAviney has been our Chief Innovation Officer since our inception in April 2021. She is also, and has been since August 2011, a Member of the Board of Directors and Chief Innovation Officer for our affiliate SPL.

### **Chief Operating Officer: Melanie Ward**

Ms. Ward has been our Chief Operating Officer since our inception in April 2021. She has also been Operations Manager for our affiliate SPL since November 2017. Before that, she was Strategy and Development Manager for Collective Wellness Group & Anytime Fitness Australia in Sydney, NSW, Australia from August 2014 to November 2017.

### **Chief Commercial Officer: Andrew Lyme**

Mr. Lyme has been our Chief Commercial Officer since our inception in April 2021. He is also, and has been since December 2014, Managing Director for Global Retail Partners in Sydney, NSW, Australia.

## ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

#### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

#### **ITEM 5 INITIAL FEES**

##### Initial Franchise Fee

When you sign the Franchise Agreement, you must pay us an initial franchise fee of \$49,000. The initial franchise fee will be fully earned when paid, must be paid in one lump-sum amount, and is non-refundable. The initial franchise fee is uniform for new franchisees; however in our last fiscal year the initial franchise fee was waived for one franchisee, and a 50% reduction was given to two franchisees.

There are no other payments to or purchases from us or our affiliates that you must make before you begin operating your Franchised Business.

##### Initial Digital Site Advertising Program

Upon signing the Franchise Agreement, you must deposit the sum of \$9,000 with us for the "Initial Digital Site Advertising Program" for the Franchised Business, which will be conducted during the six month period following the date the Franchised Business begins operations. We will manage this program, and the disbursement of the funds for the program will be spent directly on Digital Site advertising efforts and search engine optimization geographically targeted to the Franchised Business.

**ITEM 6  
OTHER FEES**

<b>Type Of Fee</b>	<b>Amount</b>	<b>When Due</b>	<b>Remarks</b>
Royalty Fee (Notes 1 and 2)	The greater of 5% of Gross Sales, or the Minimum Royalty Fee due. See Note 3	By the 14 <sup>th</sup> day of every Period for the preceding Period	Royalty Fees are paid via electronic funds transfer, or another method we designate. If you do not report your Gross Sales, we will charge (or deduct from your bank account) the Minimum Royalty Fee. When we have determined your accurate Gross Sales, if you owe us additional Royalty Fees we will charge (or deduct from your bank account) any balance due on a day we specify
Transfer (Notes 1 and 3)	The greater of \$24,500 or 50% of our then-current initial franchise fee, plus any applicable broker or commission fees	On closing of transfer	There is no transfer fee when an individual transfers to his/her business entity, one time only.
Initial Management Training (Note 1)	No fee paid to us for up to four individuals attending our training program.  \$5,000 per person for additional trainees.  Costs and expenses of attending training.	As incurred	We do not charge a training fee for four individuals to attend our initial training program. If you send more than three individuals to our initial training, you must pay us a training fee for each additional individual. You will bear the cost of any wages, benefits, travel, lodging and meal expenses incurred by you and your attendees during initial training
Additional Training (Note 1)	Our then-current tuition rate (which is currently \$150 per hour), plus expenses.	At time of training	If you ask that we provide additional on-site training, then you will pay our then-current tuition rate plus our representative's expenses, including travel, lodging and meals. If you ask for additional training at our training site, you will incur these expenses for your attendee, as well as the tuition fee.

<b>Type Of Fee</b>	<b>Amount</b>	<b>When Due</b>	<b>Remarks</b>
Marketing Contribution (Note 4)	4.5% of Gross Sales. See Note 4	Payable at the same time and in the same manner as the Royalty Fees	See Item 11 for a description of the Marketing Fund.
Renewal Fee	The greater of \$12,250 and 25% of the then-current initial franchise fee	At time of renewal	
Relocation Expenses	Will vary under circumstances	At time of relocation (Note 5)	You may not relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review and approval, and the payment (in advance) of Relocation Expenses (Note 5).
Interest	1.5% per month or the highest applicable rate, whichever is less	On demand	Payable on any amounts owed to us or our affiliates that is overdue
Supplier Evaluation	Reasonable costs of evaluation	On demand	Payable either by you or the proposed new supplier if you request to buy products from an unapproved supplier
Audit Fees	Cost of audit plus interest on underpayment.	On demand	If an audit is required due to your failure to provide reports, or if an audit reveals an understatement of any amount by 2% or more, you must pay any understated amount to us plus interest, and you must reimburse the costs of the audit. We retain our other rights under the Franchise Agreement and applicable law, including the right to terminate your Franchise Agreement
Securities Offering Fee	\$10,000 (or our reasonable costs and expenses, if more)	Upon demand	Only due if you or an affiliate engage in a securities offering. You also must indemnify us (see below).

Type Of Fee	Amount	When Due	Remarks
Indemnification	Will vary under circumstances	When incurred	You must defend, indemnify and hold us and our affiliates and various other parties harmless from all losses, damages, liability, costs and expenses etc. of any kind arising in whole or in part from the operation of your Business or any violation of your Franchise Agreement with us.
Convention / Meeting Attendance Fee	\$250 per person per day.	As incurred	You must attend the conventions and meetings that we may periodically require. We may charge this fee for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well).
Inspection Fee	Our then-current per diem fee, not to exceed \$3,000 per inspection, plus our reasonable travel expenses.	As incurred	You must pay these amounts if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under the Franchise Agreement.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	You must reimburse us for our costs in enforcing the terms of your Franchise Agreement with us
Technology Fee	\$650 to \$700 per month	Payable to us or our designee at the same time and in the same manner as the Royalty Fees	This fee is payable for software licenses required to operate the Franchised Business including IT helpdesk support.

Notes to Item 6 chart:

Note 1: All fees are uniformly applied to new system franchisees and are non-refundable. However, in instances in which it was appropriate to do so, we have waived some or all of these fees for particular franchisees.

Note 2: "**Gross Sales**" means all revenue from the sale of all Products and services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under the Franchise Agreement), including barter and the

proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Gross Sales excludes: (a) any legitimate and reasonable discounts and/or refunds that you provide to patients; and (b) sales taxes or other taxes that you collect from your patients and actually pay to the appropriate taxing authorities.

The “**Minimum Royalty Fee**” is \$21,000 during the first year after you begin operations, and will increase by 5% each additional year during the term. (By way of example, the Minimum Royalty Fee will be \$22,050 in your second year, \$23,152.50 in your third year, etc.)

The term “**Period**” means a four or five-week accounting interval during the calendar year for the purpose of organizing books and records (with 12 or 13 Periods in one year). We may establish the schedule for Periods with reasonable advance notice to you.

**Note 3:** If you are selling your Franchised Business and the purchaser is an individual or company that has previously been referred to us by a franchise broker or is otherwise current in our franchise sales process, then you must pay the applicable franchise broker fees (or any other applicable fees) if the sale to that individual/company is completed as a condition to our approving the sale and transfer.

**Note 4:** You must contribute an amount equal to 4.5% of your Gross Sales as a “**Marketing Contribution**,” which we have the right to allocate in the proportion that we designate among the following:

- the System-wide marketing and promotional fund (the “**Marketing Fund**”);
- local marketing, which we may allocate between:
  - (a) any regional cooperative marketing fund established for your area (a “**Regional Fund**”) (but we are not required to establish a Regional Fund for your area); and
  - (b) funds that you will spend on local marketing and promotion.

**Note 5:** If you wish to relocate the Franchised Business, then you must reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including, if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the “**Relocation Expenses**”). The parties will reconcile the Relocation Expenses within 30 days after you have reopened your Clinic at the new location, based on a statement of our actual Relocation Expenses, at which time: **(a)** we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or **(b)** you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

The following tables present estimated initial investment information for the development of a Conversion Clinic (Table 1) and a New Clinic (Table 2).

Please read these tables together with the notes that follow.

<b>Table 1 – Conversion Clinic</b>				
<b>YOUR ESTIMATED INITIAL INVESTMENT</b>				
<b>Item</b>	<b>Estimated Cost</b>	<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Paid</b>
Franchise Fee (Note 2)	\$49,000	Lump Sum	When you sign the Franchise Application Agreement and Franchise Agreement	Us
Lease/Rent (Note 3)	\$3,300 - \$11,500	As arranged	As arranged	Third Parties
Leasehold Improvements; Construction Costs (Note 4)	\$21,000 - \$36,000	As arranged	As arranged	Contractors; suppliers
Equipment and Furniture (Note 5)	\$26,000 to \$30,000	As arranged	As incurred	Suppliers
Opening Advertising (Note 6)	\$5,000	As arranged	As arranged	Various
Training (Note 7)	\$3,500 to \$5,000	As arranged	As arranged	Local provider
Start-up Supplies and Inventory (Note 8)	\$3,000 to \$6,500	As arranged	As incurred	Suppliers
Utility Deposits (Note 9)	\$0	As arranged	As incurred	Utility companies
Professional Fees (Note 10)	\$5,000 to \$10,000	As arranged	As arranged	Lawyer, Accountant and Consultant
Insurance (Note 11)	\$5,000 to \$10,000	As arranged	As arranged	Insurance provider
Medical Equipment and Inventory (Note 12)	\$2,000 to \$4,000	As arranged	As incurred	Suppliers

<b>Table 1 – Conversion Clinic</b>				
<b>YOUR ESTIMATED INITIAL INVESTMENT</b>				
Additional Funds – 3 Months (Note 13)	\$30,000 to \$70,000	As arranged	As arranged	Not Applicable
Initial Digital Site Advertising Program (Note 14)	\$9,000	As arranged	When you sign the Franchise Agreement	Us
Total (Note 15)	<b>\$161,800 to \$246,000</b>			

<b>Table 2 – New Clinic</b>				
<b>YOUR ESTIMATED INITIAL INVESTMENT</b>				
<b>Item</b>	<b>Estimated Cost</b>	<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Paid</b>
Franchise Fee (Note 2)	\$49,000	Lump Sum	When you sign the Franchise Application Agreement and Franchise Agreement	Us
Lease/Rent (Note 3)	\$9,800 to \$36,000	As arranged	As arranged	Third Parties
Leasehold Improvements; Construction Costs (Note 4)	\$72,000 to \$215,000	As arranged	As arranged	Contractors; suppliers
Equipment and Furniture (Note 5)	\$28,000 to \$33,000	As arranged	As incurred	Suppliers
Opening Advertising (Note 6)	\$5,000	As arranged	As arranged	Various
Training (Note 7)	\$3,500 to \$5,000	As arranged	As arranged	Local provider
Start-up Supplies and Inventory (Note 8)	\$3,000 to \$6,500	As arranged	As incurred	Suppliers
Utility Deposits (Note 9)	\$1,000 to \$3,000	As arranged	As incurred	Utility companies
Professional Fees (Note 10)	\$5,000 to \$10,000	As arranged	As arranged	Lawyer, Accountant and Consultant

<b>Table 2 – New Clinic</b>				
<b>YOUR ESTIMATED INITIAL INVESTMENT</b>				
<b>Item</b>	<b>Estimated Cost</b>	<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Paid</b>
Insurance (Note 11)	\$5,000 to \$10,000	As arranged	As arranged	Insurance provider
Medical Equipment and Inventory (Note 12)	\$60,000 to \$90,000	As arranged	As incurred	Suppliers
Additional Funds – 3 Months (Note 13)	\$30,000 to \$70,000	As arranged	As arranged	Not Applicable
Initial Digital Site Advertising Program (Note 14)	\$9,000	As arranged	When you sign the Franchise Agreement	Us
<b>Total (Note 15)</b>	<b>\$284,300 to \$541,500</b>			

Notes to Item 7 tables:

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable and the initial franchise fee is partially refundable in certain circumstances (see Item 5). We do not finance any portion of your initial investment.

**Note 1.** The totals in each of the tables above set out the estimated initial investment for a New Clinic and a Conversion Clinic. The above figures do not take into account any possibility of reduced costs. We strongly encourage you to consult your own tax and accounting professionals and advisors to determine the correct treatment of taxes and expenses.

**Note 2.** The initial franchise fee and certain expenses are discussed in detail in Item 5. Except as detailed in Item 5, the initial franchise fee is non-refundable.

**Note 3.** If you do not own a location for your Franchised Business, you must purchase or lease a space. You will probably need to lease a space at least four months in advance; however, you may attempt to negotiate an abatement from the landlord. The expenses represented in the table reflect businesses that are within the preferred target range of 1,400 to 2,400 square feet.

The figures in Table 1 for a Conversion Clinic are calculated on the following assumptions: (a) you are already leasing a premises with the same internal layout of a ScoliCare Clinic; (b) you will have to pay rent (estimated two months) while refurbishing the premises suitable for a ScoliCare Clinic before you open, and no additional security deposit is needed as this is already in place; (c) for 1,400 to 2,400 sq. ft. of space; (d) at \$14 to \$28 per square foot, per year. If the site at which you operate the existing business is larger, has a higher rental cost, or if you have to pay for more months' rent in the pre-opening period, then your costs will be higher than those in the table.

The figures in Table 2 for a New Clinic are calculated on the following assumptions: (a) you will have to pay six months' rent (made up of one month's rent after you open, two months' rent before you open, and three month's rent as a security deposit); (b) for 1,400 to 2,400 sq. ft. of space; (c) at \$14 to \$28 per square foot, per year. If the site you choose is larger, has a higher rental cost, or if you have to pay for more months' rent in the pre-opening period, then your costs will be higher than those in the table.

Rental rates vary considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions and competition in the relevant area, the type and nature of improvements needed to the premises, the size of the Franchised Business, the terms of the lease, and the desirability of the location. If you decide to purchase the property for the location of your Franchised Business, you will incur additional costs that we cannot estimate.

**Note 4.** We will provide you, at no charge, with prototype design and image specifications for a ScoliCare Clinic. You must adapt, at your expense, the layout we provide, subject to our approval. You will need to construct improvements, or "build out" the premises at which you will operate the Franchised Business. Occasionally, for a New Clinic, you will take the premises in "vanilla box" condition (e.g., primed drywall ready to be painted, but without improvements). Among other things, you will need to arrange for proper wiring and plumbing, floor covering, wall covering, partitions, heat, air conditioning, lighting, painting, bathroom facilities, signage and the like. For a Conversion Clinic, you will need to arrange all design and approvals, layout modifications, painting, brand treatments, signage and the like for the partitions, flooring and lighting, among other things, that is the same layout as for a ScoliCare Clinic. You will need to hire a licensed architect and a licensed builder. Costs are likely to vary, and may be much higher, if you wish to establish your Franchised Business in an area where special requirements of any kind (for example, historical, architectural, or preservation requirements) will apply.

**Note 5.** We require franchisees to purchase or lease equipment needed to operate the Franchised Business, including consulting beds, tables, chairs, workshops tools, exercise equipment, desks, chairs, computers, and other things. You will need to obtain the exact equipment we specify and in some cases from the vendor we specify. The amount spent for equipment will vary for each ScoliCare Clinic depending upon the Clinic's size, style, and local zoning requirements.

**Note 6.** For a Franchised Business, you must spend this amount on opening advertising. You may spend additional amounts with our approval. The vehicle you use in connection with the Franchised Business must be professionally wrapped to meet our specifications, and the amount in the Charts includes the cost of vehicle wrapping.

**Note 7.** This figure includes the cost for transportation, meals and other expenses associated with pre-opening training and travel to initial management training for two individuals. In addition, we may require that you or your personnel attend and successfully complete additional training and re-training sessions that we may periodically offer and you shall pay us our then current fees for the training. You must pay all travel, living and other expenses in connection with the training programs, including wages and any training fees, in advance of the training.

**Note 8.** All items of inventory which you obtain from sources of your own choosing are paid for directly to the supplier of those inventory items at prices agreed upon by you and the supplier. Start-up supplies and inventory of products will vary based on expected volume of business and size of storage areas in the building.

**Note 9.** You may be required to pay certain deposits for the utilities (gas, electric, water/sewer, internet, etc.) for the Clinic, however Table 1 presumes these deposits are already in place.

**Note 10.** The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.

**Note 11.** You will need to obtain the insurance coverage as may be reasonably required by us or your landlord. This amount represents the estimate for the insurance premium. Item 8 of this Disclosure Document and the Franchise Agreement specifies the required amounts necessary for your Franchised Business.

**Note 12.** Medical equipment includes an x-ray machine. This figure in Table 1 presumes that a Conversion Clinic already has an x-ray machine.

**Note 13.** You will need capital to support on-going expenses, such as payroll, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

**Note 14.** Upon signing the Franchise Agreement, you must deposit the sum of \$9,000 with us for the Initial Digital Site Advertising Program for the Franchised Business, which will be conducted during the six month period following the date the Franchised Business begins operations.

**Note 15.** We relied on our affiliates' own experience and information by operating ScoliCare Clinics in Australia when preparing these figures. While the "low amount" total represents the sum of the lowest estimated initial investment expenditures for each category in the table, and the "high amount" total represents the sum of the highest estimated initial investment expenditures for each category in the table, we expect that your overall expenditures will fall somewhere between the low amount and high amount range, as it is not common for each of a franchisee's initial investment expenditures to match the lowest expected for each category, nor the highest for each category (for example, while rent costs may be close to the estimated low amount, construction costs may be close to the estimated high amount). These are only estimates, however, and there are numerous ways in which your costs may be higher or lower depending on the choices you make in connection with the development of your Franchised Business. You should review these estimates on your own, preferably with a business advisor of your own choosing.

\* \* \*

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer direct or indirect financing to franchisees for

any items. Unless specifically noted otherwise, the amounts are estimates only and may not be definitive in every situation. They present a range of estimates which we consider reasonable based upon our affiliates' experience, but we cannot guarantee that you will not incur additional expenses when starting your business. The actual amount of additional funds you will need depends on a variety of factors, such as whether you extend credit terms to patients or the time of year that you start to operate your business. These estimates do not include the cost to you of any financing that may be required to establish your franchise.

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

### General

To insure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Brand Manual or otherwise in writing.

At all times during the term of the Franchise Agreement, you must:

- sell or offer for sale only those Products, authorized services and items using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business;
- sell or offer for sale all Products, authorized services and items using the standards and techniques that we specify in writing;
- not deviate from our standards and specifications; and
- stop using and offering for use any Products or services that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must buy all products, equipment, furniture, supplies, materials (such as packaging), and other products used or offered for sale at the Franchised Business only from suppliers (including manufacturers, distributors, and other sources) that we have approved in writing (and see below regarding restrictions for Proprietary Items). When considering whether to approve any particular possible supplier, we will consider (among others) the following factors: whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications; whether the supplier has adequate quality controls and capacity to supply the System's needs promptly and reliably; and whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies. We will make our criteria available to you upon request. You may not buy items from any supplier that we have not yet approved in writing, and you must stop buying items from any supplier who we approve, but later disapprove. As explained above, we have the right to designate only one supplier for certain items (which supplier may be us or one of our affiliates). We (or our affiliates) may derive revenue from your purchases of products or other items.

Certain Products that you offer at your Franchised Business are produced according to our proprietary standards and specifications (and/or those of our affiliates) (our “**Proprietary Items**”). In order to maintain the high standards of quality and uniformity associated with Proprietary Items, and other products bearing the Proprietary Marks, you must purchase those Proprietary Items and products, as well as any packaging bearing the Proprietary Marks (and any other products we may now or in the future designate), only from us, our affiliates, and/or our approved suppliers, and not offer or sell any other such products at or from your Franchised Business.

If you want to buy any products (other than the Proprietary Items), or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier’s facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable time and cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. We reserve the right, at our option, to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.

We estimate that we will be able to notify you of our approval or disapproval of a proposed new supplier within 30 business days after receipt of your written request and any additional information that we may request about the proposed supplier, although the Franchise Agreement does not specify how long our evaluation process may take. This is only an estimate and the actual approval time may be shorter or longer than 30 days.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items.

We estimate that your purchases of the products from approved or designated suppliers will be approximately 15% to 35% of your initial investment and approximately 30% of your ongoing operations.

You must allow us or our agents, at any reasonable time, to inspect products and equipment and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

#### Required Purchases from Us

Franchisees must purchase scoliosis braces and rolls, brace accessories, and certain software from us or our affiliate. In the last fiscal year, our affiliate SPL received \$168,625 in revenues from franchisee purchases of products, which represented 3.89% of SPL’s total

revenues of \$4,339,785. The dollar amounts in this paragraph were converted from Australian Dollars to U.S. Dollars at a rate of AUD\$1.00 = USD\$0.63.

Jeb McAviney, our Chief Executive Officer, and Michelle McAviney, our Chief Innovation Officer, own an interest in our affiliate, SPL, which as noted above in Item 1 sells scoliosis braces (ScoliBrace) and other specialized stock, consumables and uniforms to franchisees for use in the operation of ScoliCare Clinics. Otherwise, there are no approved suppliers in which any of our officers owns an interest. We do not provide material benefits to you based upon your use of designated or approved sources or your purchase of particular products or services.

#### Purchasing or Distribution Cooperatives and Purchase Arrangements

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the ScoliCare Clinics in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the franchised network of ScoliCare Clinics.

Currently, there are no purchasing or distribution cooperatives in existence. There are no negotiated purchase arrangements in effect at this time.

#### Supplier Allowances

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, “**Allowances**”) offered by suppliers to you or to us (or our affiliates) based upon your purchases of products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of products, equipment and other items. The amount of Allowances varies from supplier to supplier. While the percentage of the commission or royalty will be a range, the exact percentage depends on the volume of purchases and which products are purchased. During our last fiscal year we did not receive any Allowances.

#### Computer System

You must purchase and install computer hardware as we may periodically specify. You must also use such computer software programs in the operation of your Business that we may specify, including our customized relationship management software, which is available only from our affiliate or designated supplier. We may require you to sign a software license agreement in connection with your use of designated software.

#### Insurance

Under the Franchise Agreement, you must obtain and maintain at least the following insurance coverages:

- comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, tenant’s liability and medical payments with a combined bodily injury

and property damage limit of at least \$2,000,000 in the aggregate and \$1,000,000 per occurrence;

- Automobile liability insurance covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than \$1,000,000;
- Statutory workers' compensation insurance and employer's liability insurance with a minimum limit equal to at least \$1,000,000;
- Data theft and cybersecurity coverage with limits of liability not less than \$1,000,000 combined single limit to cover all first and third party cyber claims, including ransomware, and social engineering for \$100,000;
- Employment practices liability insurance limits of at least \$500,000 to cover any wrongful employment acts, third-party liability for discrimination and harassment, including wage and hour defense for at least \$100,000 and including us as a co-defendant;
- Commercial umbrella liability insurance (subject to Section 15.2 below) with limits of at least \$2,000,000;
- Property insurance to cover 100% of the replacement cost of all build-out, furniture, fixtures, equipment and inventory used in the Franchised Business;
- Business income and extra expense insurance to cover actual loss sustained for 12 months (unless not commercially available in which case coverage for at least 50% of your annual Gross Sales);
- Professional liability insurance with limits of at least \$3,000,000 in the aggregate to cover any wrongful act or malpractice claim brought against you and/or us as a result of your professional services in connection with the Franchised Business; and
- any other insurance coverage that is required by federal, state, or municipal law.

Each insurance policy required under the Franchise Agreement must be primary and noncontributory and must be issued by an issuer we approve, who must have a rating of at least "A-" (VII) in the most recent *Key Rating Guide* published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Franchised Business is located. All liability and property damage policies must name us as additional insureds and must provide that each policy cannot be cancelled unless we are given thirty days' prior written notice.

We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect. The requirements specified in the Franchise Agreement are only minimums and you are encouraged to review whether additional coverage may be appropriate in your market and for your business.

**ITEM 9  
FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Item In Disclosure Document</b>
A. Site selection and acquisition/lease	§ 1, 3.2, 5.2, Site Selection Addendum	Items 11 and 12
B. Pre-opening purchases/leases	§ 5	Items 7 and 8
C. Site development and other pre-opening requirements	§§ 3.2, 3.3, 3.8, 5	Items 6, 7 and 11
D. Initial and ongoing training	§§ 2.2.8, 3.1, 6, and 16.5.8	Items 6 and 11
E. Opening	§ 3.4, 3.8, 5.1 and 8.2	Item 11
F. Fees	§§ 2.2.6, 4, 13.1, 14.1.7, and 16.5.9	Items 5, 6 and 7
G. Compliance with standards and policies/operating manual	§§ 3.3, 5, 8, and 10	Item 8
H. Trademarks and proprietary information	§§ 1.1 and 9	Items 13 and 14
I. Restriction on products/services offered	§§ 1.5, 7.1, 7.2, and 8.4	Item 8 and 16
J. Warranty and customer service requirements	§ 8.3	Not applicable
K. Territorial development and sales quotas	§§ 1.3, 1.5 and 1.6	Item 12
L. Ongoing product service purchases	§ 7	Items 8 and 11
M. Maintenance, appearance, and remodeling requirements	§§ 2.2.2, 5, 8.7, 8.8, 16.5.5	Items 6 and 17
N. Insurance	§ 15	Items 7 and 8
O. Advertising	§ 13	Items 6 and 11
P. Indemnification	§ 21.4 and Exhibit B	Item 6

Obligation	Section in Franchise Agreement	Item In Disclosure Document
Q. Owners participation / management / staffing	§§ 8.3, 8.10, and 19.1	Item 15
R. Records and reports	§§ 4.2 and 12	Items 9 and 11
S. Inspections and audits	§§ 3.8, 7.1.4, 8.4.3, 8.11, and 12	Item 6, 11 and 13
T. Transfer	§§ 8.10 and 16	Items 9 and 17
U. Renewal	§ 2.2	Item 17
V. Post-termination obligations	§ 18	Item 17
W. Non-compete agreements	§ 19	Item 17
X. Dispute resolution	§ 27	Item 17
Y. Taxes/permits	§§ 8.7 and 20	Item 1
Z. Other (personal guarantee)	Exhibit B	Not applicable

## ITEM 10 FINANCING

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

## 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 Franchised Business under the Franchise Agreement:

- (1) We will provide to you (or to your Operating Owner (defined below)), as well as your Certified Manager and Additional Trained Personnel (defined below), our standard initial training program at our headquarters or another location that we designate. We will make this training available for up to four individuals. You may send more, but at your own expense. (Training is also discussed below in this Item 11 under the subheading "Training.") *Franchise Agreement, Sections 3.1, 6.2.*
- (2) We will make available to, at no additional charge, our standard layout, design, image and experience specifications for a Clinic based on the format you have chosen to develop and operate, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We will also provide certain site selection and lease review assistance. *Franchise Agreement, Sections 3.3 and 5.3.*

- (3) We may evaluate the Franchised Business before it first opens for business. You agree not to open the Franchised Business to patients or otherwise start operation until you have received our prior written approval to do so. *Franchise Agreement, Section 3.8.*
- (4) We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable. *Franchise Agreement, Section 3.4.*
- (5) We will assist you in developing the Grand Opening Marketing Program (defined in Item 11 below). *Franchise Agreement, Section 3.6.*
- (6) We will lend you, for the duration of the Franchise Agreement, one copy of the Brand Manual (which is more fully described in Item 14 below). *Franchise Agreement, Section 3.5.* There are 270 pages in the Brand Manual. The Table of Contents of the current Brand Manual is attached as Exhibit G to this FDD.

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

### **Post-Opening Obligations:**

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Business:

- (1) We may conduct additional training programs if we think your Franchised Business will benefit from that. *Franchise Agreement, Section 6.4.*
- (2) We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. *Franchise Agreement, Section 3.9.*
- (3) We will review and have the right to approve or disapprove all marketing materials that you propose to use. *Franchise Agreement, Section 3.6.*
- (4) We will administer the Marketing Fund. *Franchise Agreement, Section 3.7.*

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

### **Site Selection**

When you enter into the Franchise Agreement, if you do not have an Accepted Site for the Franchised Business, you must sign the “**Site Selection Addendum**” attached to the Franchise Agreement as Exhibit G. You may have obtained an Accepted Site and a lease for the Accepted Site before entering into the Franchise Agreement; if not, then you must enter into the Site Selection Addendum. Under the terms of the Site Selection Addendum, you will have 90 days (the “**Search Period**”) within which to lease, sublease or acquire a site for the Franchised Business, subject to our approval according to our site selection guidelines.

Under the Site Selection Addendum, we will grant you an area within which you may search for an Accepted Site (the “**Site Selection Area**”). The Site Selection Area is granted only

for the purpose of selecting an Accepted Site for the Franchised Business. We will not establish, nor franchise another to establish, a ScoliCare Clinic operating under the System within the Site Selection Area until we approve of an Accepted Site for the Franchised Business, or until the search period in the Site Selection Addendum expires, whichever happens first. We will also furnish site selection guidelines to you, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable.

You must submit to us, in the form we specify, a copy of the site plan and such other materials or information that we may require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed site for the Accepted Site of the Franchised Business. If we do not approve a proposed site by written notice to you within this 30-day period, the site will be deemed disapproved.

We will provide you with one site visit, at the location noted in your site plan, at our expense. If you request additional site visits from us, then we will provide such additional site visits at your expense, and you must pay all costs and expenses our representatives incur (including travel, lodging, meals and wages) in connection with conducting such site visits. We will not provide on-site evaluation for any proposed site before we have received from you a completed site approval form for the site as noted above.

When considering a site for a ScoliCare Clinic, we consider factors such as general location and neighborhood; demographics; proximity to medical or commercial/retail businesses; transportation options; size and ease of access to the proposed site; parking; availability of utilities; and zoning and regulatory considerations. We do not typically own the premises for franchised ScoliCare Clinics and lease those out to franchisees.

If you fail to acquire or lease a site for the Franchised Business under the Site Selection Addendum within 180 days, that will constitute a default under the Franchise Agreement and we will have the right to terminate the Franchise Agreement.

Once authorized, the site for the Franchised Business will be the “**Accepted Location.**” After we have accepted the site for the Franchised Business (but before the expiration of the Search Period), you must execute a lease which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the “Lease Rider,” attached to the Franchise Agreement as Exhibit H. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider.

### **Opening the Franchised Business**

We estimate that the time period between beginning to find a site for the Accepted Location and the start of operations at the Franchised Business will be approximately 10 to 12 weeks. The factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the Franchised Business, weather conditions, construction delays, and obtain furniture, fixtures, equipment and supplies. You must open the Location not later than 180 days after the date you sign the Franchise Agreement; and if you do not do so, we will have the right to terminate the Franchise Agreement immediately upon notice to you.

## **Training**

Before you open the Franchised Business, you (or your Operating Owner) and, if applicable, one individual with full-time responsibility for the daily supervision and operation of the Franchised Business (a “**Certified Manager**”) (your Operating Owner and Certified Manager can be the same individual) must participate in and successfully complete, to our satisfaction, the initial training program we offer. We offer the initial training program our headquarters, online, or another location that we specify. (Your Certified Manager will train your subsequently hired general managers and assistant managers.) You may send up to four individuals to the initial training program. If you ask to send more than four individuals (including the Operating Owner, Certified Manager, and Additional Trained Personnel (defined below), then you must pay us a training fee (the amounts are described in Item 6).

The term “**Additional Trained Personnel**” means Clinic personnel, in addition to the Operating Owner and Certified Manager, such as physical therapists and other clinicians, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

We alone have the right to judge whether a person has successfully completed training. If you or your personnel fail to complete initial training to our satisfaction, you or they may repeat the course(s) or may send a substitute to the next available scheduled training session; however, we will have no obligation to extend the opening deadline for the Franchised Business for this purpose, and we reserve the right to terminate the Franchise Agreement if your Operating Owner and any other required personnel are, in our opinion, unable to successfully complete training. We have the right to charge you a training fee for repeated initial training.

Additionally, you may ask us to provide on-site training in addition to what we will provide to you in connection with the initial training program or the opening of the Franchised Business. If we are able to do so, then you must pay then-current per diem training fee as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your Clinic in accordance with our brand standards, and we may place you in default of the Franchise Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business or elsewhere.

If any of you (or the Operating Owner) or other Additional Trained Personnel cease active management or employment at the Franchised Business, then you must train a qualified replacement (who must be reasonably acceptable to us) not more than 30 days after the end of the former person’s full-time employment or management responsibilities. The replacement must successfully complete the initial training program, to our reasonable satisfaction, as soon as it is practical to do so.

We may require that any or all of the Additional Trained Personnel attend refresher courses, seminars, and other training programs periodically (both online and in-person).

We will bear the cost of all training (instruction and required materials) (except for additional and replacement training, as noted above and in Item 6). You will bear all other

expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this disclosure document).

The subjects covered in the initial training program are described below.

### TRAINING PROGRAM

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Reception Onboarding US	8	0	Online Course
Clinic Operations Induction	2	0	Video Conference
Clinic Operations - Post online-training	2	0	Video Conference
Clinician Onboarding Training - Train the Trainer	1	0	Video Conference
Scoliosis Rehabilitation Therapist Training - Train the Trainer	1	0	Video Conference
Clinician Onboarding Training (ScoliBrace Provider)	15	0	Online Course
Clinician Case Study Based Training	5	0	Online Course
Essentials of Scoliosis Management	8	0	Online Course
Essentials of Scoliosis Bracing	5	0	Online Course
ScoliBalance Level 1 Online	8	0	Online Course
ScoliBalance Level 1 - Face-to-Face	0	20	Course Location
ScoliBalance Level 2 - Online	8	0	Online Course
ScoliBalance Level 2 - Face-to-Face	0	18	Course Location
Scoliosis Rehabilitation Therapist Onboarding	8	0	Online Course
Marketing and Business Development Training	4	0	Online Course
Introductory Marketing Workshop	1	0	Video Conference
Scoliosis Rehabilitation Therapist Training	2	0	Video Conference
Reception Onboarding Training	1	0	Video Conference
Business Operations Setup/Resources Introduction	1	0	Video Conference
Xero Navigation	1	0	Video Conference

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Clinician Onboarding Training	3	0	Video Conference
Introductions and orientation to clinic	0	0.5	Onsite
ScoliCare Franchise and Company Introductions	0	0.5	Onsite
Team Cohesion and Communication	0	1	Onsite
Clinic Operations (Reception/Role Plays/Scenarios)	0	1	Onsite
Clinical Expertise - Patient/Case Prescription and Management	0	1.5	Onsite
Cont. Clinical Expertise - Patient/Case Prescription and Management	0	1.5	Onsite
Clinic Operations (SalesForce and procedures)	0	1	Onsite
Clinic Operations (SalesForce and procedures) including Cheat Sheets and Reception assessment	0	1.5	Onsite
Clinic Operations (Cliniko templates)	0	1.5	Onsite
Clinic Operations (SalesForce and procedures)	0	1.5	Onsite
Clinic Operations (SalesForce and procedures)	0	1.5	Onsite
Intensives and Clinic Operations	0	1	Onsite
Marketing	0	5.5	Onsite
ScoliBalance Case Studies	0	1	Onsite
Prep for patients	0	0.5	Onsite
ScoliBalance - Volunteer patient to be scheduled by Franchisee	0	1.5	Onsite
Review (without patient) and prep for patients	0	0.5	Onsite
ScoliBalance - Volunteer patient to be scheduled by Franchisee	0	1	Onsite
Review (without patient) and prep for patient	0	1	Onsite

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
ScoliBalance - Volunteer patient to be scheduled by Franchisee	0	1	Onsite
ScoliBalance Case Studies	0	1	Onsite
Prep for patients	0	0.5	Onsite
ScoliBalance - Volunteer patient to be scheduled by Franchisee	0	1.5	Onsite
Review (without patient) and prep for patients	0	0.5	Onsite
ScoliBalance - Volunteer patient to be scheduled by Franchisee	0	1	Onsite
Review (without patient) and prep for patient	0	1	Onsite
ScoliBalance - Volunteer patient to be scheduled by Franchisee	0	1	Onsite
Clinical Expertise	0	1.5	Onsite
Preparing for Opening - remaining tasks, support, and checks.	0	1	Onsite
Identifying any required further training	0	1.5	Onsite
Clinical Expertise	0	6	Onsite
Clinic Operations	0	1.5	Onsite
Prep for opening, wrap up, where to from here	0	1.5	Onsite
	<b>84</b>	<b>83.5</b>	
<b>TOTAL HOURS</b>	<b>167.5</b>		

The training materials we use in the initial training program include our Brand Manual, presentations, spreadsheets, assessment tools, management templates, any other information that we believe will be beneficial to our franchisees in the training process. Training is conducted as frequently as we determine it necessary in order to hold a training class.

Training will be performed by or under the supervision of Jeb McAviney, our Chief Executive Officer, who has over 18 years of experience with the subjects taught and 12 years of experience with us and our affiliates. We may use additional instructors who have been reviewed and qualified by Mr. McAviney or our management team. Each of these additional training instructors will have at least three years of experience with us and our affiliates and in the subjects being taught.

You must attend the conventions and meetings that we may periodically require, and you must pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well). You will also be responsible for

all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses

## **Marketing**

As described in Item 6 above, throughout the term of the Franchise Agreement, you will be required to make a monthly contribution to the Marketing Fund or a Regional Fund (if we establish one) of 4.5% of Gross Sales, and to spend certain amounts on local marketing and promotion.

We have not formed an advertising council or other advisory body composed of franchisees to assist us on marketing policies, but we reserve the right to do so in the future. As described below, we are not required to spend any particular amount on marketing in the area where your Franchised Business is located.

### **The Marketing Fund**

We have the sole right to determine how the Marketing Fund creates, places, and pays for marketing. We (or our designee, which might be a corporate subsidiary or a marketing agency) will maintain and administer the Marketing Fund, as follows:

- (a) We or our designee will direct all marketing programs, with sole discretion over the concepts, materials, and media used in these programs and the placement and allocation of the programs. The source for marketing materials used by the Marketing Fund may be both in-house and regional or national advertising agencies. The Marketing Fund is intended to maximize general public recognition (building the *ScoliCare* brand), acceptance, and use of the System. Neither we nor our designee are obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.
- (b) The Marketing Fund, including all contributions to the fund and all amounts that it earns, will be used exclusively to meet the costs of maintaining, administering, staffing, directing, conducting, and preparing advertising, marketing, public relations and promotional programs and materials. The Marketing Fund will also be used for other activities that we believe will enhance the System's image. This includes, among other things: the costs of preparing and conducting media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for ScoliCare Clinics and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing

local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the ScoliCare Clinics operated under the System), as well as making loans (at reasonable interest rates); and providing rebates or reimbursements to franchisees for local expenditures on products, services, or improvements that we have approved in advance. The Marketing Fund may take out and pay interest on loans for marketing purposes.

- (c) The Marketing Fund, all contributions, and any earnings, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System.
- (d) You must make your contributions to the Marketing Fund by electronic funds transfer using the Automated Clearing House (ACH) Network in the same manner as you must pay Royalty Fees. All sums you pay to the Marketing Fund will be accounted for as a separate fund, however we are not obligated to keep the funds in a separate bank account. The Marketing Fund will not be used to defray any of our expenses, except for the reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for you and the System (for example, costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs). The Marketing Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund. We do not currently prepare an annual audited financial statement for the Marketing Fund, but we may do so in the future.
- (e) The Marketing Fund is not and will not be our asset.
- (f) Although the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes. If amounts are unspent in the Marketing Fund at fiscal year-end, those amounts will be carried over by the Fund for expenditure in the following year(s).
- (g) The Marketing Fund is not audited. A statement of the Marketing Fund's operations, as shown on our books will be prepared each fiscal year and a record of revenue and expenditures for any given year will be made available 120 days after each year end upon written request.

Our current policy is that company-owned ScoliCare Clinics will contribute to the Marketing Fund at the same rate as franchisee-owned ScoliCare Clinics. If we elect to have any of our ScoliCare Clinics contribute to the Marketing Fund, we will have the same rights for our contributing ScoliCare Clinics as our franchisees have for their ScoliCare Clinics. We reserve the right to change our policy at any time.

None of the amounts collected or held by the Marketing Fund may be used for marketing that is principally a solicitation for the sale of franchises. We may receive payment for providing goods and services to the Marketing Fund, such as personnel, staff, office space, supplies, and other general and administrative costs that we incur on the Marketing Fund's behalf.

In our last fiscal year, we did not collect or spend any amounts for the Marketing Fund.

### Regional Fund

We currently do not have any Regional Funds; however, we will have the right, as we see fit, to establish a Regional Fund for your geographic area. The purpose of a Regional Fund is to conduct marketing campaigns for the ScoliCare Clinics located in that region.

If a Regional Fund for your area was established before you began to operate your Franchised Business, then when you open your Franchised Business, you must immediately join that Regional Fund. If a Regional Fund for your area is established after you begin to operate your Franchised Business, then you will have thirty days to join the new Regional Fund. You will not be required to join more than one Regional Fund. The following provisions will apply to each Regional Fund (if and when established):

- (a) We have the right to administer a Regional Fund, and Regional Funds will be established, organized, and governed in the form and manner that we have approved in advance. Governing documents for a Regional Fund, if any, will be made available for your review.
- (b) Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing. If we operate any company-owned ScoliCare Clinics within the area assigned to a Regional Fund, our current policy is for those ScoliCare Clinics to participate in and contribute to the Regional Fund. We reserve the right to change our policy at any time.
- (c) Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written approval, as described below.
- (d) We have the right to allocation a portion or all of the Marketing Contribution to a Regional Fund. You must submit your contributions to the Regional Fund by electronic funds transfer using the Automated Clearing House (ACH) Network in the same manner as you must pay Royalty Fees. At the same time, you will have to submit the reports that we or the Regional Fund require.
- (e) You are not required to contribute more than what is allocated from the Marketing Contribution to a Regional Fund. However, a majority of the ScoliCare Clinic owners in any Regional Fund may vote to increase the amount of each business owners' contribution by up to an additional 2% of each business' Gross Sales. Voting will be on the basis of one vote per ScoliCare Clinic.
- (f) Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.
- (g) We have the right to change or merge any Regional Funds.

Grand Opening Marketing Program. In addition to the marketing contribution, you must spend at least \$5,000 for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and

that we approve in writing (the “**Grand Opening Marketing Program**”). The Grand Opening Marketing Program must begin at least 30 days before the commencement of operations at the Franchised Business and be completed no later than 45 days after the Franchised Business begins operations.

### Local Advertising and Promotion

You must make expenditures on local marketing and promotion of the Business in such amounts as we may designate as part of the allocation of the Marketing Contribution. In addition, we have the right, but not the obligation, to require you to implement at your Franchised Business and at your cost, recommended local area and digital marketing strategies (including the use of third party suppliers that we designate) to implement and manage social and digital media advertising programs, or other marketing activities, as we may direct. Certain criteria will apply to any local advertising and promotional activities that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials (unless, within the previous six months, we prepared or already approved the plans or materials). If we do not give our response (whether approval or disapproval) to the proposed plans or materials within fourteen days, we will have been deemed to disapprove the plans or materials.

All copyrights in and to marketing and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your staff to sign the documents) that we deem necessary to implement this provision.

In addition to the plans and promotions that we otherwise provide to you under the Franchise Agreement, we will periodically make available to you, for purchase, certain marketing plans and promotional materials for your use in local advertising and promotion.

As used in the Franchise Agreement, the term “**local advertising and promotion**” refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready marketing and point of sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of marketing and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. “Advertising and promotion” does not, however, include any of the following:

- (a) Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities;
- (b) Charitable, political or other contributions or donations; and
- (c) The value of discounts provided to patients.

Digital Sites (as defined below) are considered as “marketing” under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term “**Digital Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, Instagram, TikTok, Stitcher, etc.), blogs, vlogs, podcasts, applications to be used on computers and other mobile devices

(e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). In connection with any Digital Site, the Franchise Agreement provides that you may not establish an Digital Site, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, without our prior written approval. As a condition to granting consent, we will have the right to establish any requirement that we deem appropriate, including for example a requirement that your only presence on the Internet will be through one or more webpages that we establish on our website.

#### Initial Digital Site Advertising Program.

Upon execution of the Franchise Agreement, you must deposit the sum of \$9,000 with us for the Initial Digital Site Advertising Program for the Franchised Business, which will be conducted during the six month period following the date the Franchised Business commences operations. We will manage this program, and the disbursement of the funds for the program will be spent directly on Digital Site advertising efforts and search engine optimization geographically targeted to the Franchised Business.

#### **Computer Requirements**

We require our franchisees to purchase a computer system. You must meet our requirements concerning the computer system, including: (a) back office systems; (b) systems to store data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Clinics, between or among Clinics, and between or among the Franchised Business, and you, and us; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) technology used to enhance and evaluate the patient experience; (g) front-of-the-house WiFi and other connectivity service for patients and patients; and (h) internet access mode (e.g., form of telecommunications connection) and speed (collectively, all of the above are referred to as the “**Computer System**”). You may not install any non-business or unapproved software, hardware, or firmware on your Computer System.

We have the right to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System (“**Required Software**”), which you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System.

The minimum configuration and specifications for your Computer System will be included in the Brand Manual and you will be provided those details during your new franchisee orientation process. You must have, at a minimum, Microsoft Office 2016 or newer that has the following components: Microsoft Word, Microsoft Excel, and Microsoft Outlook. The approximate cost of the computer hardware and software can range from \$3,500 to \$6,500. Your hardware may be purchased from the vendor of your choice.

We will have independent access to all data on the Computer System and all data on that system (including customer information and transaction data) is our exclusive property. There are no contractual limitations on our right to access the information and data that you maintain in connection with the Franchised Business.

You must maintain a high speed internet connection.

We recommend, but do not require, that you maintain an on-site maintenance service contract for your computer system. We may require you to upgrade and/or update your computer system. The frequency could be annually or bi-annually, and they would be at your cost. There are no contractual limitations on our ability to require you to upgrade/update your computer, but we will not require upgrades and/or updates that are unreasonable. We estimate that the annual cost of maintaining the Computer System will be approximately \$1,200.

## ITEM 12 TERRITORY

Under the Franchise Agreement, you are authorized to operate a ScoliCare Clinic from a specified location, which we must approve. During the term of the Franchise Agreement, we will not establish, nor license any other person to establish, another ScoliCare Clinic within the geographic area that is granted to you under the Franchise Agreement (the “**Protected Territory**”). The size of each Protected Territory will vary based on the location of the Franchised Business and the population density and demographics, but a Protected Territory will typically be an area with a minimum population of 700,000 residents (as determined by the most recent U.S. Census data).

We reserve all other rights, as noted below. As a result, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You will not receive the right to acquire additional franchises in your area.

Accordingly, we will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- Establish, and franchise others to establish, ScoliCare Clinics anywhere outside the Protected Territory;
- Establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks, even if those businesses also offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
- Acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a ScoliCare Clinic under the Proprietary Marks inside the Protected Territory);
- Market and sell our Products and services other than from a ScoliCare Clinic, anywhere (but not from a ScoliCare Clinic operating under the Proprietary Marks inside the Protected Territory); and
- Sell Products and services through any method that is not a physical ScoliCare Clinic (including alternative distribution channels such as e commerce), anywhere.

As noted above, will have the right to sell and distribute products and services by any method or channel of distribution other than through a ScoliCare Clinic located in your Protected Territory (including for example through the Internet or mail order). We will not compensate you for sales we may make in these alternative distribution channels.

You will maintain your non-exclusive rights to your Protected Territory even if the population of the Territory increases. Except for the Minimum Conversion requirement noted below, there is no minimum sales quota, provided that you are able to generate sufficient Gross Sales to meet the Minimum Royalty Fee and other fees due (see Item 6). You will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or elsewhere.

During the term of the Franchise Agreement you must fit no less than 45% of all scoliosis patients of the Franchised Business with our proprietary scoliosis corrective brace products (the "**Minimum Conversion**"). The rate at which you fit patients with our proprietary scoliosis corrective brace products will be measured on a quarterly basis. If you fail to meet the Minimum Conversion for four consecutive quarters, we will have the right to terminate the Franchise Agreement.

If you ask to relocate the Franchised Business, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a retail ScoliCare Clinic for a new franchisee, as detailed in Item 11 above.

You may offer, advertise, and market the Products and services of the Franchised Business, and directly solicit patients, inside (but only inside) your Protected Territory, except as otherwise noted below. The terms "direct solicitation" and "directly solicit" include, but are not limited to, solicitation in person, by telephone, by mail, by e-mail or other electronic means, advertising, marketing, and by distribution of brochures, business cards or other materials.

You may not directly solicit patients located outside of the Protected Territory unless you receive our prior written consent to do so. We will review and we have the right to approve or deny each such request on a case-by-case basis. We also reserve the right at any time to withdraw any consent previously provided.

If we grant our consent for you to directly solicit patients outside of your Protected Territory, you may only perform such direct solicitation, and accept patients from or offer Services and products from the Franchised Business, outside of the Protected Territory if you do so in compliance with our requirements (including the conditions if any that we place on your solicitation of patients outside the Protected Territory).

If any of your advertising within the Protected Territory is in media that will or may reach a significant number of persons outside of the Protected Territory, you must notify us and obtain our prior written consent. We may periodically establish rules and policies in the Brand Manual and otherwise in writing regarding such advertising, including, as an example, that such advertising include the contact information for all of the ScoliCare Clinics that are affected by the advertising.

Except for the ScoliCare Clinics operated by us or our affiliates, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned ScoliCare Clinic which sell our proprietary products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

### **ITEM 13 TRADEMARKS**

The Proprietary Marks identified below are those owned by our affiliate, SIPL.

Your use of the Proprietary Marks is subject to the trademark license provisions contained in the Franchise Agreement. We have the right to change the marks that you are licensed and authorized to use in operating your Franchised Business, subject to the terms and conditions of the Franchise Agreement. As of the date of this Disclosure Document, SIPL has registered the following marks with the U.S. Patent & Trademark Office (USPTO) on its Principal Register:

Mark	Registration Number	Date of Registration
SCOLICARE	5,440,587	April 10, 2018
SCOLICARE	6,382,835	March 30, 2021

SIPL filed, and intends to file when due, an affidavit of use and an affidavit of incontestability, as well as a renewal application, for the registrations listed above.

Your right to use the Proprietary Marks is limited to the uses that are authorized under the Franchise Agreement, and any unauthorized use of the Proprietary Marks will infringe upon our rights. You may not use any Proprietary Marks: (1) as part of any corporate name or other business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (3) in connection with performing or selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine or in any other manner in connection with an Digital Site without our prior written approval; (5) in any human resources document (such as a paystub, paycheck, employment application, etc.); or (6) in any way that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your Franchised Business in the manner we specify (such as on invoices, order forms, receipts, employment agreements, and contracts). You must also use the trademark registration notices that we require, and obtain any assumed business name registrations that applicable law requires.

On November 1, 2021, SIPL entered into a license agreement with SUIL that licenses to SUIL the use of the Proprietary Marks (the "**SIPL License Agreement**"). Under the SIPL License Agreement, SIPL granted SUIL a non-exclusive right to use, and to license others to use, the Proprietary Marks in the United States for the purpose of operating and franchising ScoliCare Clinics. The SIPL License Agreement term is for a term of five years, with four additional five-year automatic terms (unless one party notifies the other at least 60 days before renewal that it does not wish to renew), and is terminable by either party for breach. If the SIPL License Agreement is terminated, SUIL may not be able to continue to use (and if that happens, we, and therefore you, may no longer have the right to use) the Proprietary Marks.

On November 1, 2021, we entered into a license agreement with SUIL that licensed to us the use of the Proprietary Marks (the "**SUIL License Agreement**"). Under the SUIL License Agreement, SUIL granted us a non-exclusive right to use, and to license others to use, the Proprietary Marks in the United States for the purpose of operating and franchising ScoliCare Clinics. The SUIL License Agreement term is for a term of five years, with four additional five-year automatic terms (unless one party notifies the other at least 60 days before renewal that it does not wish to renew), and is terminable by either party for breach. If the SUIL License Agreement is terminated, we may not be able to continue to use (and if that happens, you may no longer have the right to use) the Proprietary Marks.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Proprietary Marks. Except as described above in this Item 13, no agreement significantly limits our rights to use or license the Proprietary Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. You must render the assistance we require to protect and maintain our interests in any litigation or proceeding or otherwise to protect and maintain our interests in the Proprietary Marks. We will defend you against any third party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in compliance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement, as well as your out of pocket costs (except that you will bear the salary costs of your employees). If we determine that you have not used the Proprietary Marks in compliance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement, and you must promptly reimburse us for those amounts. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Proprietary Mark or for you and the Franchised Business to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. You must immediately cease using any discontinued marks and must immediately begin using any substituted marks (including in your marketing materials). Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

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

### Patents

No patents are material to the operation of your Market.

### Copyrights

We (or our affiliates, in some cases) claim copyright protection covering various materials used in our business and the development and operation of ScoliCare Clinics, including the Brand Manual, marketing and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We

do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No provision in the Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

### Confidential Information

Except for the purpose of operating the Franchised Business under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of the Franchised Business. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Operating Owner, Certified Manager and your Additional Trained Personnel to sign a Non-Disclosure and Non-Competition Agreement. Every one of these agreements must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Business. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this Non-Disclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit F.

### Brand Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business according to the Brand Manual. We will lend you one set of our Brand Manual for the term of the Franchise Agreement.

You must always treat in a confidential manner the Brand Manual, any other manuals we create (or that we approve) for use with the Franchised Business, and the information contained in the Brand Manual. You must use best efforts to maintain this information as secret and confidential. You may not copy, duplicate, record, or otherwise reproduce the Brand Manual and the related materials, or any part (except for the parts of the Brand Manual that are meant for you to copy, which we will clearly mark), nor may you otherwise let any unauthorized person have access to these materials. The Brand Manual will always be our sole property. You must always keep the Brand Manual in a secure place at the Franchised Business' premises.

We may periodically revise the contents of the Brand Manual, and you must make corresponding revisions to your copy of the Brand Manual and comply with each new or changed standard. If there is ever a dispute as to the contents of the Brand Manual, our master copy of the Brand Manual (maintained at our home office) will be controlling.

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

The Franchise Agreement does not require you to participate personally in the direct operation of the Franchised Business, although we encourage and recommend active participation by you. Our requirements for participation and supervision are described below.

If you are an entity (a corporation, partnership or LLC), then you must appoint a person who will serve as your “Operating Owner.” The Operating Owner (or Certified Manager) must supervise the Franchised Business and complete our training program. Additionally, the Operating Owner must have at least a 51% ownership interest in the franchisee entity, and have authority over all business decisions related to the Franchised Business and the power to bind you in all dealings with us. You may not change the Operating Owner without our prior approval.

You must inform us in writing whether the Operating Owner will also act as the person who will be responsible for the full-time day-to-day responsibility for the daily and on-site supervision and operation of the Franchised Business. If the Operating Owner will not supervise the Franchised Business on a full-time and daily basis, you must employ a Certified Manager who has qualifications reasonably acceptable to us, to assume responsibility for the daily operation of the Franchised Business. We do not require that your Certified Manager have any ownership interest in you. You must maintain at least two individuals (which may include the Operating Owner) in the employ of your Franchised Business, who have successfully completed, to our satisfaction, our initial training program and any additional training that we may require of such persons.

If the franchisee is an entity, then all of your owners must sign a guarantee of the franchisee’s performance under the Franchise Agreement. The guarantee will be in the form attached to the Franchise Agreement as Exhibit B.

We require your principals (including the Operating Owner) and Certified Manager to sign a non-disclosure and non-competition agreement, the form of which is attached to the Franchise Agreement as Exhibit F. We do not impose any other restrictions on your managers.

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

Each component of the System is vital to us, to other franchisees of the System and to the operation of the Franchised Business. Therefore, you must operate your Franchised Business in compliance with the System.

You must sell or offer for sale only those Products and services that we have approved in writing for you to sell at your Franchised Business, and you must sell or offer for sale all those Products and services. You must not deviate from our standards and specifications, including manner of maintenance of your equipment and Products. You are not restricted regarding the patients to whom you may sell.

You must operate the Franchised Business in an efficient and professional manner following the highest ethical and moral standards. You must comply with all standards of quality and service we prescribe.

Due to changes in competitive circumstances, we may periodically change the System to better serve the interests of our franchisees and the System. There are no limits on our right to do so. We may change the components of the System, including revising the Products, services, policies and procedures of the System and modifying products, materials, and services which you are authorized to offer. You must abide by these modifications. However, these changes will not increase your obligations under the Franchise Agreement. It is understood that we are not obligated to replace, modify or supply equipment to you.

You must comply with the policies and procedures for the selection of your staff as set out in the Brand Manual.

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

### THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise term	§ 2.1	The earlier to occur of (a) five years after the Franchised Business opens, or (b) six years from the date of the Franchise Agreement.
b. Renewal or extension of the term	§ 2.2	Two additional 5-year term
c. Requirements for you to renew or extend	§§ 2.2.1 - 2.2.9	Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, release, sign new Franchise Agreement, and others; see §§ 2.2.1 - 2.2.9 in Franchise Agreement.  If you seek to renew your franchise at the expiration of the initial term, you may be asked to sign a new form of franchise agreement that contains terms and conditions materially different from those in your original franchise agreement, such as different fee requirements and territorial rights.
d. Termination by you	Not Applicable	You may terminate the Franchise Agreement under any grounds permitted by state law.

Provision	Section in Franchise Agreement	Summary
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	§ 17	Default under the Franchise Agreement, not meeting Minimum Conversion, insolvency, bankruptcy, abandonment, and other grounds; see § 17 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
g. "Cause" defined-defaults which can be cured	§ 17.3	All other defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement
h. "Cause" defined-defaults which cannot be cured	§§ 17.1 and 17.2	Insolvency, bankruptcy, abandonment, conviction of felony, not meeting Minimum Conversion and others; see § 17.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
i. Your obligations on termination/non-renewal	§ 18	Stop operating the Franchised Business, pay amounts due, and others; see §§ 18.1 - 18.13 of the Franchise Agreement.
j. Assignment of contract by us	§ 16.1	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - definition	§§ 16.4.1 to 16.4.4	Includes transfer of any interest.
l. Our approval of transfer by you	§ 16.4	We have the right to approve transfers.
m. Conditions for our approval of transfer	§ 16.5	Your compliance with the existing franchise agreement, a release, the buyer's signature of a new Franchise Agreement, the payment of transfer fee, and others; see §§ 16.5.1 - 16.5.10 of the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
n. Our right of first refusal to acquire your business	§ 16.6	We can match any offer.
o. Our option to purchase your business	§ 18.4	We can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, materials, or inventory at cost or fair market value upon expiration, termination, or default of the Franchise Agreement and/or default under the lease/sublease.
p. Your death or disability	§§ 16.7	Your estate must apply to us within 3 months of date of death or incapacity for a transfer of your interest in the Franchised Business to a third party we approve; and the transfer must occur, within 6 months after the date of death or appointment of a personal representative or trustee.
q. Non-competition covenants during the term of the franchise	§§ 19.2, 19.3, and 19.4	Includes prohibition on engaging in a “Competitive Business,” which is any business that: (a) is the same as or similar to the Franchised Business; and/or (b) derives 15% or more of its gross revenues from the treatment of scoliosis; see §§ 19.2 - 19.4 of the Franchise Agreement. (Subject to applicable state law).
r. Non-competition covenants after the franchise is terminated or expires	§§ 19.2, 19.3, 19.4, and 19.5	Includes a two year prohibition similar to “q” (above), within the Protected Territory, or within 5 miles of the Protected Territory, or within 5 miles of any other ScoliCare Clinic then-operating under the System. (Subject to applicable state law).
s. Modification of the agreement	§ 25	Must be in writing signed by both parties.
t. Integration/merger clause	§ 25	Only the final written terms of the Franchise Agreement are binding (subject to state law), but this provision does not disclaim any representation made in this disclosure document. Any representations or promises outside of the disclosure document and agreements may not be enforceable.

Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	§ 27.3	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief) in Los Angeles, California (subject to applicable state law). The Franchise Agreement contains several provisions that may affect your legal rights, including a waiver of a jury trial, limitations on when claims may be raised, and a waiver of punitive or exemplary damages. See Sections 27.6, 27.7 and 27.8 in the Franchise Agreement.
v. Choice of forum	§ 27.2	If we ever litigate, you must do so in the courts that have jurisdiction over New York County, New York (subject to applicable state law).
w. Choice of law	§ 27.1	New York law applies (subject to applicable state law).

### ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote your franchise or the System, but we reserve the right to do so in the future.

### 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.

Presented below are historical financial operating results for the one franchised ScoliCare Clinic operating in Florida. This Clinic was converted from an existing chiropractic clinic into a ScoliCare Clinic on November 17, 2022. The information below reflects results for the Clinic's first full fiscal year of operations (from January 1, 2023 to December 31, 2023). The information has been provided to us by the franchisee and has not been audited or independently verified by us or an accountant.

Please review the following table together with all of the notes that follow.

### January 1, 2023 to December 31, 2023 Results

Part	Description	Florida
<b>A (Note 1)</b>	Clinic Gross Sales	\$1,144,498
<b>B (Note 2)</b>	Average No. of New Patients Per Month	13.58
	High No. of New Patients Per Month	20
	Low No. of New Patients Per Month	8
	Median No. of New Patients Per Month	12
	Number of months from data set that met or exceeded the mean average of new patients per month	5
<b>C (Note 3)</b>	Product Purchases %	28.18%
<b>D (Note 4)</b>	Local Area Marketing Cost %	4.58%
<b>E (Note 5)</b>	% of New Patients Braced	69.33%
<b>F (Note 6)</b>	Standard clinic opening hours	Monday to Thursday (8am - 6pm)

1. Part A of the table (Clinic Gross Sales) is the Gross Sales of the Clinic for the full fiscal year January 1, 2023 to December 31 2023. As noted in Item 6, "Gross Sales" means all revenue from the sale of all Products and services and all other income of every kind and nature related to, derived from, or originating from the Clinic, and excludes: (a) any legitimate and reasonable discounts and/or refunds that provided to patients; and (b) sales taxes or other taxes that collected from patients and actually paid to the appropriate taxing authorities. 11.25% of the fiscal year's Gross Sales was attributed to legacy chiropractic patient services as the business transitions to scoliosis only patients.

2. Part B of the table (average number of new patients per month ("ANP")) is the average monthly number of new patient consultations at the Clinic during this period. The high amount is the highest number of new patients during a month in this period, and the low amount is the lowest number of new patients during a month in this period. The median is the median number of new patients per month during the 12 month period. The number of months from the data set that met or exceeded the mean average of new patients per month is the number of months during the 12 month period where the number of new patients met or exceeded the mean average.

3. Part C of the table (Product Purchases %) is the cost of products purchased for resale expressed as a percentage of Gross Sales.

4. Part D of the table (Local Area Marketing Cost %) is the cost of local area marketing and promotional activities expressed as a percentage of Gross Sales.

5. Part E of the table (Average % of New Patients Braced) is the percentage of new patients who purchased a brace measured against those who do not.
6. Part F of the table (Average Total Patient Revenue) is calculated as the total Gross Sales of the Clinic divided by the total ANP.
7. Part G of the table (Standard Clinic hours) shows the reported typical weekly operating hours for the Clinic.

\* \* \*

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

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

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Melanie Ward at Level 5, 15 Kensington Street, Kogarah, New South Wales, Australia 2217, tel:1300 883 884, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1  
System wide Outlet Summary  
For 2021 – 2023 Fiscal Years

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	1	+1
	2023	1	1	0
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
<b>Total Outlets</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>1</b>	<b>+1</b>
	<b>2023</b>	<b>1</b>	<b>1</b>	<b>0</b>

Notes to all Item 20 tables:

1. Data is as of our fiscal year end, which falls each year on June 30.
2. States not listed have no activity.

Table No. 2  
Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor)  
**For 2021 – 2023 Fiscal Years**

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

Table No. 3  
Status of Franchised Outlets  
**For 2021 – 2023 Fiscal Years**

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
Florida	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<b>Total</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2023</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

Table No. 4  
Status of Company-Owned Outlets  
For 2021 – 2023 Fiscal Years

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Any State	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
<b>Total</b>	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Table No. 5  
Projected Openings as of July 1, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona*	1	0	0
Colorado	1	0	0
Kentucky*	1	0	0
Utah	1	0	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>0</b>

\* Franchise agreement signed after June 30, 2023.

A list of the names of all franchisees and the addresses and telephone numbers of their businesses will be provided in Exhibit E to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit F to this Disclosure Document when applicable.

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

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the ScoliCare System.

There are no trademark-specific organizations formed by our franchisees that are associated with the ScoliCare System.

## ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit D are our audited financial statements for the fiscal years ended June 30, 2023 and June 30, 2022. Also attached as Exhibit D are our unaudited financial statements for the period ended February 29, 2024. As noted in Item 1, we were formed on April 19, 2021 and have not been in business for three full years and cannot include all the financial statements required by the FTC's Franchise Rule for our last three fiscal years. We encourage you to carefully review our financial statements (including any auditors' notes).

Our fiscal year ends on June 30 each year.

## ITEM 22 CONTRACTS

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

Exhibit C	<p>The Franchise Agreement with its exhibits:</p> <ul style="list-style-type: none"> <li>A. Data Addendum</li> <li>B. Guarantee, Indemnification, and Acknowledgment</li> <li>C. List of Principals</li> <li>D. ACH Authorization Agreement</li> <li>E. ADA Certification</li> <li>F. Sample Form of Non-Disclosure and Non-Competition Agreement</li> <li>G. Site Selection Addendum</li> <li>H. Lease Rider</li> </ul>
Exhibit I	Form of General Release

## ITEM 23 RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT**  
**LIST OF STATE ADMINISTRATORS / AGENTS FOR SERVICE OF PROCESS**

### LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>  Commissioner of Financial Protection and Innovation  Department of Financial Protection and Innovation  320 West Fourth Street, Suite 750  Los Angeles, California 90013-2344  (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p><b>NEW YORK</b>  New York State Department of Law  Investor Protection Bureau  28 Liberty Street, 21<sup>st</sup> Floor  New York, New York 10005  (212) 416-8222</p>
<p><b>HAWAII</b>  Commissioner of Securities  Department of Commerce &amp; Consumer Affairs  Business Registration Division  Securities Compliance Branch  335 Merchant Street, Room 203  Honolulu, Hawaii 96813  (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>  North Dakota Securities Department  State Capitol  Department 414  600 East Boulevard Avenue, Fifth Floor  Bismarck, North Dakota 58505-0510  (701) 328-4712</p>
<p><b>ILLINOIS</b>  Illinois Office of the Attorney General  Franchise Bureau  500 South Second Street  Springfield, Illinois 62706  (217) 782-4465</p>	<p><b>RHODE ISLAND</b>  Department of Business Regulation  Securities Division, Building 69, First Floor  John O. Pastore Center  1511 Pontiac Avenue  Cranston, Rhode Island 02920  (401) 462-9527</p>
<p><b>INDIANA</b>  Secretary of State  Franchise Section  302 West Washington, Room E-111  Indianapolis, Indiana 46204  (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>  Division of Insurance  Securities Regulation  124 South Euclid Avenue, 2<sup>nd</sup> Floor  Pierre, South Dakota 57501  (605) 773-3563</p>
<p><b>MARYLAND</b>  Office of the Attorney General  Securities Division  200 St. Paul Place  Baltimore, Maryland 21202-2020  (410) 576-6360</p>	<p><b>VIRGINIA</b>  State Corporation Commission  Division of Securities and Retail Franchising  1300 East Main Street, 9th Floor  Richmond, Virginia 23219  (804) 371-9051</p>
<p><b>MICHIGAN</b>  Michigan Attorney General's Office  Corporate Oversight Division, Franchise Section  525 West Ottawa Street  G. Mennen Williams Building, 1<sup>st</sup> Floor  Lansing, Michigan 48913  (517) 335-7567</p>	<p><b>WASHINGTON</b>  Department of Financial Institutions Securities Division  P.O. Box 9033  Olympia, WA 98507  (360) 902-8760</p>
<p><b>MINNESOTA</b>  Minnesota Department of Commerce  85 7<sup>th</sup> Place East, Suite 280  St. Paul, Minnesota 55101  (651) 539-1600</p>	<p><b>WISCONSIN</b>  Division of Securities  4822 Madison Yards Way, North Tower  Madison, Wisconsin 53705  (608) 266-2139</p>

**AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. 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 these states:

<p><b>CALIFORNIA</b>  Commissioner of Financial Protection and Innovation  Department of Financial Protection and Innovation  320 West Fourth Street, Suite 750  Los Angeles, California 90013-2344  (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p><b>NEW YORK</b>  New York Secretary of State  New York Department of State  One Commerce Plaza,  99 Washington Avenue, 6<sup>th</sup> Floor  Albany, New York 12231-0001  (518) 473-2492</p>
<p><b>HAWAII</b>  Commissioner of Securities  Department of Commerce &amp; Consumer Affairs  Business Registration Division  Securities Compliance Branch  335 Merchant Street, Room 203  Honolulu, Hawaii 96813  (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>  North Dakota Securities Commissioner  State Capitol  600 East Boulevard Avenue, Fifth Floor  Bismarck, North Dakota 58505-0510  (701) 328-4712</p>
<p><b>ILLINOIS</b>  Illinois Attorney General  500 South Second Street  Springfield, Illinois 62706  (217) 782-4465</p>	<p><b>RHODE ISLAND</b>  Director of Department of Business Regulation  Department of Business Regulation  Securities Division, Building 69, First Floor  John O. Pastore Center  1511 Pontiac Avenue  Cranston, Rhode Island 02920  (401) 462-9527</p>
<p><b>INDIANA</b>  Secretary of State  Franchise Section  302 West Washington, Room E-111  Indianapolis, Indiana 46204  (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>  Division of Insurance  Director of the Securities Regulation  124 South Euclid Avenue, 2<sup>nd</sup> Floor  Pierre, South Dakota 57501  (605) 773-3563</p>
<p><b>MARYLAND</b>  Maryland Securities Commissioner  200 St. Paul Place  Baltimore, Maryland 21202-2020  (410) 576-6360</p>	<p><b>VIRGINIA</b>  Clerk of the State Corporation Commission  1300 East Main Street, 1<sup>st</sup> Floor  Richmond, Virginia 23219  (804) 371-9733</p>
<p><b>MICHIGAN</b>  Michigan Attorney General’s Office  Corporate Oversight Division, Franchise Section  525 West Ottawa Street  G. Mennen Williams Building, 1<sup>st</sup> Floor  Lansing, Michigan 48913  (517) 335-7567</p>	<p><b>WASHINGTON</b>  Director of Department of Financial Institutions  Securities Division – 3<sup>rd</sup> Floor  150 Israel Road, Southwest  Tumwater, Washington 98501  (360) 902-8760</p>
<p><b>MINNESOTA</b>  Commissioner of Commerce  Minnesota Department of Commerce  85 7<sup>th</sup> Place East, Suite 280  St. Paul, Minnesota 55101  (651) 539-1600</p>	<p><b>WISCONSIN</b>  Division of Securities  4822 Madison Yards Way, North Tower  Madison, Wisconsin 53705  (608) 266-2139</p>

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**  
**STATE SPECIFIC ADDENDA**

## **EXHIBIT B-1**

### **California Disclosure**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for ScoliCare Franchising LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. The State Cover Page of the Franchise Disclosure Document shall be amended by the addition of the following paragraph:

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 FRANCHISE DISCLOSURE DOCUMENT.

2. Item 1, "The Franchisor, Its Predecessors, and Affiliates," shall be amended by adding the following paragraph at the conclusion of the Item:

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at [www.dbo.ca.gov](http://www.dbo.ca.gov).

3. In Item 3, "Litigation," shall be amended by adding the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, *et seq.*) suspending or expelling such person from membership in such association or exchange.

4. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by adding the following paragraphs at the conclusion of the Item:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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.*).

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.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires mediation before all but only certain matters can be litigated. The mediation will occur in Washington, D.C., with the costs being borne by the franchisee and franchisor. Litigation for matters not resolved through mediation is to take place in the appropriate courts located in Erie County, New York. 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.

The Franchise Agreement requires application of the laws of the State of New York. This provision may not be enforceable under California law.

You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

5. The Franchise Disclosure Document is amended to include the following:

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

6. The Franchise Disclosure Document is amended to include the following:

The earnings claims figures 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.

## **EXHIBIT B-2**

### **Hawaii Disclosure**

The following paragraphs are to be added in the state cover page:

THESE FRANCHISES WILL HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, AND THIS ADDENDUM, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS ADDENDUM AND THE DISCLOSURE DOCUMENT CONTAIN A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 205, Honolulu, Hawaii 96813.

## **EXHIBIT B-3**

### **Illinois Disclosure**

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the Franchise Disclosure Document for ScoliCare Franchising LLC for use in the State of Illinois shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

## **EXHIBIT B-4**

### **Maryland Disclosure**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for ScoliCare Franchising LLC for use in the State of Maryland shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

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.).

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

2. Exhibit H, "Franchisee Disclosure Acknowledgment Statement," shall be amended by the addition of the following at the end of Exhibit H:

The representations under this Franchisee Disclosure Acknowledgment Statement are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**EXHIBIT B-5**

**Michigan Disclosure**

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 PROVISIONS 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 FRANCHISED 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, MARKETING, 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 FRANCHISEE 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.

\*\*\*\*\*

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

\*\*\*\*\*

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, 525 WEST OTTAWA STREET, G. MENNEN WILLIAMS BUILDING, 1ST FLOOR, LANSING, MICHIGAN 48913.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE  
CONSUMER PROTECTION DIVISION  
ATTN: FRANCHISE SECTION  
525 WEST OTTAWA STREET  
G. MENNEN WILLIAMS BUILDING, 1ST FLOOR  
LANSING, MICHIGAN 48913

\*NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS UNDER THE FEDERAL ARBITRATION ACT.

## **EXHIBIT B-6**

### **Minnesota Disclosure**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for ScoliCare Franchising LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 13 is amended by the addition of the following language:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suite or demand regarding the use of the name.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. § 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues.

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the disclosure document.

### **Minnesota Disclosure (Page 1 of 1)**

## **EXHIBIT B-7**

### **New York Disclosure**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NY 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law;

fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective

### **New York Disclosure (Page 1 of 4)**

order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by Franchisee”**

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

## **EXHIBIT B-8**

### **North Dakota Disclosure**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. CENT. CODE, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Disclosure Document for ScoliCare Franchising LLC shall be amended by the addition of the following language:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):
  - A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
  - B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
  - C. Restriction 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 any claims arising under the North Dakota franchise law will 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 and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
  - H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
  - I. Limitation on Claims. Requiring North Dakota franchisees to consent to a limitation on when claims may be brought.
2. This addendum to the Disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. CENT. CODE, §§ 51 19 01 through 51 19 17, are met independently without reference to the Disclosure document.

## **EXHIBIT B-9**

### **Rhode Island Disclosure**

In recognition of the requirements of the Rhode Island Franchise Investment Act, R.I. Gen. Laws §§ 19-28.1-1 through 19-28.1-34, the Franchise Disclosure Document for ScoliCare Franchising LLC for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

R.I. Gen. Laws § 19-28.1-14 (the Rhode Island Franchise Investment Act) provides that "[a] provision in 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."

2. This addendum to the Disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act. R.I. Gen. Laws §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to the Disclosure document.

## **EXHIBIT B-10**

### **Virginia Disclosure**

In recognition of the requirements contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document of ScoliCare Franchising LLC is amended as follows:

According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

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

This addendum to the disclosure document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchise Act are met independently without reference to this addendum to the Disclosure Document.

## **EXHIBIT B-11**

### **Washington Disclosure**

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.

The franchisor will defer collection of the initial franchise fees until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.

### **Washington Disclosure (Page 1 of 1)**

**EXHIBIT B-12**

**Illinois Franchise Agreement Amendment**

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached ScoliCare Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**ScoliCare Franchising LLC**

Franchisor

\_\_\_\_\_  
Franchisee Entity

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

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

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

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

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

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

## **EXHIBIT B-13**

### **Maryland Franchise Agreement Amendment**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached ScoliCare Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be amended by the addition of the following:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be amended by the addition of the following:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Sections 27.2 and 27.7 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

4. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

5. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the addition of the following:

28.14 The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

28.15 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

### **Maryland Amendment to the Franchise Agreement (Page 1 of 2)**

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**ScoliCare Franchising LLC**

Franchisor

\_\_\_\_\_  
Franchisee Entity

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

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

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

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

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

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

## **EXHIBIT B-14**

### **Minnesota Franchise Agreement Amendment**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached ScoliCare Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in its place:

2.2.7 You must sign and deliver to us a release, in a form that we will provide (which will be a mutual release with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us, excluding only such claims as you may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

2. Section 2 of the Agreement, under the heading "Term And Renewal," shall be amended by the addition of the following paragraph:

Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days' notice of non-renewal of the Franchise Agreement.

3. Section 9 of the Agreement, under the heading "Proprietary Marks," shall be amended by the addition of the following paragraph:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights you may have to our Proprietary Marks.

4. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in its place:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules, excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

### **Minnesota Amendment to the Franchise Agreement (Page 1 of 3)**

5. Section 16 of the Agreement, under the heading "Transfer of Interest," shall be amended by the addition of the following paragraph:

Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

6. Section 17 of the Agreement, under the heading "Default and Termination," shall be amended by the following paragraph:

Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement.

7. Section 18.7 of the Agreement, under the heading "Obligations upon Termination or Expiration," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in its place:

18.7 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 18.

8. Sections 27.5 and 27.9 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety and shall have no force or effect; and the following paragraphs shall be substituted in its place:

27.5 *Injunctions.* Nothing contained in this Agreement shall bar our right to seek injunctive relief (without having to post a bond) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: **(a)** seeking injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

9. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution", shall be amended by the following paragraph 27.10, which shall be considered an integral part of the Agreement:

27.10 Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues. Minn.

**Minnesota Amendment to the Franchise Agreement  
(Page 2 of 3)**

Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

10. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

11. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**ScoliCare Franchising LLC**

Franchisor

\_\_\_\_\_  
Franchisee Entity

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

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

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

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

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

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

## **EXHIBIT B-15**

### **New York Franchise Agreement Amendment**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached ScoliCare Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

2.2.7 You must sign and deliver to us a release, in a form that we will provide (which will be a mutual release with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us, provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 18.7 of the Agreement, under the heading "Obligations upon Termination or Expiration," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in its place:

18.7 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 18.

### **New York Amendment to the Franchise Agreement (Page 1 of 2)**

4. Sections 27.5 and 27.9 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety and shall have no force or effect; and the following paragraphs shall be substituted in its place:

27.5 *Injunctions.* Nothing contained in this Agreement shall bar our right to seek injunctive relief (without having to post a bond) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: **(a)** seeking injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

5. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following paragraph:

Nothing in this Agreement should be considered a waiver of any right conferred upon you by New York General Business Law, Sections 680-695.

6. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

7. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in or the franchise will be opening in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**ScoliCare Franchising LLC**  
Franchisor

\_\_\_\_\_  
Franchisee Entity

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

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

**EXHIBIT B-16****North Dakota Franchise Agreement Amendment**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. CENT. CODE, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the parties to the attached ScoliCare Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. The Agreement shall be amended by the addition of the following Section 29:
  29. *The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees:*
    - A. *Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.*
    - B. *Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.*
    - C. *Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.*
    - D. *Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.*
    - E. *Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.*
    - F. *Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.*
    - G. *Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.*
    - H. *General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.*
    - I. *Limitation on Claims. Requiring North Dakota franchisees to consent to a limitation on when claims may be brought.*
2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. CENT. CODE, §§ 51 19 01 through 51 19 17, are met independently without reference to this amendment.

**North Dakota Amendment to the Franchise Agreement  
(Page 1 of 2)**

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this North Dakota Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**ScoliCare Franchising LLC**

Franchisor

\_\_\_\_\_  
Franchisee Entity

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

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

**EXHIBIT B-17**

**Rhode Island Franchise Agreement Amendment**

In recognition of the requirements of the Rhode Island Franchise Investment Act, R.I. Gen. Laws §§ 19-28.1-1 through 19-28.1-34, the parties to the attached ScoliCare Franchising LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following paragraph:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in 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."

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**ScoliCare Franchising LLC**  
Franchisor

\_\_\_\_\_  
Franchisee Entity

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

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

## **EXHIBIT B-18**

### **Washington Franchise Agreement Amendment**

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.

The following sentence is deleted from Section 18.5 of the Franchise Agreement: "For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost."

### **Washington Amendment to the Franchise Agreement (Page 1 of 2)**

Section 21.4.1 of the Franchise Agreement is revised to clarify that the franchisee's indemnification obligation does not extend to liabilities caused by franchisor's acts or omissions amounting to strict liability or fraud.

Section 23.2 of the Franchise Agreement is deleted in its entirety.

The second sentence of Section 25.1 of the Franchise Agreement is deleted in its entirety.

Section 27.7 of the Franchise Agreement is deleted in its entirety.

Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the deletion of Sections 28.1, 28.2, 28.3, 28.4, 28.5, 28.7, 28.8, 28.10 and 28.12.

The franchisor will defer collection of the initial franchise fees until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.

The undersigned does hereby acknowledge receipt of this addendum.

**ScoliCare Franchising LLC**

Franchisor

\_\_\_\_\_

Franchisee Entity

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

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

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

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

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

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

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

**Washington Amendment to the Franchise Agreement  
(Page 2 of 2)**

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

# **ScoliCare Franchising LLC Franchise Agreement**

**ScoliCare Franchising LLC  
Franchise Agreement**

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## ScoliCare Franchising LLC Franchise Agreement

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of the date that we have indicated on the signature page of this Agreement (the “**Effective Date**”) by and between:

- ScoliCare Franchising LLC, a Delaware limited liability company with its principal place of business at Suite 5.08, Level 5, 15 Kensington Street, Kogarah, NSW 2217 Australia (“**we**,” “**us**,” “**our**,” or “**Franchisor**”); and
- \_\_\_\_\_, a [resident of] [corporation organized in] [limited liability company organized in] the State of \_\_\_\_\_ and having offices at \_\_\_\_\_ (“**you**” or the “**Franchisee**”).

### Introduction

*We and our affiliates (as defined below) own a format and system relating to the establishment and operation of “ScoliCare” clinics featuring our interior and exterior design and layout, and dedicated to the treatment of scoliosis for children and adults (each, a “**Clinic**”). Clinics specialize in the non-surgical treatment of scoliosis using observation, physical therapy and exercise, bracing, and complementary and alternative therapies, which include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items provided to patients on-site (collectively, the “**Products**”). The services that are associated with offering Products to consumers are referred to as the “**Services**”.*

*Among the distinguishing characteristics of a Clinic are that it operates under our “ScoliCare” System. Our System includes (among other things): Products; distinctive interior and exterior design and accessories; opening hours; operational procedures; signage; standards and specifications; quality and uniformity of treatments, products and services offered; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, the Proprietary Marks (defined below), as well as advertising and promotional programs (together, the “**System**”).*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark “SCOLICARE” and logo), service marks, trademarks, logos, emblems, and indicia of origin (for example, the “SCOLICARE” mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our “**Proprietary Marks**”). We and our affiliates continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Products and Services marketed under those marks and under the System, and to represent the System’s standards of quality, cleanliness, appearance, and service.*

*We are in the business of developing, programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a Clinic, using the same brand and Proprietary Marks as other independent businesses that operate other Clinics under the System. We will not operate your Clinic for you, although we have (and will continue) to set standards for Clinics that you will have chosen to adopt as yours by signing this Agreement and by your day-to-day management of your Clinic according to our brand standards.*

*You have asked to enter into the business of operating a Clinic under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our*

*standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.*

*In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:*

## **1 GRANT**

1.1 *Rights and Obligations.* We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one Clinic under the System (the “**Franchised Business**”);

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).

1.2 *Accepted Location.* The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the “**Accepted Location.**”

1.2.1 You will have the option of establishing and operating a Clinic at the Accepted Location.

1.2.2 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Franchised Business, then:

1.2.2.1 you agree to enter into the site selection addendum (the “**Site Selection Addendum,**” attached as Exhibit G to this Agreement) at the same time as you sign this Agreement;

1.2.2.2 you will then find a site which will become the Accepted Location after we have given you our written approval for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written approval and in accordance with the Site Selection Addendum; and

1.2.3 We have the right to grant, condition, and/or to withhold approval of the Accepted Location under this Section 1.2. You agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.2.4 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into

consideration commitments that we have made to other franchisees, licensees, landlords, real estate developers, and other parties relating to the proximity of a new Clinic to their establishment. If you wish to relocate, then you must reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including, if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the “**Relocation Expenses**”). The parties will reconcile the Relocation Expenses within thirty (30) days after you have reopened your Clinic at the new location, based on a statement of our actual Relocation Expenses, at which time: **(a)** we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or **(b)** you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

- 1.3 *Protected Territory.* During the term of this Agreement, we will not operate, nor will we grant to any other party the right to operate, a Clinic within the area designated in the Data Addendum (Exhibit A) as your “**Protected Territory**,” subject to the limitations in Sections 1.4 to 1.6 below.
- 1.4 *Our Reserved Rights.* We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Therefore, among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Territory and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):
- 1.4.1 We have the right to establish, and franchise others to establish, Clinics anywhere outside the Protected Territory;
  - 1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses also offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
  - 1.4.3 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a Clinic under the Proprietary Marks inside the Protected Territory);
  - 1.4.4 We have the right to market and sell our Products and Services other than from a Clinic, anywhere (but not from a Clinic operating under the Proprietary Marks inside the Protected Territory); and
  - 1.4.5 We have the right to sell Products and Services through any method that is not a physical Clinic (including alternative distribution channels such as e-commerce), anywhere.
- 1.5 *Limits on Where You May Operate.*
- 1.5.1 You may offer and sell the Products and Services only: **(a)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below); and **(b)** to individuals who are patients of the Franchised Business.

1.5.2 You agree not to offer or sell any products or services (including the Products and the services) through any means other than directly from the Franchised Business, in person, to patients who are present at the Accepted Location.

1.6 *Territorial Rules.*

1.6.1 You may offer, advertise, and market the Products and services of the Franchised Business, and directly solicit patients, inside (but only inside) your Protected Territory (subject to our right to approve all advertising and marketing materials as set forth in Section 13.7 below), except as otherwise provided below. The terms “**direct solicitation**” and “**directly solicit**” include, but are not limited to, solicitation in person, by telephone, by mail, by e-mail or other electronic means, advertising, marketing, and by distribution of brochures, business cards, or other materials.

1.6.2 You agree not to directly solicit patients located outside of the Protected Territory unless you receive our prior written consent to do so. We will review and we have the right to approve or deny each such request on a case-by-case basis. We also reserve the right at any time to withdraw any consent previously provided.

1.6.3 If we grant our consent for you to directly solicit patients outside of your Protected Territory, you agree to only perform such direct solicitation, and accept patients from or offer Products or Services from the Franchised Business, outside of the Protected Territory if you do so in compliance with this Section 1.6 (including the conditions if any that we place on your solicitation of patients outside the Protected Territory).

1.6.4 If any of your advertising within the Protected Territory is in media that will or may reach a significant number of persons outside of the Protected Territory, you must notify us and obtain our prior written consent (in addition to the requirements in Section 13.8 below). We may periodically establish rules and policies in the Brand Manual (defined below) and otherwise in writing regarding such advertising, including, as an example, that such advertising include the contact information for all of the Clinics that are affected by the advertising.

1.6.5 You acknowledge, understand and agree that there may be parties located within your Protected Territory that we or our affiliates granted the right, prior to the Effective Date of this Agreement, to offer Products or services to patients. Neither we nor our affiliates intend to renew any such arrangements once they expire by their terms, but we cannot guarantee that such parties will discontinue offering or selling Products or services within the Protected Territory during the term of your Agreement.

1.6.6 You acknowledge that: (a) other Clinics will operate under restrictions similar to those set out in this Section 1.6 (the “**Territorial Rules**”), which means that in some instances, other Clinics may sponsor advertising that reaches persons in your Protected Territory; and (b) we do not represent or guarantee that other Clinics will always abide by the Territorial Rules, and we will have no liability to you for such violations.

## 2 **TERM AND RENEWAL**

2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire upon the earlier to occur

of: **(a)** five (5) years following the date the Franchised Business is first open to the public (the "**Commencement Date**"); or **(b)** six (6) years from the Effective Date.

- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchise Business for two (2) additional consecutive successor terms of five (5) years each, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:
- 2.2.1 You agree to give us written notice of your choice to renew at least six (6) months before the end of the term of this Agreement (but not more than twelve (12) months before the term expires).
- 2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Clinics (as well as the provisions of Section 8.8 below).
- 2.2.3 At the time of renewal: **(a)** you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and **(b)** in our reasonable judgment, you must have been in compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.
- 2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Marketing Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations). You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.
- 2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage Royalty Fee and marketing contribution). Your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term "**entity**" includes a corporation, a limited liability company, a partnership, and/or a limited liability partnership.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee of equal to the greater of Twelve Thousand Two Hundred and Fifty Dollars (\$12,250) or twenty-five percent (25%) of our then-current initial franchise fee charged to new Clinic franchisees.
- 2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release (which will be effective as of when signed as well as the date of renewal), in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. Your affiliates and your

respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.

2.2.8 You and your personnel must meet our then-current qualification and training requirements.

2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.

### 3 OUR DUTIES

3.1 *Training.* We will provide you with the training specified in Section 6 below.

3.2 *Site Selection.* We will provide the site selection assistance that we think is needed, but you will retain the sole responsibility for choosing a viable site (even though we will have provided assistance and our opinions on the options).

3.3 *Standard Layout and Equipping of a Clinic.* We will make available to, at no additional charge, our standard layout, design, image and experience specifications for a Clinic based on the format you have chosen to develop and operate, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your Clinic). We will also provide the site selection and lease review assistance called for under Section 5.3 below.

3.4 *Opening and Additional Assistance.* We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).

3.5 *Brand Manual.* We will lend to you one (1) copy of (or provide you with access to), during the term of this Agreement, our confidential brand manuals and other written instructions relating to the operation of a Clinic (the "**Brand Manual**"), in the manner and as described in Section 10 below.

3.6 *Marketing Materials.* We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.

3.7 *Marketing Funds.* We will administer the Marketing Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.

3.8 *Inspection Before Opening.* We may evaluate the Franchised Business before it first opens for business. You agree not to open the Franchised Business to patients or otherwise start operation until you have received our prior written approval to do so. You agree to provide us with written notice of the date that you intend to start operating at least forty-five (45) days in advance of the planned opening date.

3.9 *Periodic Assistance.* We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field

consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations.

- 3.10 *Services Performed.* You agree that any of our designees, employees, agents, or independent contractors (such as an “area representative”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.11 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.
- 3.12 *Confirmation of Performance.* After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the “**Confirmation of Performance**”), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within three (3) business days after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same three (3) business day period, provide us with written notice specifically describing the obligations that we have not performed. Not later than three (3) business days after we complete all the obligations that you specified in that notice, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term “pre-opening obligations” means the obligations we have to you under this Agreement that must be performed before your open your Franchised Business.

#### **4 FEES; SALES REPORTING**

- 4.1 *Initial Franchise Fee.* You agree to pay us an initial franchise fee in the amount set out in the Data Sheet attached as Exhibit A (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable. The Initial Franchise Fee is payable in consideration of the services that we provide to you in connection with helping you to establish your new Clinic.
- 4.2 *Royalty Fee and Sales Reports.* For each Period during the term of this Agreement, you agree to: **(a)** pay us a continuing royalty fee in the amount set out in the Data Sheet attached as Exhibit A (“**Royalty Fees**” or “**Royalties**”); and **(b)** report to us your Gross Sales, in the form and manner that we specify (a “**Sales Report**”), by the time specified in Section 4.3 below. As used in this Agreement:

- 4.2.1 As used in this Agreement:
- 4.2.1.1 The term “**Gross Sales**” means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Gross Sales excludes: **(a)** sales taxes and other taxes that you collect from your patients and actually pay to the appropriate taxing authorities; **(b)** revenue you derive from issuing or selling gift or loyalty cards (although revenue that you derive from selling Products or Services to patients who use such cards for payment will be included in Gross Sales); and **(c)** the amount of any documented refunds or credits the Franchised Business in good faith gives to patients (if those amounts were originally included in Calculating Gross Sales).
- 4.2.1.2 The term “**Period**” means a four or five-week accounting interval during the calendar year for the purpose of organizing books and records (with 12 or 13 Periods in one year). We will have the right to establish the schedule for Periods with reasonable advance notice to you.
- 4.2.2 Annual Minimum Royalties. The minimum annual royalty, each year, for your Franchised Business shall be in the amount set out in the Data Sheet attached as Exhibit A (the “**Annual Minimum**”).
- 4.2.2.1 For the first and last year of your operation under this Agreement, the Annual Minimum shall be pro-rated on a per diem basis to reflect the number of days that the Franchised Business was open during that year.
- 4.2.2.2 Within ninety (90) days after the end of each year: **(a)** the parties shall review the amount of royalties that were due and that you actually paid to us for the previous year and compare those to the Annual Minimum; and **(b)** if the royalties due and paid to us for the previous year were less than the Annual Minimum, then you agree to remit to us the difference between the amount due and paid and the Annual Minimum.
- 4.3 *Due Date*. All payments required by Section 4.2 above and Section 13 below must be made by ACH (as specified below) by the fourteenth (14<sup>th</sup>) day of each Period (the “**Due Date**”), based on the Gross Sales of the previous Period. In addition, you agree to all of the following:
- 4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous Period.
- 4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of “ACH - Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify

in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: **(i)** you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and **(ii)** if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose.

- 4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.
- 4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Marketing Fund, the Regional Fund, our affiliates, suppliers, or others.
- 4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Period(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the Royalties on that amount by our deduction of that amount from your direct debit account.
- 4.4 *No Subordination.* You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.
- 4.5 *Late Payment.* If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.
- 4.6 *Other Funds Due.* You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.7 *Index.* We have the right to adjust, for inflation, the fixed-dollar amounts under this Agreement (except for the Initial Franchise Fee) to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

4.8 *Funds.* You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

## 5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation within one hundred and eighty (180) days after the Effective Date of this Agreement. **Time is of the essence.**

5.2 *Site for the Clinic.* As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the Clinic as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your Clinic, all in accordance with the Site Selection Addendum.

5.3 *Our Review and Your Responsibilities.* Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:

5.3.1 You agree that our review, comments about, and even our approval of a proposed site, lease, sublease, design plans, and/or renovation plans for the Clinic is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee of the suitability of that location or the terms of the lease, sublease, and/or purchase agreement.

5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). Additionally, no matter to what extent (if any) that we participate in any lease, sublease, and/or purchase negotiations, discussions with the landlords or property owners, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement, you have to make the final decision as to whether or not the proposed contract is sensible for your business, and the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.

5.3.3 You agree that: **(a)** any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for your Clinic, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); **(b)** our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific Clinic; **(c)** you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and **(d)** our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential patient of certain products and services that are central to the purpose, atmosphere, and functioning of Clinics).

5.3.4 You agree that our recommendation or acceptance of the Accepted Location indicates only that we believe that the Accepted Location falls within the acceptable criteria for

sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Location.

- 5.3.5 We will not review nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the “**ADA**”); and you agree that compliance with such laws is and will be your sole responsibility.
- 5.3.6 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.
- 5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including, that you and the landlord execute a lease rider in the form attached to this Agreement as Exhibit H. You also agree:
- 5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;
- 5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location;
- 5.4.3 that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Accepted Location does not constitute any guarantee or warranty, express or implied, of the successful operation or profitability of your Clinic operated at the Accepted Location (and that our acceptance indicates only that we believe that the Accepted Location and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria); and
- 5.4.4 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.
- 5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following things:
- 5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;
- 5.5.2 purchase or lease equipment, fixtures, furniture, signs and supplies (including Products) as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);
- 5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the

Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements; and

- 5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services.
- 5.6 *Construction or Renovation.* In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:
- 5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Brand Manual. The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will have the right to request changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.
- 5.6.2 You agree to comply with all Operating Codes, including, the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.
- 5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.
- 5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.
- 5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.

- 5.7 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.
- 5.8 *Reporting Development Costs.* Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

## 6 OPERATING OWNER, PERSONNEL, AND TRAINING

### 6.1 *Operating Owner and Management.*

- 6.1.1 One of the parties that owns an interest in you must serve as your “**Operating Owner**.” The Operating Owner must supervise the operation of the Franchised Business and must directly own and control at least fifty one percent (51%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. The Operating Owner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.
- 6.1.2 You must inform us in writing whether the Operating Owner will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If not, then you must employ a full-time Certified Manager (a “**Certified Manager**”) with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.
- 6.1.3 If you do not have a Certified Manager then you must employ at least one (1) general manager and at least one (1) assistant manager (or someone serving in an equivalent capacity, subject to our prior written approval) at all times in the Franchised Business throughout the term of this Agreement, who have successfully completed, to our satisfaction, our initial training program and any additional training that we may require of such persons.
- 6.1.4 The Franchised Business must at all times be under the active full-time management of either Operating Owner or Certified Manager (who must have successfully completed our initial training program to our satisfaction).
- 6.1.5 The term “**Additional Trained Personnel**” means Clinic personnel, in addition to the Operating Owner and Certified Manager, such as physical therapists and other clinicians, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

## 6.2 *Initial Management Training.*

6.2.1 Owners' Training. The Operating Owner and your Certified Manager must attend and successfully complete, to our satisfaction, the initial training program that we offer online or at a location that we specify.

### 6.2.2 Clinic Management Training.

6.2.2.1 The Certified Manager (and your initial general manager as well as your initial assistant manager) must also attend and successfully complete, to our satisfaction, the clinic management training program that we offer at our headquarters, online, or another location that we specify. (Your Certified Manager will train your subsequently hired general managers and assistant managers.)

6.2.2.2 You may send up to four (4) individuals to the initial training program (which may be online or at a location we select). If you wish to send additional individuals to be trained (including the Operating Owner, Certified Manager, and Additional Trained Personnel) to the initial training program, you must pay us a training fee in the amount of Five Thousand Dollars (\$5,000) for each additional individual to be trained.

## 6.3 *Additional Obligations and Terms Regarding Training.*

6.3.1 If for any reason your Operating Owner and/or Certified Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your Certified Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us a discounted training fee in the amount of Five Thousand Dollars (\$5,000) for each replacement individual to be trained, with payment to be made in full before training starts.

6.3.2 We may require that you and your Operating Owner, Certified Manager and Additional Trained Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically.

6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Products and Services that will be offered to patients of the Clinic.

6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F to this Agreement.

### 6.3.5 Training Costs and Expenses.

6.3.5.1 We agree to bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2, 6.3, 6.4, and 6.5 of this Agreement.

- 6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place online, or at one or more locations that we designate.
- 6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.
- 6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

6.4 *Additional On-Site Training.* You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your Clinic in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

6.5 *Conventions and Meetings.* You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well). You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

## 7 PURCHASING AND SUPPLY

*The requirements of this Section 7 apply to Proprietary Items (Section 7.2), Input Items that you must purchase or otherwise source from approved suppliers (Section 7.1), and Input Items that you must otherwise purchase or source in accordance with our standards and specifications (Section 7.3).*

7.1 *Input Items.* You agree to buy all equipment, furniture, supplies, materials (such as packaging), and other products and services used (or offered for sale) at the Clinic (together, "**Input Items**") only from suppliers as to whom we have given our prior written approval (and whom we have not subsequently disapproved). In this regard, the parties further agree:

7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights).

- 7.1.2 For the purpose of this Agreement, the term “**supplier**” includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that we have the right to appoint only one supplier for any particular product or item (which may be us or one of our affiliates).
- 7.1.3 You agree to offer and sell only Products and authorized services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Product or an authorized service.
- 7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.
- 7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Clinics with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Clinics, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Clinics. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.
- 7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, “**Allowances**”) offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on purchases of products, sanitary materials, and other items. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

- 7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.2 *Proprietary Items.* You agree that: **(a)** certain Products that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products (“**Proprietary Items**”); **(b)** we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and **(c)** we have the right to determine whether any particular item (now or in the future) is or will be deemed a “Proprietary Item.”
- 7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Brand Manual or otherwise in writing.
- 7.4 *Use of the Marks.* You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term “**Logo Items**” is agreed to mean all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in Section 13.8 below).
- 7.5 *Manufacturing.* You agree not to produce or otherwise manufacture any items in your Clinic (except for products that we have otherwise authorized and approved for production in the Brand Manual or otherwise in writing).

## 8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

- 8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other “ScoliCare” franchisees in order to develop and maintain our brand and operating standards, to provide patient service to patients and participants, to increase the demand for the Products and services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.
- 8.2 *Opening.* In connection with the opening of the Franchised Business:
- 8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.
- 8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule

such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.

- 8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.
- 8.2.4 You agree not to open the Franchised Business until the Operating Owner, Certified Manager, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business' patients.
- 8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

### 8.3 *Staffing.*

- 8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service patients and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Brand Manual.
- 8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with patients, vendors, and our staff as well.
- 8.3.3 Your employees must comply with such dress code and other brand standards as we may reasonably require, which may include use of branded (or other "uniform") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Brand Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you (and that you ensure that your employees also) comply with our brand standards concerning personal appearance (including dress code, footwear, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).
- 8.3.4 You agree to develop, cultivate, and at all times maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.

- 8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:

- 8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
- 8.4.2 You agree: **(a)** to sell or offer for sale only those Products, authorized services and items using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Products, authorized services and items using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Products or services that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.
- 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Products, equipment and to remove samples of items or Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.
- 8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, any action, and/or any crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.
- 8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.
- 8.5 *Use of the Premises.* You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Accepted Location.
- 8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.

- 8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, “**Operating Codes**” means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services, Products, construction and design of the Clinic, and/or other aspects of operating the Franchised Business (including the ADA, billing and coding requirements, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and other insurance requirements, laws pertaining to employment, etc.).
- 8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.
- 8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.
- 8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.
- 8.8 *Your Franchised Business:*
- 8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the Franchised Business as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8,1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Section 8.8.2 below with respect to Major Remodeling. You also agree to complete a Minor Refurbishment as we may reasonably require, which will not be more than once every five (5) years. (The term “**Minor Refurbishment**” includes Computer Upgrades as defined in Section 14 below.)
- 8.8.2 *Major Remodeling.* In addition to the maintenance and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Clinics, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, “**Major Remodeling**”). In this regard, the parties agree that:

- 8.8.2.1 You will not have to conduct a Major Remodeling more than once every ten (10) years during the term of this Agreement, including any renewals (and not in an economically unreasonable amount); provided, however, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and
- 8.8.2.2 You will have ninety (90) days after you receive our written notice within which to complete a Major Remodeling (but, in the case of a renewal, the Major Remodeling must be completed before you may renew).
- 8.9 *Use of the Marks.* You agree to follow all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).
- 8.10 *Depending on your type of Entity:*
- 8.10.1 *Corporation.* If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.
- 8.10.2 *Partnership/LLP.* If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.
- 8.10.3 *LLC.* If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.
- 8.10.4 *Guarantees.* If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this

Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.

- 8.11 *Quality-Control and Patient Survey Programs.* We may periodically designate an independent evaluation service to conduct a “mystery shopper,” “patient survey,” “product safety,” and/or similar quality-control and evaluation programs with respect to Clinics. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).
- 8.12 *Prices.*
- 8.12.1 We may periodically provide suggested retail pricing, however (subject to Section 8.12.2 below), you will always have the right to set your own prices.
- 8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Clinic under this Agreement. You will have the right to set the prices that you will charge to your patients; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.
- 8.13 *Environmental Matters.* Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors’ actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.
- 8.14 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Clinic. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.
- 8.15 *Suspending Operation.* You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any equipment used, or products or services sold, at the

Franchised Business deviate from our standards; **(b)** any equipment used, or products or services sold, at the Franchised Business fail to comply with applicable laws or regulations; and/or **(c)** you fail to maintain the equipment, Franchised Business premises, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or products or services to be sold, at the Franchised Business comply with our standards. This Section 8.15 does not limit or restrict our other rights under this Agreement.

- 8.16 *Minimum Conversion Requirement.* During the term of this Agreement you must fit no less than forty-five percent (45%) of all scoliosis patients of the Franchised Business with Proprietary Item scoliosis corrective brace products (the “**Minimum Conversion**”). The rate at which you fit patients with Proprietary Item scoliosis corrective brace products will be measured on a quarterly basis. If you fail to meet the Minimum Conversion for four (4) consecutive quarters, we will have the right to terminate this Agreement pursuant to Section 17.2.15 below.

## 9 PROPRIETARY MARKS

- 9.1 *Our Representations.* We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:
- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.
- 9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).
- 9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name “ScoliCare” without prefix or suffix (except with our prior written approval).
- 9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business (visible to patients, visible only to your staff, and otherwise as we may designate in writing).

- 9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.
- 9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.
- 9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.
- 9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.
- 9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:
- 9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.
- 9.2.9.2 Defense and Costs:
- (a) *If You Used the Marks in Accordance with this Agreement*: If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement).
- (b) *If You Used the Marks But Not in Accordance with this Agreement*: If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and

all other related expenses, as well as the cost of any judgment or settlement.

- 9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 *Your Acknowledgements.* You agree that:

- 9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.
- 9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.
- 9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).
- 9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.
- 9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.
- 9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:
- 9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and services;
- 9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and
- 9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.
- 9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

## 10 CONFIDENTIAL BRAND MANUAL

- 10.1 *You Agree to Abide by the Brand Manual.* In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.
- 10.2 *Format of the Brand Manual.* We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.
- 10.3 *We Own the Brand Manual.* The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.
- 10.4 *Confidentiality and Use of the Brand Manual.*
- 10.4.1 The Brand Manual contains our proprietary information and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.
- 10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.
- 10.5 *You Agree to Treat Brand Manual as Confidential.* You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.
- 10.6 *Which Copy of the Brand Manual Controls.* You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain in our headquarters will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.

- 10.7 *Revisions to the Brand Manual.* We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.
- 10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

## 11 CONFIDENTIAL INFORMATION

### 11.1 Confidentiality.

- 11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.
- 11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.
- 11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them.
- 11.1.4 As used in this Agreement, the term “**Confidential Information**” includes, without limitation, our business concepts and plans, business model, financial model, brace technology, diagnosis and treatment methods, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manual, patient profiles, preferences, or statistics, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to

be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

- 11.2 *Consequences of Breach.* You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

## 12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

### 12.1 *Accounting Records and Sales Reports.*

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), or for such longer period of time as may be required by applicable laws or regulations, full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash reports in accordance with our standards; **(h)** periodic balance sheets, periodic profit and loss statements, and periodic trial balances; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program.

12.1.4 Each Period, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), the Sales Report and payroll journals for the Franchised Business for the immediately preceding Period. You agree to submit the report and journals to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports or journals to us in a timely manner,

and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

## 12.2 *Financial Statements.*

- 12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.
- 12.2.2 In addition, each Period during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business and a periodic trial balance through the end of each Period; **(b)** reports of those income and expense items of the Franchised Business for the Period that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** copies of all state sales tax returns for the Franchised Business; and **(d)** copies of withholding remittances. You agree to provide to us the materials required by Sections 12.2.2(a) and 12.2.2(b) above by the Due Date, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.
- 12.2.3 Upon our request, you agree to take a physical inventory of the stock at your Clinic and to provide us with a written report on the results of that inventory.
- 12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days of when you file those returns and within one hundred and eighty (180) days of each fiscal year end. If you do not meet your obligation to provide us with access to your books and records, as well as copies of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as sales reports), then we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).
- 12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.

- 12.3 *Additional Information.* You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.
- 12.4 *PCI Compliance and Credit Cards.* With respect to processing patient payments by credit and debit cards, you agree to do all of the following:
- 12.4.1 You agree to comply with all of our policies regarding patient payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase requirements for a patient's use of a credit and/or debit card, and other such requirements that we may set out in the Brand Manual.
- 12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").
- 12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.
- 12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
- 12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.
- 12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.
- 12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

- 12.5 *Gift Cards and Affinity Programs.* You agree to offer for sale, and to honor for purchases by patients, all gift cards and other affinity or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or patient affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by the written standards that we establish and disseminate (in the Brand Manual or otherwise) with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with the supplier of gift cards and gift card processing services, as we may specify in writing in the Brand Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.
- 12.6 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.
- 12.7 *Operational Inspections.* In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) (not to exceed Three Thousand Dollars (\$3,000) per inspection) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

## 13 MARKETING

### 13.1 *Marketing Contribution.*

13.1.1 Beginning on the Commencement Date, and for each Period during the term of this Agreement thereafter, you agree to contribute or spend an amount equal to four and one-half percent (4.5%) of your Franchised Business' Gross Sales during the preceding Period (the "**Marketing Contribution**"), allocated as provided in Section 13.1.2 below. You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum sum specified in Exhibit A to this Agreement to conduct the Grand Opening Marketing Program (as further described in Section 13.5 below).

13.1.2 We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: **(a)** the marketing and promotional fund for the U.S. (the "**Marketing Fund**"), if established as noted below; **(b)** any Regional Fund established for your area, as provided in Section 13.3 below (but we are not required to establish a Regional Fund for your area); and **(c)** to be spent by you on local marketing and promotion.

13.1.3 We currently allocate the Marketing Contribution as follows:

3%	To be contributed to the Marketing Fund; and
1.5%	To be spent by you on local marketing and promotion, as specified in Section 13.4 below.

13.1.4 We have the right to periodically make changes to the allocation of the Marketing Contribution by giving you written notice of the change, and those changes will take effect at the end of that Period.

13.1.5 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

13.2 *Marketing Fund.* We have the right (but not the obligation) to establish, maintain, and administer the Marketing Fund. If we establish the Marketing Fund, then the following provisions will apply to it:

13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

13.2.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or

promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Clinics and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Clinics operated under the System).

- 13.2.3 You agree to contribute the portion of the Marketing Contribution allocated to the Marketing Fund in the manner and at the times that are specified above in Section 4.3. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Marketing Fund will be accounted for as a separate fund, however we are not obligated to keep the funds in a separate bank account. The Marketing Fund will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for franchisees and the System. The Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.
- 13.2.4 The Marketing Fund is not and will not be our asset. A statement of the Marketing Fund's operations, as shown on our books will be prepared each fiscal year and a record of revenue and expenditures for any given year will be made available 120 days after each year end upon written request.
- 13.2.5 Although once established the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.
- 13.3 *Regional Fund.* We have the right to designate any geographical area for purposes of establishing a Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation.

In no event will you be required to join more than one Regional Fund. The following provisions will apply to each such Regional Fund:

- 13.3.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.
  - 13.3.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.
  - 13.3.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.8 below.
  - 13.3.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.
  - 13.3.5 Voting will be on the basis of one vote per full-service Clinic, and any full-service Clinics that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised Clinic in the Regional Fund shall also have one vote (no matter how many people own the franchisee).
  - 13.3.6 A majority of the Clinic owners in the Regional Fund may vote to increase the amount of each Clinic owner's contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each Clinic's Gross Sales. You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each Clinic's contribution as provided in this section.
  - 13.3.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.
- 13.4 *Local Marketing and Promotion.* You must spend such amounts on local marketing and promotion as we specify in Sections 13.1.3 and 13.1.4 above on a continuous basis (monthly if not otherwise as agreed with us in writing). In addition, we have the right, but not the obligation, to require you to implement at your Franchised Business and at your cost, recommended local area and digital marketing strategies (including the use of third party suppliers that we designate) to implement and manage social and digital media advertising programs, or other marketing activities, as we may direct. We encourage you to spend such additional amounts, and to engage in such local business development, as you deem necessary to maximize the potential of your Franchised Business within the market. As used in this Agreement, the term "local marketing and promotion" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion and business development that you spend in your local market or area (including the costs of attending directly applicable industry conferences

and events and conducting presentations and webinars regarding the Franchised Business and the Products to medical practitioners), advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

- 13.4.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities;
  - 13.4.2 Charitable, political, or other contributions or donations; and/or
  - 13.4.3 The value of discounts provided to patients.
- 13.5 *Grand Opening Marketing Program.* In addition to the Marketing Contribution, you agree to spend at least the amount designated on the Data Sheet attached as Exhibit A for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin at least thirty (30) days before the Commencement Date and be completed no later than forty-five (45) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.8 below.
- 13.6 *Materials Available for Purchase.* We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
- 13.7 *Standards.* All of your local marketing and promotion must: **(a)** be in the media, and of the type and format, that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.8 below.
- 13.8 *Our Review and Right to Approve All Proposed Marketing.* For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within twenty (20) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.
- 13.9 *Rebates.* You agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.

- 13.10 *Initial Digital Site Advertising Program.* Upon execution of this Agreement, you must deposit with us the sum of Nine Thousand Dollars (\$9,000) for the Initial Digital Site Advertising Program for the Franchised Business, which will be conducted during the six (6) month period following the Commencement Date. We will manage this program, and the disbursement of the funds for the program will be spent directly on Digital Site advertising efforts and search engine optimization geographically targeted to the Franchised Business.
- 13.11 *Considerations as to Charitable Efforts.* You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 13.12 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

## 14 TECHNOLOGY

- 14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:
- 14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Clinics, and in accordance with our standards, including without limitation: **(a)** back office systems; **(b)** systems to store data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Clinics, between or among Clinics, and between or among the Franchised Business, and you, and us; **(c)** physical, electronic, and other security systems and measures; **(d)** printers and other peripheral devices; **(e)** archival back-up systems; **(f)** technology used to enhance and evaluate the patient experience; **(g)** front-of-the-house WiFi and other connectivity service for patients and patients; and **(h)** internet access mode (e.g., form of telecommunications connection) and speed; (collectively, all of the above are referred to as the “**Computer System**”).
- 14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** computer software programs and accounting system software that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) (“**Required Software**”), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term “Required Software” also includes the affinity program cards that is required under Section 12.5 above.

- 14.1.3 You agree to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.
- 14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**") (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).
- 14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).
- 14.1.7 Each Period, you agree to pay us a technology fee in our then-current amount. You may also be charged fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business.
- 14.2 *Data.*
- 14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (excluding consumers' credit card and/or other payment information) (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you.
- 14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including patient and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.
- 14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.
- 14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.
- 14.3 *Data Requirements and Usage.* We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System

installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:

- 14.3.1 You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, vendor, and transactional information (including HIPAA) ("**Privacy Laws**").
  - 14.3.2 You agree to comply with our standards and policies that we may issue (without any obligation to do so) pertaining to the privacy of consumer, employee, vendor, and transactional information. If there is a conflict between our standards and policies and Privacy Laws, you agree to: **(a)** comply with the requirements of Privacy Laws; **(b)** immediately give us written notice of such conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.
  - 14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.
  - 14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.
- 14.4 *Extranet.* You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.
- 14.5 *No Separate Digital Sites.* Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, Instagram, TikTok, Stitcher, etc.), blogs, vlogs, podcasts, applications to be used on computers and other mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:
- 14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.

- 14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.8 above.
- 14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.
- 14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.
- 14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).
- 14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.
- 14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.
- 14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.6 *Recordation of Gross Sales.* You agree to record all sales and transactions for the Franchised Business on computer-based systems that we have approved in writing or on such other types of equipment that we may designate in the Brand Manual or otherwise in writing, which will be deemed part of your Computer System. You agree to utilize computer-based systems that are fully compatible with any program or system (which we will have the right to require) and you agree to record all Gross Sales and all sales information on such equipment.
- 14.7 *E-Mail.* You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: (a) the content of such electronic advertisements or solicitations; and (b) your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as “CASL”). (As used in this Agreement, the term “**electronic communication**” includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)
- 14.8 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed

outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.

- 14.9 *Telephone Service.* You agree to use the telephone service for the Clinic that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.
- 14.10 *Changes.* You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services.
- 14.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging.* You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, "**Official Senders**") to you during the term of this Agreement.
- 14.11.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.
- 14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.
- 14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.smith@SCOLICARE.com or "jane.jones@SCOLICAREfranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that

we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

## 15 INSURANCE

- 15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" (VII) in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):
- 15.1.1 Comprehensive general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property damage occurring in or about the Clinic and including products liability, personal and advertising liability, tenant's liability and medical payments, with such policy to be placed with minimum limits of One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased.
  - 15.1.2 Automobile liability insurance (subject to Section 15.2 below), including owned, non-owned and rented/hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage.
  - 15.1.3 Statutory workers' compensation insurance and employer's liability insurance (all subject to Section 15.2 below) for a minimum limit equal to at least One Million Dollars (\$1,000,000) for any claims brought against the employer by an employee for an intentional injury.
  - 15.1.4 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit to cover all first and third party cyber claims, including ransomware, and social engineering for One Hundred Thousand Dollars (\$100,000).
  - 15.1.5 Employment practices liability insurance (subject to Section 15.2 below) with limits of liability not less than Five Hundred Thousand Dollars (\$500,000) to cover any wrongful employment acts, third-party liability for discrimination and harassment, including wage and hour defense for at least One Hundred Thousand Dollars (\$100,000) and

including us as a co-defendant. This policy may not have any exclusions for pandemics or viruses.

- 15.1.6 Commercial umbrella liability insurance (subject to Section 15.2 below) with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers liability) to not less than Two Million Dollars (\$2,000,000) total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.
- 15.1.7 Property insurance to cover 100% of the replacement cost of all build-out, furniture, fixtures, equipment and inventory used in the Franchised Business. This policy must include flood and/or earthquake coverage in geographically prone zones.
- 15.1.8 Business income and extra expense insurance to cover actual loss sustained for 12 months (unless not commercially available in which case coverage for at least 50% of your annual Gross Sales). This policy must also cover Royalty Fees due to us.
- 15.1.9 Professional liability insurance with limits of at least Three Million Dollars (\$3,000,000) in the aggregate to cover any wrongful act or malpractice claim brought against you and/or us as a result of your professional services in connection with the Franchised Business. This policy must be written on an occurrence form unless not commercially available. A two-year tail policy will be required if this policy is cancelled or non-renewed due to cessation of your business operations under this Agreement. This policy may not have a retention or deductible greater than \$25,000 per claim.
- 15.1.10 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).
- 15.1.11 All coverages must be written with no coinsurance penalty.
- 15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:
  - 15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.
  - 15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).
  - 15.2.3 All public liability and property damage policies must: **(a)** list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.

- 15.2.4 You agree to provide us with sixty (60) days' advance written notice in the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.
- 15.3 *Construction Coverages.* In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Brand Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.
- 15.4 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Clinics that you (and/or your affiliates) operate under the System.
- 15.5 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.
- 15.6 *Required Coverages are Minimums.* You agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.
- 15.7 *Obtaining Coverage.* If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.
- 16 TRANSFER OF INTEREST**
- 16.1 *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2 *Your Principals.* Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds

in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

- 16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.
- 16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:
- 16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.
- 16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.
- 16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.
- 16.4.2 You agree (unless you are a partnership) that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.
- 16.4.3 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.
- 16.4.4 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Clinic (such as sales reports) (although we will have the right not to provide any or all such information).
- 16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then

we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

- 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.
- 16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and marketing fees.
- 16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Clinics then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.
- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A Principal of the transferee whom we designate to be a new Operating Owner, and those of the transferee's Operating Owner, Certified Manager, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training

programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).

- 16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be in an amount equal to the greater of Twenty Four Thousand Five Hundred Dollars (\$24,500) or fifty percent (50%) of our then-current initial franchise fee charged at that time to new Clinic franchisees. If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer.
- 16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.
- 16.6 *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:
- 16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.
- 16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.
- 16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

- 16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.
- 16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting a your proposed transaction, including our attorneys' fees.
- 16.7.1 In addition, if the deceased or incapacitated person is the Operating Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Clinic.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency.

Any materials to be used in any exempt offering must be submitted to us for such review before their use.

- 16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.
- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.
- 16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.
- 16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.
- 16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

## 17 DEFAULT AND TERMINATION

- 17.1 *Automatic with no notice and no opportunity to cure.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you will become insolvent or make a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30)

days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.

- 17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):
- 17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);
- 17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);
- 17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, any other crime or offense; and/or take an action that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;
- 17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.15 above;
- 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;
- 17.2.6 If you fail to comply with the requirements of Section 19 below;
- 17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;
- 17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7 above;
- 17.2.9 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;
- 17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

- 17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the Clinic that is not a Product or a Service;
- 17.2.12 If you fail to pay any taxes owed by the Franchised Business to any applicable governmental authority within ten (10) days following receipt of written notice from such authority(ies) of a failure to pay taxes;
- 17.2.13 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;
- 17.2.14 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so; and/or
- 17.2.15 If you fail to meet the Minimum Conversion for four (4) consecutive quarters.
- 17.3 *With Notice and Opportunity to Cure.*
- 17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).
- 17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.
- 17.4 *Bankruptcy.* If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same

consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

- 17.5 *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.
- 17.6 *Reservation of Rights under Section 17.5.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.
- 17.7 *Damages.* You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

## 18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect (except to the extent otherwise permitted under a separate valid franchise agreement between you and/or one of your affiliates and us):

- 18.1 *Cease Operation.* You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.
- 18.2 *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the marks "SCOLICARE" and "ScoliCare" and any and all other current and former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.
- 18.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks "SCOLICARE" and "ScoliCare" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 18.4 *Premises.* We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Clinic is operated and/or for the building in which the Clinic is operated.

- 18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Clinics, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.
- 18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 18.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 18.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.
- 18.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.

- 18.9 *Return Confidential Information.* You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.
- 18.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.
- 18.11 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.
- 18.12 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

## 19 COVENANTS

- 19.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Owner) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.
- 19.2 *Understandings.*
- 19.2.1 You agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.
- 19.2.2 As used in this Section 19, the term "**Competitive Business**" is agreed to mean any business that: **(a)** is the same as or similar to the Franchised Business; and/or **(b)** derives fifteen percent (15%) or more of its gross revenues from the treatment of scoliosis.
- 19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

- 19.3.1 Divert or attempt to divert any actual or potential business or patient of any Clinic to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.
- 19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.
- 19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only: **(a)** within the Protected Territory; **(b)** within five (5) miles of your former Franchised Business; and **(c)** within five (5) miles of any then-existing or planned Clinic business that is then-current operated or planned elsewhere. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.
- 19.5 *Post-Term.* You further covenant and agree that, for a continuous period of two (2) years after **(a)** the expiration of this Agreement, **(b)** the termination of this Agreement, and/or **(c)** a transfer as contemplated in Section 16 above:
- 19.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and
- 19.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.
- 19.6 *Periods of Non-Compliance.* Any period of non-compliance with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “**publicly-held corporation**” is agreed to mean an entity whose securities are registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Owner, Certified Manager, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.

- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.
- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You agree that if you violate this Section 19, that would result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

## 20 TAXES, PERMITS, AND INDEBTEDNESS

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.
- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Codes are in conflict with the terms of this Agreement, the Brand Manual, or our

other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within two (2) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

## 21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 21.1 *Independent Contractor Relationship.* The parties agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

- 21.2 *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out as an independent contractor operating the business pursuant to a franchise from us both to the public and also to your staff. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at the Accepted Location, the content and placement of which we reserve the right to specify in the Brand Manual or otherwise.

- 21.3 *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

- 21.4 *Indemnification.*

21.4.1 You agree to indemnify, hold harmless, and defend each of the Franchisor Parties against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: **(a)** survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and

**(b)** exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure.* We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

21.4.3 *Definitions.* As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 **"Claim"** means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Clinic, sale of Products or Services, events occurring at the Clinic, data theft or other data-related event, or otherwise, whether asserted by a patient, vendor, employee, or otherwise), a violation of the Operating Codes, and/or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses). The parties agree that the indemnification obligations under Section 16.11.2 are included within this definition of a Claim.

21.4.3.2 **"Expenses"** includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 **"Franchisor Parties"** means us and our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, managers, agents, and employees.

## 22 FORCE MAJEURE

22.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, environmental emergencies, public health emergencies, epidemics, and/or other casualties; and/or **(d)** our

inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.

- 22.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

## 23 APPROVALS AND WAIVERS

- 23.1 *Request for Approval.* Whenever this Agreement requires our prior approval or consent, you agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.
- 23.2 *No Warranties or Guarantees.* You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.
- 23.3 *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

## 24 NOTICES

- 24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.
- 24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered into that e-mail address.
- 24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

## 25 ENTIRE AGREEMENT AND AMENDMENT

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Agreement disclaims any representation that we made in our Franchise Disclosure Document ("**FDD**") (including the exhibits and any amendments to the FDD).
- 25.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

## 26 SEVERABILITY AND CONSTRUCTION

- 26.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading "Introduction," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.
- 26.2 *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.
- 26.5 *Including.* The parties agree that when used in this Agreement, the terms "include", "includes", and "including" shall be understood to mean "*including but not limited to*".
- 26.6 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.
- 26.7 *Expenses.* Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

26.8 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

## 27 APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 *Choice of Law.* This Agreement takes effect when we accept and sign this document. The parties agree that the State of New York has a deep and well developed history of business decisional law. For that reason, the parties agree that all relations between us and you, and any and all disputes between us and you, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by the laws of the State of New York (without reference to and without applying New York (or any other) choice of law conflicts of law principles), except to the extent governed by the US Trademark Act of 1946 (the Lanham Act; 15 U.S.C. § 1050, et seq.), as amended. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the Franchised Business is located outside of New York and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section 27.1 is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state that would not otherwise apply without the words of this Section 27.1.

27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over New York County, New York. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.

27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.

27.3 *Mediation.* Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to Los Angeles, California.

27.4 *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

- 27.5 *Injunctions.* Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6 **WAIVER OF JURY TRIALS.** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.
- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR.** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.
- 27.8 **WAIVER OF PUNITIVE DAMAGES.** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).
- 27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

## 28 ACKNOWLEDGMENTS

- 28.1 *Your Investigation of the Clinic Possibilities.* You acknowledge, recognize, and agree that: (a) you conducted an independent investigation of the business franchised under this Agreement; (b) this business venture involves business and financial risks; and (c) your success will be largely dependent upon your personal ability (and that of your owners as independent businesspersons).
- 28.2 *No Warranties or Guarantees.* We expressly disclaim the making of (and you agree that you did not receive) any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.
- 28.3 *Receipt of FDD and Complete Agreement.* You acknowledge receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with sufficient time to review it with your advisors. You also acknowledge receipt of our FDD at least fourteen (14) days before you signed this Agreement and made any payment to us.

- 28.4 *You Have Read the Agreement.* You agree that you have read and understood the FDD, this Agreement, and all of the exhibits to this Agreement.
- 28.5 *Your Advisors.* You acknowledge that we recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement, and that you had sufficient time and opportunity to consult with those advisors.
- 28.6 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: **(a)** negotiating and entering into this Agreement; **(b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its obligations and responsibilities under this Agreement.
- 28.7 *Your Responsibility for the Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.
- 28.8 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Clinic, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.
- 28.9 *Different Franchise Offerings to Others.* You agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 28.10 *Our Advice.* You agree that our advice is only that; that our advice is not a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.
- 28.11 *Your Independence.* You agree that:
- 28.11.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);
  - 28.11.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
  - 28.11.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;
  - 28.11.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards

(or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and

- 28.11.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.
- 28.12 *Success Depends on You.* You agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided by you and your staff, as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.
- 28.13 *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Clinics and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

\*\*\*\*\*

**IN WITNESS WHEREOF**, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

**ScoliCare Franchising LLC**

Franchisor

\_\_\_\_\_  
Franchisee Entity

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

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

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

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

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

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

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

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

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

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

Address for Notices:

Address for Notices:

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Telephone: \_\_\_\_\_

Attn: \_\_\_\_\_

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

E-mail: \_\_\_\_\_

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT A  
DATA SHEET

¶	Section Cross- Reference	Item
1	1.2	The Accepted Location under this Agreement will be: _____ _____.
2	1.3	The Protected Territory under this Agreement will be: _____ _____.
3	4.1	The Initial Franchise Fee will be Forty Nine Thousand Dollars (\$49,000).
4	4.2	The Royalty Fee will be in the amount equal to five percent (5%) of the Gross Sales of the Franchised Business.
5	4.2.2	The Annual Minimum Royalty Fee is Twenty-One Thousand Dollars (\$21,000) during the first year following the Commencement Date, which will increase by five percent (5%) each anniversary of the Commencement Date during the Term. (By way of example, the Annual Minimum Royalty Fee will be \$22,050 in the second year following the Commencement Date, \$23,152.50 in the third year following the Commencement Date, etc.)
6	13.1	The Marketing Contribution will be four and one-half percent (4.5%) of your Clinic's Gross Sales.
7	13.5	Your minimum expenditure on the Grand Opening Marketing Program will be Five Thousand Dollars (\$5,000).

Initials

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisor

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT B  
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce ScoliCare Franchising LLC (“**Franchisor**”) to sign the SCOLICARE Franchise Agreement between Franchisor and \_\_\_\_\_ (“**Franchisee**”), dated \_\_\_\_\_, 202\_\_ (the “**Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor’s demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor’s affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement.
- S/he agrees to be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.
- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor’s marks such as the

“SCOLICARE” marks) or the system licensed to Franchisee under the Agreement; **(b)** s/he have read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in full; and **(c)** s/he have had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of New York, and that in the event of any conflict of law, New York law will prevail (without applying New York conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

\_\_\_\_\_  
(signed in his/her personal capacity)

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

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

Home Address:

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

\_\_\_\_\_  
(signed in his/her personal capacity)

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

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

Home Address:

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

\_\_\_\_\_  
(signed in his/her personal capacity)

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

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

Home Address:

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

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT C  
LIST OF PRINCIPALS

<b>Name of Principal</b>	<b>Home Address</b>	<b>Percentage Interest Held in Franchisee</b>

Initials

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisor

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT D

**AUTHORIZATION AGREEMENT FOR ACH PAYMENTS  
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)**

\_\_\_\_\_ (Name of Person or Legal Entity)

\_\_\_\_\_ (Tax ID Number (FEIN))

The undersigned depositor (“**Depositor**” or “**Franchisee**”) hereby authorizes ScoliCare Franchising LLC (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**” or “**Bank**”) to debit or credit such account(s) pursuant to our instructions.

\_\_\_\_\_   
Depository/Bank Name

\_\_\_\_\_   
Branch Name

\_\_\_\_\_   
City

\_\_\_\_\_   
State

\_\_\_\_\_   
Zip Code

\_\_\_\_\_   
Bank Transit/ABA Number

\_\_\_\_\_   
Account Number

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name  
of Depositor: \_\_\_\_\_

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

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

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

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

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT E  
ADA CERTIFICATION

ScoliCare Franchising LLC (“**Franchisor**” or “**us**”) and \_\_\_\_\_ (“**Franchisee**” or “**you**”) are parties to a franchise agreement dated \_\_\_\_\_, 202\_\_ (the “**Franchise Agreement**”) for the operation of a Franchised Business at \_\_\_\_\_ (the “**Franchised Business**”).

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.
- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.
- You acknowledge that we have relied on the information contained in this certification.
- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

\_\_\_\_\_  
Franchisee:

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

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

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

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT F-1

SAMPLE FORM OF  
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT  
*(to be signed by franchisee with its  
executive/management staff)*

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“**Agreement**”) is made on \_\_\_\_\_, 202\_\_\_\_, by and between \_\_\_\_\_ (the “**Franchisee**”), and \_\_\_\_\_, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the “**Member**”).

Background:

A. ScoliCare Franchising LLC (“**Franchisor**”) owns (and/or is a licensee for) a format and system (the “**System**”) relating to the establishment and operation of “SCOLICARE” businesses operating in structures that bear Franchisor’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “**Clinic**”).

B. Franchisor identifies “SCOLICARE” Clinics by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark “SCOLICARE”) and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the “**Proprietary Marks**”).

C. Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a “SCOLICARE” Clinic (the “**Franchised Business**”) and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

**IN CONSIDERATION** of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information.

(a) Member agrees not to, during the term of employment with Franchisee or at any time after that communicate, divulge, or use for their own benefit or for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business that may be communicated to Member or about which Member may be apprised by virtue of your position with Franchisee.

(b) Any and all non-public information about the “ScoliCare” Clinic will be deemed confidential for purposes of this Agreement.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or patient of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a three (3) mile radius of the Accepted Location.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" means any business that derives fifteen percent (15%) or more of its gross revenue from the treatment of scoliosis.

(e) As used in this Agreement, the term "Post-Term Period" means one (1) year from the date of termination of Member's employment with Franchisee (except as may otherwise be required under applicable law). Any period of non-compliance with this requirement shall not count toward satisfying this requirement.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Employee confirm that they have read and understand the terms of this Agreement, and intend to be legally bound by the terms of this Agreement, each party has voluntarily signed this Agreement on the date first written above.

FRANCHISEE

EMPLOYEE

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT F-2

SAMPLE FORM OF  
NON-DISCLOSURE AGREEMENT  
*(to be signed by franchisee with its  
non-management staff)*

THIS NON-DISCLOSURE AGREEMENT (“**Agreement**”) is made on \_\_\_\_\_, 202\_\_\_\_, by and between \_\_\_\_\_ (the “**Franchisee**”), and \_\_\_\_\_, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the “**Employee**”).

Background:

A. ScoliCare Franchising LLC (“**Franchisor**”) owns a format and system (the “**System**”) relating to the establishment and operation of “SCOLICARE” businesses in structures that bear Franchisor’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “**Clinic**”).

B. Franchisor identifies “SCOLICARE” Clinics by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark “SCOLICARE”) and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the “**Proprietary Marks**”).

C. Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a “SCOLICARE” Clinic (the “**Franchised Business**”) and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

**IN CONSIDERATION** of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information.

(a) Employee agrees not to, during the term of employment with Franchisee or at any time after that communicate, divulge, or use for their own benefit or for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business that may be communicated to the Employee or about which the Employee may be apprised by virtue of your position with Franchisee.

(b) Any and all non-public information about the “ScoliCare” Clinic will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Employee agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Employee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Employee agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Employee hereby acknowledges and agrees that the Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Employee confirm that they have read and understand the terms of this Agreement, and intend to be legally bound by the terms of this Agreement, each party has voluntarily signed this Agreement on the date first written above.

FRANCHISEE

EMPLOYEE

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT G

**SITE SELECTION ADDENDUM**

ScoliCare Franchising LLC (“**Franchisor**” or “**us**” or “**we**”) and \_\_\_\_\_ (“**Franchisee**” or “**you**”) have this \_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_ entered into a SCOLICARE Franchise Agreement (“**Franchise Agreement**”) and wish to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties agree as follows:

**AGREEMENT**

1. **Time to Locate Site:** Within one hundred and ninety (90) days after the date of this Addendum, you agree to acquire or enter into a binding lease/sublease (collectively, a “**lease**”), at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the “**Franchised Business**”) at a site that we will have approved in writing as provided below. You must provide us with a copy of the signed purchase agreement or lease/sublease (and you need to close/settle on the property if purchasing).

a. Such location must be within the following area: \_\_\_\_\_

(the “**Site Selection Area**”).

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Franchised Business.

c. We will not establish, nor franchise another party to establish, a “SCOLICARE” business operating under the System within the Site Selection Area until the end of the Search Period. For purposes of this Addendum, the term “**Search Period**” means ninety (90) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Franchised Business, whichever event first occurs. Upon expiration of the Search Period, the protections of this paragraph 1.c will expire and you will have no further rights in and to the Site Selection Area other than as otherwise provided in the Franchise Agreement.

d. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services:** We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval:** You must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the thirty-day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities:** After we have approved a site and before the expiration of the Search Period, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the lease rider attached to the Franchise Agreement as Exhibit H. However, even if we examine the lease, we are not responsible for review of the lease for any terms other than those contained in the lease rider.

5. **Accepted Location:** After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will constitute the **Accepted Location** described in Section 1.2 of the Franchise Agreement. The Accepted Location will be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement.

a. You hereby agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

6. **Construction:** This Addendum will be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum will be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein will have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

**ScoliCare Franchising LLC**

Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT H  
LEASE RIDER

**THIS ADDENDUM** (the "**Addendum**") has been executed as of \_\_\_\_\_, 202\_\_\_\_, by and between \_\_\_\_\_ ("**Franchisee**") and \_\_\_\_\_ ("**Landlord**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of \_\_\_\_\_, 202\_\_\_\_ for the premises located at \_\_\_\_\_, in the State of \_\_\_\_\_ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with ScoliCare Franchising LLC ("**Franchisor**") for the development and operation of a "SCOLICARE" business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

**NOW THEREFORE**, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord agrees to deliver to Franchisor a copy of any notice of default by Franchisee or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Landlord a copy of any notice of termination under the Franchise Agreement. Franchisee hereby consents to that exchange of information by Landlord and Franchisor.
2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment will be effective unless and until: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor has notified the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.
3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default by Franchisee, should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.
4. Franchisee and Landlord agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.
5. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord's prior consent, sublet and/or assign the Lease to another franchisee of Franchisor to operate a "SCOLICARE" business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement

with Franchisor. Landlord agrees to execute such further documentation to confirm its consent to an assignment permitted under this Addendum as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a "SCOLICARE" business (unless Franchisor takes an assignment of the lease, as provided above). Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor will bear the expense of repairing any damage to the Premises as a result thereof.
7. If Landlord is an affiliate or an owner of Franchisee, Landlord and Franchisee agree that if Landlord proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the "SCOLICARE" business is located.
8. Landlord agrees that during and after the term of the Lease, it will not disclose or use Franchisor's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "**Confidential Information**" as used herein will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, "look and feel," design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all such Confidential Information belongs exclusively to Franchisor.
9. Landlord agrees that: **(a)** Franchisor has granted to only one party, the Franchisee, the right to use Franchisor's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "**Marks**") at the Premises under the terms of the Franchise Agreement; and **(b)** Franchisor has not granted any rights or privileges to use the Marks to Landlord.
10. Landlord and Franchisee agree that the Premises will be used solely for the operation of a "SCOLICARE" business.
11. Landlord and Franchisee agree that any default by Franchisee under the Lease will also constitute a default under the Franchise Agreement, and any default by Franchisee under the Franchise Agreement will also constitute a default by Franchisee under the Lease.
12. Landlord and Franchisee agree that the terms in this Addendum will supersede any contrary terms in the Lease and that they will not later amend the lease in a manner that supersedes the terms in this Addendum.

13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

14. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at \_\_\_\_\_ (attention \_\_\_\_\_), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal.

ScoliCare Franchising LLC

\_\_\_\_\_  
Landlord:

\_\_\_\_\_  
Franchisor\*

\_\_\_\_\_  
Franchisee:

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

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

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

\_\_\_\_\_  
Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 202\_\_\_\_.

\_\_\_\_\_  
Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 202\_\_\_\_.

\_\_\_\_\_  
Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 202\_\_\_\_.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
My Commission expires:

\_\_\_\_\_  
My Commission expires:

\_\_\_\_\_  
My Commission expires:

\* The Franchisor has signed  
this lease rider only to  
acknowledge its terms and  
not to accept any obligations  
under the lease.

ScoliCare Franchising LLC  
FRANCHISE AGREEMENT  
EXHIBIT I  
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**EXHIBIT D TO THE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**SCOLICARE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**SCOLICARE FRANCHISING, LLC** ScoliCare - 2023 Amended FDD (172)  
**(A Limited Liability Company)**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
ScoliCare Franchising, LLC

### Opinion

We have audited the accompanying financial statements of ScoliCare Franchising, LLC (a limited liability company), which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of operations and member's 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 ScoliCare Franchising, LLC as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 ScoliCare Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 ScoliCare Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

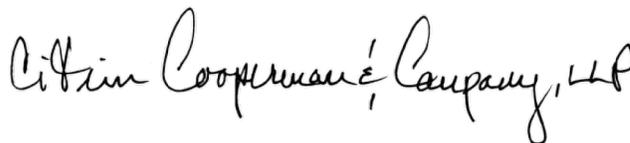
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance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

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

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

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

New York, New York  
December 11, 2023



**SCOLICARE FRANCHISING, LLC** ScoliCare - 2023 Amended FDD (175)  
**(A Limited Liability Company)**  
**BALANCE SHEETS**  
**JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 46,772	\$ 46,705
Due from parent	<u>10,000</u>	<u>2,465</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 56,772</u></b>	<b><u>\$ 49,170</u></b>
<b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
Current liabilities:		
Due to related party	\$ 300	\$ 300
Accounts payable & accrued expenses	7,494	723
Deferred revenues	<u>16,869</u>	<u>-</u>
Total current liabilities	24,663	1,023
Long-term liability:		
Deferred revenues, net of current portion	<u>7,631</u>	<u>-</u>
Total liabilities	32,294	1,023
Commitments and contingencies (Note 7)		
Member's equity	<u>24,478</u>	<u>48,147</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b><u>\$ 56,772</u></b>	<b><u>\$ 49,170</u></b>

See accompanying notes to financial statements.

**SCOLICARE FRANCHISING, LLC** ScoliCare - 2023 Amended FDD (176)  
**(A Limited Liability Company)**  
**STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Revenues:		
Technology fees	\$ 7,200	\$ -
Selling, general and administrative expenses	<u>30,869</u>	<u>1,853</u>
Net loss	(23,669)	(1,853)
Member's equity - beginning	48,147	-
Member contributions	<u>-</u>	<u>50,000</u>
MEMBER'S EQUITY - ENDING	<u>\$ 24,478</u>	<u>\$ 48,147</u>

See accompanying notes to financial statements.

**SCOLICARE FRANCHISING, LLC** ScoliCare - 2023 Amended FDD (177)  
**(A Limited Liability Company)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net loss	\$ (23,669)	\$ (1,853)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Due from parent	(7,535)	(2,465)
Due to related party	-	300
Accounts payable	6,771	723
Deferred revenues	<u>24,500</u>	<u>-</u>
Net cash provided by (used in) operating activities	67	(3,295)
Cash provided by financing activities:		
Member contributions	<u>-</u>	<u>50,000</u>
Net increase in cash	67	46,705
Cash - beginning	<u>46,705</u>	<u>-</u>
CASH - ENDING	<u>\$ 46,772</u>	<u>\$ 46,705</u>

See accompanying notes to financial statements.

**SCOLICARE FRANCHISING, LLC** ScoliCare - 2023 Amended FDD (178)  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

ScoliCare Franchising LLC (the "Company") was formed on April 19, 2021, as a Delaware limited liability company, to sell franchises pursuant to a non-exclusive license agreement dated November 1, 2021, between the Company and ScoliCare US IP LLC (the "Licensor"), an entity related by common ownership and control. Pursuant to the Company's standard franchise agreement, franchisees will operate a clinic under the name "ScoliCare" which offers treatments for scoliosis to children and adults.

The Company is a limited liability company and, therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

During the years ended June 30, 2023 and 2022, primarily all of the Company's overhead expenses were absorbed and paid for by Lasio Rhinus Holdings Inc. (the "Parent"). The Parent has committed to absorb these expenses through June 2023. Subsequent to June 2023, the Parent has committed to absorb these expenses until such time that the Company generates revenues and profits from operations at which point the Company will be able to absorb these expenses and remain profitable.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

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

Revenue recognition

The Company derives substantially all its revenue pursuant to franchise agreements related to franchise fees, royalties, transfer fees, technology fees and marketing fund fees. As of June 30, 2023, the Company derived its revenues from technology fees.

*Franchise fees and royalties*

Contract consideration from franchisees consists primarily of initial or renewal franchise fees, royalties, sales-based marketing fund fees technology fees and transfer fees payable by a franchisee for the transfer of its franchise unit to another franchisee. The initial franchise fees are nonrefundable and collected when the underlying agreement is signed by the franchisee. Royalties, technology fees and marketing fund fees are payable monthly. Renewal and transfer fees are payable when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligations under the franchise agreement include the granting of certain rights to access the Company's intellectual property in addition to a variety of activities relating to the opening of a franchise unit. Those costs would include site selection, training and other such activities commonly referred to collectively as "pre-opening activities." Pre-opening activities consistent with those

**SCOLICARE FRANCHISING, LLC** ScoliCare - 2023 Amended FDD (179)  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Franchise fees and royalties (continued)*

under FASB Accounting Standards Update ("ASU") No. 2021-02, *Franchisors - Revenue from Contracts with Customers* (Subtopic 952-606) ("ASU 2021-02") are recognized as a single performance obligation. For all other pre-opening activities, if any, the Company will determine if a certain portion of those pre-opening activities provided is not brand specific and provides the franchisee with relevant general business information that is separate from the operation of a company-branded franchise unit. The portion of pre-opening activities, if any, that is not brand specific will be deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated to the use of the Company's intellectual property and will therefore be accounted for as a separate performance obligation. All other pre-opening activities are expected to be highly interrelated to the use of the Company's intellectual property and will therefore be accounted for as a component of a single performance obligation which is satisfied along with granting of certain rights to use the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the pre-opening activities and the residual, if any, to the right to access the Company's intellectual property. Considerations allocated to pre-opening activities, other than those included under ASU 2021-02, which are not brand specific are recognized when those performance obligations are satisfied. Consideration allocated to pre-opening activities included under ASU 2021-02 is recognized when those performance obligations are satisfied.

Initial and renewal franchise fees and royalty minimums are fixed considerations under the franchise agreement. The fixed considerations are allocated to the right to access the Company's intellectual property and are recognized as revenue on a straight-line basis over the term of the respective agreement.

Royalties over the fixed minimum are earned as a percentage of franchisee gross sales ("sales-based royalties") over the term of the franchise agreement, as defined in each respective franchise agreement. Franchise royalties which represent sales-based royalties that are related entirely to the use of the Company's intellectual property will be recognized as franchisee sales occur and the royalty is deemed collectible.

*Marketing fund*

The Company may maintain a marketing fund which will be established to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Marketing fund fees will be collected from franchisees based on a percentage of franchisee gross sales. The Company has determined that it acts as a principal in the collection and administration of the marketing fund and therefore will recognize the revenues and expenses related to the marketing fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the marketing fund are highly interrelated and therefore will be accounted for as a single performance obligation. As a result, revenues from the

**SCOLICARE FRANCHISING, LLC** ScoliCare - 2023 Amended FDD (180)  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Marketing fund (continued)*

marketing fund represent sales-based royalties related to the right to access the Company's intellectual property, which will be recognized as franchisee sales occur.

When brand marketing fund fees collected exceed the related marketing fund expenses in a reporting period, advertising costs will be accrued up to the amount of marketing fund revenues recognized, reflecting management's commitment to expend those funds strictly on advertising for the benefit of franchisees and for the costs to administer the fund.

*Other revenues*

The Company recognizes revenue from technology fees and other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

*Incremental costs of obtaining a contract*

The Company will capitalize direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortize them over the term of the franchise agreement.

Income taxes

The Company is treated as a partnership for tax purposes and, as such, is not liable for federal or state income taxes. Accordingly, no provisions have been made for income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon.

Uncertain tax positions

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at June 30, 2023 and 2022.

The Company files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Variable interest entities

In accordance with the provisions of the FASB ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities disclosed in Note 7 meet the conditions under ASU 2018-17, and accordingly, are not required to be included in the Company's financial statements.

**SCOLICARE FRANCHISING, LLC** ScoliCare - 2023 Amended FDD (181)  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently issued but not yet effective accounting pronouncements

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), and subsequent amendment to the initial guidance: ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses* (collectively, "Topic 326"). Topic 326 introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information, and reasonable and supportable forecasts and will generally result in earlier recognition of allowances for losses. For non-public companies, Topic 326 will be effective for annual and interim reporting periods beginning after December 15, 2022. The guidance is to be applied using the modified retrospective approach. The Company is in the process of assessing the impact of Topic 326 on its financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through December 11, 2023, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. FRANCHISED OUTLETS**

The following data reflects the status of the Company's franchised outlets as of and for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Franchises sold	2	1
Franchises purchased	-	-
Franchised outlets in operation	1	-
Corporate-owned outlets in operation	-	-

**NOTE 4. REVENUES AND RELATED-CONTRACT BALANCES**

*Disaggregated revenues*

The Company expects to derive its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States and its ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenues, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company's timing of its revenue recognized for the year ended June 30, 2023, is all point in time.

SCOLICARE FRANCHISING, LLC ScoliCare - 2023 Amended FDD (182)  
(A Limited Liability Company)  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 4. REVENUES AND RELATED-CONTRACT BALANCES (CONTINUED)**

Contract balances

Contract liabilities are comprised of unamortized initial franchise fees received from franchisees, which are presented as "Deferred revenues" in the accompanying balance sheets. A summary of significant changes in deferred revenues is as follows:

	<u>2023</u>	<u>2022</u>
Deferred revenues - beginning of year	\$ -	\$ -
Revenue recognized during the year	-	-
Current year deferred revenue additions	24,500	-
Deferred revenues - end of year	\$ 24,500	\$ -

At June 30, 2023, revenues expected to be recognized over the remaining term of the associated franchise agreements are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2024	\$ 16,869
2025	1,526
2026	1,526
2027	1,526
2028	1,526
Thereafter	1,527
Total	\$ 24,500

Deferred revenues consisted of the following:

	<u>2023</u>	<u>2022</u>
Franchise units not yet opened	\$ -	\$ -
Opened franchise units	24,500	-
Total	\$ 24,500	\$ -

**NOTE 5. CONCENTRATIONS OF CREDIT RISK**

Cash

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash. The Company's cash is placed with a major financial institution. At times, amounts held with this financial institution may exceed federally-insured limits.

Revenues

For the year ended June 30, 2023, 100% of the Company's revenues were derived from one franchisee.

ScoliCare - 2023 Amended FDD (183)

**SCOLICARE FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 6.     MARKETING FUND**

Marketing fund

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to collect marketing fund fees up to 4.5% of franchisees' reported sales. The marketing fund fees will be charged at the same time and in the same manner as the royalty fees under the franchise agreement. These funds are to be spent solely on advertising and related expenses for the benefit of the franchisees with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. As of June 30, 2023, the Company has not established a marketing fund.

Regional Cooperative Marketing Fund

The Company reserves the right to establish a regional cooperative marketing fund ("Regional Cooperative Marketing Fund") for a region in which two or more facilities are located and may allocate a portion of the 4.5% marketing funds collected from franchisees based on the franchisees' reported sales, to be determined by the cooperative members. Regional Cooperative Marketing Fund will be credited towards a franchisee's local marketing expenditures. As of June 30, 2023, a Regional Cooperative Marketing Fund has not been established.

**NOTE 7.     RELATED-PARTY TRANSACTIONS**

License agreement

On November 1, 2021, the Company entered into a five-year non-exclusive license agreement with ScoliCare US IP LLC (the "Licensor") for the use of the registered name "ScoliCare" (the "license agreement"), which is automatically renewable for four additional consecutive terms of five years after the initial five-year term unless the parties mutually agree otherwise. Pursuant to the license agreement, the Company acquired the right to sell and operate ScoliCare franchises in the United States of America, and the right to collect franchise fees, royalties and other fees from franchisees. The Company has not incurred any license fees by the Licensor for the years ended June 30, 2023 and 2022.

Due from parent

In the ordinary course of business, the Company advances funds to the Parent. No interest is charged on these advances. Advances to the Parent are unsecured and have no specific repayment terms. Management expects balances due from the Parent to be settled within the next year. At June 30, 2023 and 2022, the balance due from the Parent amounted to \$10,000 and \$2,465, respectively.

Due to related party

In the ordinary course of business, the Company periodically receives funds from an entity related through common ownership for expenses paid on the Company's behalf. No interest is charged on these advances. Advances from the related party are unsecured and have no specific repayment terms. Management has made arrangements with the related party to settle the balance due within the next year. At June 30, 2023 and 2022, the balance due to the related party amounted to \$300 and \$300, respectively.

## **UNAUDITED FINANCIAL STATEMENTS**

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

# Balance Sheet

## ScoliCare Franchising LLC As of February 29, 2024

FEB 29, 2024

### Assets

#### Current Assets

##### Cash and Cash Equivalents

AWX_ScoliCare Franchising _AUD	2,011.51
AWX_ScoliCare Franchising _USD	8,723.47
City National Bank	51,802.52
<b>Total Cash and Cash Equivalents</b>	<b>62,537.50</b>

Prepayments	6,137.40
<b>Total Current Assets</b>	<b>68,674.90</b>

<b>Total Assets</b>	<b>68,674.90</b>
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### Liabilities and Equity

#### Liabilities

##### Current Liabilities

Accounts Payable	6,794.60
Deferred Franchise Fees	73,500.00
<b>Total Current Liabilities</b>	<b>80,294.60</b>

##### Long Term Liabilities

Loan - ScoliCare Pty Ltd	(87.88)
Loan from Lasio Rhinus Pty Ltd	(10,000.00)
<b>Total Long Term Liabilities</b>	<b>(10,087.88)</b>

<b>Total Liabilities</b>	<b>70,206.72</b>
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#### Equity

Current Year Earnings	(26,010.14)
Issued Capital	50,000.00
Retained Earnings	(25,521.68)
<b>Total Equity</b>	<b>(1,531.82)</b>

<b>Total Liabilities and Equity</b>	<b>68,674.90</b>
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● Exchange rates used to convert foreign currency into USD are shown below. Rates are provided by XE.com unless otherwise stated.

- Feb 29, 2024

 1.53520 AUD (Australian Dollar) – on Mar 1, 2024

# Income Statement (Profit and Loss)

ScoliCare Franchising LLC

For the 8 months ended February 29, 2024

JUL 2023-FEB 2024

## Income

Marketing Fees Received	4,167.31
Royalties Received	10,194.40
Technology Fees Received	10,400.00
<b>Total Income</b>	<b>24,761.71</b>

## Gross Profit

24,761.71

## Operating Expenses

Bank Revaluations	270.63
Bank Service Charges	358.40
IT Services	2,363.94
Online Advertising	5,799.77
Professional Fees	29,261.00
Realized Currency Gains	155.75
SEO	9,590.02
Software Licenses	2,991.55
Unrealized Currency Gains	(19.21)
<b>Total Operating Expenses</b>	<b>50,771.85</b>

## Operating Income

(26,010.14)

## Net Income

(26,010.14)

**EXHIBIT E TO THE DISCLOSURE DOCUMENT**  
**LIST OF FRANCHISEES**

**Franchisees**  
(As of June 30, 2023\*)

D, M & A Holdings \*  
LLC of 1355 S Higley Rd #102,  
Gilbert, Arizona, 85296, USA  
Contact: Anthony Pivonka and Patricia Pivonka  
Telephone: 807 978 631

Colorado Scoliosis Clinic, LLC  
3402 Grizzly Peak Dr,  
Bloomfield, Colorado, 80023  
Contact: Dr Chris Gubbles  
Telephone: 970 217 8881

T. Vision Inc.  
6291 Naples Blvd  
Naples, Florida 34109  
Contact: Dr Thomas Foster Bryant  
Telephone: (239) 513-9004

Scoli Transformation Centers, LLC \*  
9393 Aiken Rd,  
Louisville, Kentucky, 40245  
Contact: Dr Xavier Counts  
Telephone: 937 638 8726

\* Franchise agreement signed after June 30, 2023.

**EXHIBIT F TO THE DISCLOSURE DOCUMENT**  
**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

(As of June 30, 2023)

Scoliosis Center of Utah, LLC\*  
613 E. Fort Union Blvd.  
Midvale, Utah, 84047  
Contact: Dr Katalina Dean  
Telephone: 915 248 9055

\* This franchise agreement terminated in March 2024 and the franchisee did not operate or open its Clinic.

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS OF BRAND MANUAL**  
**(Total Number of Pages 655)**

<b>TABLE OF CONTENTS TO BRAND MANUAL</b>	
<b>BRAND MANUAL CHAPTER</b>	<b>NUMBER OF PAGES</b>
Chapter 1: INTRODUCTION TO THE MANUAL	3
Chapter 2: INTRODUCTION TO THE FRANCHISE SYSTEM	14
Chapter 3: PRE-OPENING	56
Chapter 4: STAFFING YOUR SCOLICARE CLINIC	10
Chapter 5: DAILY OPERATING PROCEDURES	299
Chapter 6: SALES & PRICING	3
Chapter 7: MARKETING & BUSINESS DEVELOPMENT	268
Chapter 8: MANAGEMENT REPORTING	2

**EXHIBIT H TO THE DISCLOSURE DOCUMENT**  
**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

**NOTE: THIS FRANCHISEE DISCLOSURE ACKNOWLEDGEMENT SHALL NOT BE COMPLETED OR SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THIS FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

As you know, ScoliCare Franchising LLC (the “**Franchisor**”) and you are preparing to enter into a franchise agreement (the “**Franchise Agreement**”) for the establishment and operation of a “ScoliCare” clinic (the “**Franchised Business**”). The purpose of this Acknowledgement Statement is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“**Broker**”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Please also note that this Franchisee Disclosure Acknowledgment Statement is not meant to and does not have the effect of disclaiming any of the information provided in Franchisor’s FDD.

1. The following dates and information are true and correct:

- |   |  |
|---|--|
| <p>a. _____, 202__<br/> Initials _____</p>            | <p>The date of my first face-to-face meeting with any person to discuss the possible purchase of a Franchise.</p>  |
| <p>b. _____, 202__<br/> Initials _____</p>            | <p>The date on which I received Franchisor’s Franchise Disclosure Document (“<b>FDD</b>”).</p>   |
| <p>c. _____, 202__<br/> Initials _____<br/> _____</p> | <p>The date when I received a fully completed copy (other than signatures) of the Franchise Agreement, and Addenda (if any), and all other related documents I later signed.</p> |

d. \_\_\_\_\_, 202\_\_ The date on which I signed the Franchise Agreement.

Initials \_\_\_\_\_

2. Did you receive and personally review the Franchise Agreement, each addendum, and related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

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4. Did you receive and personally review the Franchisor's Disclosure Document that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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7. Did you discuss the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Did anyone speaking on the franchisor's behalf make any statement or promise to you about actual or potential revenues, profits, or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees that is different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Did anyone speaking on the franchisor's behalf make any statement or promise regarding the amount of money you may earn in operating the franchised business that is different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Did anyone speaking on the franchisor's behalf make any statement or promise concerning how much revenue the Franchised Business will generate that is different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Did anyone speaking on the franchisor's behalf make any statement or promise regarding the costs you may incur in establishing or operating the Franchised Business that is different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Did anyone speaking on the franchisor's behalf make any statement or promise concerning the likelihood of success that you should or might expect?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Did anyone speaking on the franchisor's behalf make any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is different from the information contained in the Disclosure Document or Franchise Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. Before today, did you enter into any binding agreement with the franchisor concerning the purchase of this franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. Before today, did you pay any money to the franchisor or its affiliates concerning the purchase of this franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Did you speak with any other franchisees in the ScoliCare system before deciding to purchase this franchise? If so, who? \_\_\_\_\_  
\_\_\_\_\_

If you have answered No to question 8, or Yes to any one of questions 9-16, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 8, and No to each of questions 9-16, please leave the following lines blank.

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

I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 202\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

These questions are asked to confirm our understanding of certain facts. Your answers are not a waiver of any law, nor are our questions and your answers a disclaimer by us of any information that we have provided in our disclosure document. Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

This Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Home Address

\_\_\_\_\_  
Printed Name

**EXHIBIT I TO THE DISCLOSURE DOCUMENT**  
**FORM OF GENERAL RELEASE**

The following is our current general release language, which we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

*Franchisee, its officers and directors, partners, members and managers, owners, and their respective agents, heirs, administrators, successors, and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless ScoliCare Franchising LLC, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "**Franchisor Group**"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Facility. (The releases given here include the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor")). The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any patient, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Facility. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.*

Any release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

**Exhibit J: STATE EFFECTIVE DATES**

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

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

<b>STATES</b>	<b>EFFECTIVE DATE</b>
California	Pending
Indiana	March 27, 2024
Maryland	Pending
Minnesota	Pending
Rhode Island	March 27, 2024
Washington	Pending

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

**Exhibit K:****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 ScoliCare Franchising LLC (“**SFL**”) offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale; or (b) under New York law, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship; or (d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If SFL does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is ScoliCare Franchising LLC, located at Level 5, 15 Kensington Street, Kogarah, New South Wales, Australia 2217. Its telephone number is (tel: 1300 883 884).

The issuance date of this disclosure document is December 15, 2023, as amended March 26, 2024.

The franchise seller is Andrew Lyme, Chief Commercial Officer, at ScoliCare Franchising LLC, Level 5, 15 Kensington Street, Kogarah, New South Wales, Australia 2217, (tel: 1300 883 884). Any additional individual franchise sellers involved in offering the franchise are:

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ScoliCare Franchising LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated December 15, 2023, as amended March 26, 2024, that included the following Exhibits:

- |   |   |
|---|---|
| A: List of State Administrators/Agents for Service of Process | F: List of Franchisees Who Have Left The System   |
| B: State Specific Addenda                                     | G: Table of Contents of Brand Manual              |
| C: Franchise Agreement  | H: Franchisee Disclosure Acknowledgment Statement |
| D: Financial Statements                                       | I: Form of General Release                        |
| E: List of Franchisees  | J: State Effective Dates                          |
|   | K: FDD Receipts                                   |

Date: \_\_\_\_\_, 202\_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

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

*Please keep this copy of the receipt with your disclosure document*

**Exhibit K:****Receipt**

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If ScoliCare Franchising LLC (“**SFL**”) offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale; or (b) under New York law, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship; or (d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If SFL does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

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|   | K: FDD Receipts                                   |

Date: \_\_\_\_\_, 202\_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

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

*Please sign, date, and return this copy to us*